

---

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

Commission File Number: 001-14554

**Banco Santander Chile**  
**Santander Chile Bank**

*(Translation of Registrant's Name into English)*

**Bandera 140**  
**Santiago, Chile**

*(Address of principal executive office)*

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F                        Form 40-F           

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes                                        No                   

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes                                        No                   

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes                                        No                   

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

---

---

## Table of Contents

---

**Item**

1. Third Quarter Earnings Report
2. September 2012 Financial Statements in English

### IMPORTANT NOTICE

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos. The consolidated interim unaudited financial statements included in this report 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, the unaudited financial statements included in this 6K have some differences compared to the financial statements filed in our Annual Report on Form 20-F for the year ended December 31, 2011 (the "Annual Report"). 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" of our Annual Report.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BANCO SANTANDER-CHILE**

By: /s/ Cristian Florence  
Name: Cristian Florence  
Title: General Counsel

Date: November 9, 2012



**BANCO SANTANDER CHILE  
THIRD QUARTER 2012  
EARNINGS REPORT**

---

## INDEX

| <u>SECTION</u>   | <u>PAGE</u> |
|--|-------------|
| <b>SECTION 1: SUMMARY OF RESULTS</b>                                     | <b>2</b>    |
| <b>SECTION 2: BALANCE SHEET ANALYSIS</b>                                 | <b>5</b>    |
| <b>SECTION 3: ANALYSIS OF QUARTERLY INCOME STATEMENT</b>                 | <b>9</b>    |
| <b>SECTION 4: CREDIT RISK RATINGS</b>                                    | <b>18</b>   |
| <b>SECTION 5: SHARE PERFORMANCE</b>                                      | <b>19</b>   |
| <b>ANNEX 1: BALANCE SHEET</b>  | <b>20</b>   |
| <b>ANNEX 2: YTD INCOME STATEMENTS</b>                                    | <b>21</b>   |
| <b>ANNEX 3: QUARTERLY INCOME STATEMENTS</b>                              | <b>22</b>   |
| <b>ANNEX 3: QUARTERLY EVOLUTION OF MAIN RATIOS AND OTHER INFORMATION</b> | <b>23</b>   |

### CONTACT INFORMATION

Robert Moreno  
Manager, Investor Relations Department  
Banco Santander Chile  
Bandera 140 Piso 19

Santiago, Chile  
Tel: (562) 320-8284  
Fax: (562) 671-6554  
Email: [rmorenoh@santander.cl](mailto:rmorenoh@santander.cl)  
Website: [www.santander.cl](http://www.santander.cl)

---



## **SECTION 1: SUMMARY OF RESULTS**

### **3Q12: Net income affected by deflation and one-time provision expense**

Net income in the nine-month period ended September 30, 2012 totaled Ch\$274,565 million (Ch\$1.46 per share and US\$1.24/ADR<sup>1</sup>). **3Q12 Net income** attributable to shareholders totaled Ch\$50,563 million (Ch\$0.27 per share and US\$0.23<sup>1</sup>/ADR). Compared to 2Q12 (from now on QoQ), net income decreased 52.2%. Compared to 3Q12 (from now on YoY), net income decreased 32.7%. This decline was mainly due to the lower inflation rate in the quarter that negatively affected net interest margins and a one-time provision expense.

### **Positive evolution of client margins offset by deflation in the quarter**

In 3Q12, **Net interest income** decreased 6.4% QoQ and increased 2.9% YoY. The **Net interest margin** (NIM) in 3Q12 reached 4.7% compared to 5.0% in 2Q12 and 4.6% in 3Q11. In the quarter, the Bank's margins were negatively affected by deflation. The Bank has more assets than liabilities linked to inflation and, consequently, margins have a positive sensitivity to variations in inflation. In 3Q12, the variation of the Unidad de Fomento (an inflation indexed currency unit), was -0.16% compared to inflation of +0.42% in 2Q12 and +0.56% in 3Q11. This reduction signified a QoQ decrease of net interest income of approximately US\$40 million or Ch\$19,000 million. This was partially offset by higher client spreads and an improved funding mix. In 4Q12 UF inflation is expected to be greater than 1%, which should drive NIMs back to levels greater than 5%.



### **Provision expense includes a one-time expense of Ch\$24.7 billion in the quarter**

**Net provision for loan losses** in the quarter totaled Ch\$119,459 million an increase of 52% QoQ and 32.2% YoY. As previously mentioned in the 2Q12 Earnings Report, in the current quarter, the Bank **recalibrated the consumer loan-provisioning model**. This resulted in an increase in the minimum provision set aside for consumer loans at origination given the higher risks observed in this portfolio. As a result, gross provision expenses in 3Q12 includes a **non-recurring provision expense** of Ch\$24,753 million.

<sup>1</sup> Earnings per ADR was calculated using the Observed Exchange Rate Ch\$470.48 per US\$ as of Sept. 30, 2012. The ratio of ordinary shares per ADR was modified from 1,039 share per ADR to 400 shares per ADR.

### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



### **Solid growth of core deposits**

**Core deposits** (demand deposits + time deposits from non-institutional sources), increased 2.1% QoQ and 12.3% YoY. Core deposits as a percentage of total deposits reached 77.2% compared to 73.3% as of June 2012 and 69.7% as of September 2011. This improved the Bank's funding mix, as non-institutional deposits tend to be cheaper and more stable than other sources of funding. **Total deposits** decreased 3.1% QoQ as the Bank, given its high structural liquidity, proactively reduced relatively more expensive institutional short-term deposits, which are not considered as structural funding by the Bank. YTD (as of August, 31<sup>st</sup>), the Bank's market share in terms of total deposits has increased 36 basis points.



\* Demand deposits + time deposits from non-institutional sources

### **Selective loan growth**

In 3Q12, total loans increased 0.7% QoQ and 4.7% YoY. Loan growth was driven by the favorable evolution of the Chilean economy and was mainly focused in the high-end of the retail market, SMEs and the middle-market. The Bank continued with its prudent approach to loan growth in the lower end of the consumer loan segment. **Loans to individuals** increased 0.8% QoQ in 3Q12 and 4.6% YoY. Loans to high-income individuals increased 2.0% QoQ in comparison to a decrease of 1.6% in the mass consumer market. **Lending to SMEs** (defined as companies that sell less than Ch\$1,200 million per year) expanded 3.3% QoQ (8.8% YoY), reflecting the Bank's consistent focus on this growing segment. YTD (as of August 31), the Bank's market share in terms of total loans has decreased 19 basis points.

### **Solid levels of capital: Core capital at 10.6%, BIS at 13.9%**

**ROAE** as of September 2012 reached 18.1%. **Core capital** reached 10.6% as of September 30, 2012 and the Bank's **BIS ratio** reached 13.9% at the same date. Voting common shareholders' equity is the sole component of our Tier I capital. Santander Chile has not issued new shares in more than 10 years.

### **Cost growth moderates as key project advance**

**Operating expenses** in 3Q12 decreased 1.5% QoQ led by a 3.6% QoQ decrease in **personnel expenses**. The Bank continued with its projects of investing in a new Client Relationship Management system and the Transformation Initiatives aimed at enhancing productivity in retail banking. The installment of the new CRM and other initiatives should further limit cost growth in coming quarters.

### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



## Banco Santander Chile: Summary of Quarterly Results

| (Ch\$ million)                                       | Quarter        |                |                | Change %       |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | 3Q12           | 2Q12           | 3Q11           | 3Q12 / 3Q11    | 3Q 12 / 2Q12   |
| Net interest income                                  | 238,731        | 254,940        | 232,057        | 2.9%           | (6.4)%         |
| Fee income   | 67,037         | 68,007         | 65,991         | 1.6%           | (1.4)%         |
| <b>Core revenues</b>                                 | <b>305,768</b> | <b>322,947</b> | <b>298,048</b> | <b>2.6%</b>    | <b>(5.3)%</b>  |
| Financial transactions, net                          | 19,222         | 25,640         | 23,001         | (16.4)%        | (25.0)%        |
| Provision expense                                    | (119,459)      | (78,575)       | (90,372)       | 32.2%          | 52.0%          |
| Operating expenses                                   | (135,665)      | (137,742)      | (128,356)      | 5.7%           | (1.5)%         |
| <b>Operating income, net of provisions and costs</b> | <b>69,866</b>  | <b>132,270</b> | <b>102,321</b> | <b>(31.7)%</b> | <b>(47.2)%</b> |
| Other operating & Non-op. Income                     | (19,303)       | (26,575)       | (27,168)       | (28.9)%        | (27.4)%        |
| <b>Net income attributable to shareholders</b>       | <b>50,563</b>  | <b>105,695</b> | <b>75,153</b>  | <b>(32.7)%</b> | <b>(52.2)%</b> |
| Net income/share (Ch\$)                              | 0.27           | 0.56           | 0.40           | (32.7)%        | (52.2)%        |
| Net income/ADR (US\$) <sup>1</sup>                   | 0.23           | 0.44           | 0.31           | (26.3)%        | (48.2)%        |
| Total loans  | 18,503,174     | 18,374,472     | 17,680,356     | 4.7%           | 0.7%           |
| Deposits   | 14,088,770     | 14,537,663     | 13,892,003     | 1.4%           | (3.1)%         |
| Shareholders' equity                                 | 2,058,231      | 2,028,611      | 1,927,498      | 6.8%           | 1.5%           |
| Net interest margin                                  | 4.7%           | 5.0%           | 4.6%           |                |                |
| Efficiency ratio                                     | 42.4%          | 41.0%          | 41.3%          |                |                |
| YTD return on average equity <sup>2</sup>            | 18.1%          | 22.2%          | 23.8%          |                |                |
| NPL / Total loans <sup>3</sup>                       | 3.04%          | 2.88%          | 2.81%          |                |                |
| Coverage NPLs  | 98.3%          | 97.8%          | 104.8%         |                |                |
| Risk index <sup>5</sup>                              | 2.98%          | 2.82%          | 2.94%          |                |                |
| Core capital ratio                                   | 10.6%          | 10.4%          | 10.2%          |                |                |
| BIS ratio  | 13.9%          | 13.7%          | 13.9%          |                |                |
| Branches   | 496            | 499            | 494            |                |                |
| ATMs   | 1,966          | 1,966          | 1,892          |                |                |
| Employees  | 11,692         | 11,621         | 11,706         |                |                |

1. The change in earnings per ADR may differ from the change in earnings per share due to exchange rate movements. Earnings per ADR was calculated using the Observed Exchange Rate Ch\$470.48 per US\$ as of Sept. 30, 2012.
2. Annualized YTD Net income attributable to shareholders / Average equity attributable to shareholders.
3. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.
4. PDLs: Past due loans; all loan installments that are more than 90 days overdue.
5. Risk Index: Loan loss allowances / Total loans: measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.

### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl





## SECTION 2: BALANCE SHEET ANALYSIS

### LOANS

#### Selective loan growth

| Loans<br>(Ch\$ million)                 | Quarter ended,    |                   |                   | % Change     |                   |
|---|-------------------|-------------------|-------------------|--------------|-------------------|
|   | Sep-12            | Jun-12            | Sep-11            | Sep. 12 / 11 | Sep. 12 / Jun. 12 |
| Total loans to individuals <sup>1</sup> | 9,613,857         | 9,534,018         | 9,187,526         | 4.6%         | 0.8%              |
| Consumer loans                          | 3,039,998         | 2,987,880         | 2,925,659         | 3.9%         | 1.7%              |
| Residential mortgage loans              | 5,208,217         | 5,221,914         | 5,016,420         | 3.8%         | (0.3)%            |
| SMEs                                    | 2,745,928         | 2,658,077         | 2,522,698         | 8.8%         | 3.3%              |
| <b>Total retail lending</b>             | <b>12,359,785</b> | <b>12,192,095</b> | <b>11,710,224</b> | <b>5.5%</b>  | <b>1.4%</b>       |
| Institutional lending                   | 355,119           | 366,862           | 351,644           | 1.0%         | (3.2)%            |
| Middle-Market & Real estate             | 3,918,324         | 3,848,479         | 3,731,980         | 5.0%         | 1.8%              |
| Corporate                               | 1,874,749         | 2,006,270         | 1,905,005         | (1.6)%       | (6.6)%            |
| <b>Total loans<sup>2</sup></b>          | <b>18,503,174</b> | <b>18,374,472</b> | <b>17,680,356</b> | <b>4.7%</b>  | <b>0.7%</b>       |

1. Includes consumer loans, residential mortgage loans and other commercial loans to individuals.

2. Total loans gross of loan loss allowances. Total loans include other non-segmented loans and excludes interbank loans.

In 3Q12, total loans increased 0.7% QoQ and 4.7% YoY. Loan growth was driven by the favorable evolution of the Chilean economy and was mainly focused in the high-end of the retail market, SMEs and the middle-market. The Bank continued with its cautious approach to loan growth in the lower end of the consumer loan segment.

**Loans to individuals**, which include consumer, mortgage and commercial loans to individuals, increased of 0.8% QoQ in 3Q12 and 4.6% YoY. By product, **consumer loans** increased 1.7% QoQ (3.9% YoY) and **residential mortgage loans** decreased 0.3% QoQ (3.8% YoY). In the quarter, the Bank focused on expanding its loan portfolio in the mid-upper income segments, while remaining more selective in the mass consumer market. Loans to high-income individuals increased 2.0% QoQ in comparison to a decrease of 1.5% in the low-income segment. In the middle-income segment, loans decreased 1.5% QoQ. This was mainly due to a fall in mortgage loans. The mortgage market has been affected by aggressive pricing on the behalf of competitors. Santander Chile on the other hand has implemented stricter admission policies for residential mortgage loans. **Lending to SMEs** (defined as companies that sell less than Ch\$1,200 million per year) expanded 3.3% QoQ (8.8% YoY), reflecting the Bank's consistent focus on this expanding segment.



#### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



In the quarter, the Bank also focused its loan growth in the middle-market segment (companies with annual sales between Ch\$1,200 million and Ch\$10,000 million per year), which increased 1.8% QoQ and 5.0% YoY. This segment continues to show healthy loan demand given the high level of investment expected this year in the Chilean economy, which is expected to reach approximately 28% of GDP.

In the large corporate segment (companies with sale over Ch\$10,000 million per year or that are part of a large foreign or local economic group), loans decreased 6.6% QoQ. The sharp turn-around in the cost of external funding for companies in 3Q12 resulted in lower local loan demand from these clients and pre-payment of some large corporate loans. The Bank's non-lending businesses with these clients, especially cash management services continue to thrive.

YTD (as of August 31), the Bank's market share in terms of total loans has decreased 19 basis points.

## **FUNDING**

*Core deposits grow 2.1% QoQ and 12.3% YoY*

| <b>Funding</b>                       | <b>Quarter ended,</b> |                   |                   | <b>% Change</b>     |                          |
|--------------------------------------|-----------------------|-------------------|-------------------|---------------------|--------------------------|
|                                      | <b>Sep-12</b>         | <b>Jun-12</b>     | <b>Sep-11</b>     | <b>Sep. 12 / 11</b> | <b>Sep. 12 / Jun. 12</b> |
| <b>(Ch\$ million)</b>                |                       |                   |                   |                     |                          |
| Demand deposits                      | 4,601,160             | 4,624,570         | 4,496,757         | 2.3%                | (0.5)%                   |
| Time deposits                        | 9,487,610             | 9,913,093         | 9,395,246         | 1.0%                | (4.3)%                   |
| <b>Total deposits</b>                | <b>14,088,770</b>     | <b>14,537,663</b> | <b>13,892,003</b> | <b>1.4%</b>         | <b>(3.1)%</b>            |
| Mutual funds (off-balance sheet)     | 3,080,130             | 2,944,482         | 2,852,379         | 8.0%                | 4.6%                     |
| <b>Total customer funds</b>          | <b>17,168,900</b>     | <b>17,482,145</b> | <b>16,744,382</b> | <b>2.5%</b>         | <b>(1.8)%</b>            |
| <b>Loans to deposits<sup>1</sup></b> | <b>98.7%</b>          | <b>96.5%</b>      | <b>94.8%</b>      |                     |                          |

1. (Loans - marketable securities that fund mortgage loans) / (Time deposits + demand deposits).

**Customer funds** (deposits + mutual funds) expanded 2.5% YoY and decreased 1.8% QoQ. **Total deposits** grew 1.4% YoY and decreased 3.1% QoQ as the Bank, given its high structural liquidity, proactively reduced more expensive institutional short-term deposits, which are not considered as structural funding by the Bank. **Core deposits** (demand deposits and time deposits from non-institutional sources), on the other hand, increased 12.3% YoY and 2.1% QoQ. Core deposits as a percentage of total deposits reached 77.2% compared to 73.3% as of June 2012 and 69.7% as of September 2011. This improved the Bank's funding mix, as non-institutional deposits tend to be cheaper and more stable than other sources of funding. YTD (as of August 31), the Bank's market share in terms of total deposits has increased 36 basis points.

## **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



It is important to note that the Bank follows Grupo Santander's policy of independent subsidiaries and **intergroup funding** represented less than 0.2% of our funding as of September 30, 2012.



\* Demand deposits plus time deposits from non-institutional sources

**Assets under management** also improved as markets strengthened in 3Q12. Total assets under management increased 8.0% YoY and 4.6% QoQ. We expect this business to continue to be volatile in line with general market trends.

**Investor Relations Department**

7

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: [rmorenoh@santander.cl](mailto:rmorenoh@santander.cl)

---



## SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

Core capital ratio at 10.6%

| Shareholders' Equity<br>(Ch\$ million)     | Quarter ended,   |                  |                  | Change %     |                   |
|--|------------------|------------------|------------------|--------------|-------------------|
|  | Sep-12           | Jun-12           | Sep-11           | Sep. 12 / 11 | Sep. 12 / Jun. 12 |
| Capital                                    | 891,303          | 891,303          | 891,303          | 0.0%         | 0.0%              |
| Reserves                                   | 976,561          | 51,539           | 51,538           | 1794.8%      | 1794.8%           |
| Valuation adjustment                       | (1,828)          | 3,946            | 594              | —%           | —%                |
| Retained Earnings:                         | 192,195          | 1,081,823        | 984,063          | (80.5)%      | (82.2)%           |
| Retained earnings prior periods            | -                | 925,022          | 750,989          | —%           | —%                |
| Income for the period                      | 274,565          | 224,002          | 332,963          | (17.5)%      | 22.6%             |
| Provision for mandatory dividend           | (82,370)         | (67,201)         | (99,889)         | (17.5)%      | 22.6%             |
| <b>Equity attributable to shareholders</b> | <b>2,058,231</b> | <b>2,028,611</b> | <b>1,927,498</b> | <b>6.8%</b>  | <b>1.5%</b>       |
| Non-controlling interest                   | 33,485           | 31,272           | 32,293           | 3.7%         | 7.1%              |
| <b>Total Equity</b>                        | <b>2,091,716</b> | <b>2,059,883</b> | <b>1,959,791</b> | <b>6.7%</b>  | <b>1.5%</b>       |
| <b>YTD ROAE</b>                            | <b>18.1%</b>     | <b>22.2%</b>     | <b>23.8%</b>     |              |                   |

Shareholders' equity totaled Ch\$2,058,231 million (US\$4.2 billion) as of September 30, 2012. During 3Q12, the Bank reclassified all retained earnings from prior periods to reserves as part of its conservative capital policies. The prudent management of the Bank's capital ratios has led to strong capital ratios. Core capital reached 10.6% as of September 30, 2012 and the Bank's BIS ratio reached 13.9% at the same date. Voting common shareholders' equity is the sole component of our Tier I capital. Santander Chile has not issued new shares in more than 10 years.

| Capital Adequacy<br>(Ch\$ million) | Quarter ended,   |                  |                  | Change %     |                   |
|------------------------------------|------------------|------------------|------------------|--------------|-------------------|
|                                    | Sep-12           | Jun-12           | Sep-11           | Sep. 12 / 11 | Sep. 12 / Jun. 12 |
| Tier I (Core Capital)              | 2,058,231        | 2,028,612        | 1,927,498        | 6.8%         | 1.5%              |
| Tier II                            | 642,650          | 659,788          | 715,184          | (10.1)%      | (2.6)%            |
| <b>Regulatory capital</b>          | <b>2,700,881</b> | <b>2,688,400</b> | <b>2,642,682</b> | <b>2.2%</b>  | <b>0.5%</b>       |
| Risk weighted assets               | 19,479,092       | 19,572,225       | 18,954,147       | 2.8%         | (0.5)%            |
| <b>Tier I (Core capital) ratio</b> | <b>10.6%</b>     | <b>10.4%</b>     | <b>10.2%</b>     |              |                   |
| <b>BIS ratio</b>                   | <b>13.9%</b>     | <b>13.7%</b>     | <b>13.9%</b>     |              |                   |

### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



## SECTION 3: ANALYSIS OF QUARTERLY INCOME STATEMENT

### NET INTEREST INCOME

*Positive evolution of client margins offset by deflation in the quarter*

| Net Interest Income / Margin<br>(Ch\$ million)                                    | Quarter           |                   |                   | Change %       |                 |
|---|-------------------|-------------------|-------------------|----------------|-----------------|
|   | 3Q12              | 2Q12              | 3Q11              | 3Q12 /<br>3Q11 | 3Q 12 /<br>2Q12 |
| <b>Client net interest income<sup>1</sup></b>                                     | <b>274,076</b>    | <b>274,517</b>    | <b>248,850</b>    | <b>10.1%</b>   | <b>(0.2)%</b>   |
| Non-client net interest income <sup>2</sup>                                       | (35,345)          | (19,577)          | (16,793)          | 110.5%         | 80.5%           |
| <b>Net interest income</b>  | <b>238,731</b>    | <b>254,940</b>    | <b>232,057</b>    | <b>2.9%</b>    | <b>(6.4)%</b>   |
| <b>Average interest-earning assets</b>  | <b>20,410,407</b> | <b>20,362,279</b> | <b>20,068,323</b> | <b>1.7%</b>    | <b>0.2%</b>     |
| Average loans   | 18,546,119        | 18,127,164        | 17,460,992        | 6.2%           | 2.3%            |
| Interest earning asset yield <sup>3</sup>   | 8.0%              | 9.0%              | 8.4%              |                |                 |
| Cost of funds <sup>4</sup>  | 3.3%              | 3.9%              | 3.8%              |                |                 |
| <b>Client net interest margin<sup>5</sup></b>                                     | <b>5.9%</b>       | <b>6.1%</b>       | <b>5.7%</b>       |                |                 |
| <b>Net interest margin (NIM)<sup>6</sup></b>                                      | <b>4.7%</b>       | <b>5.0%</b>       | <b>4.6%</b>       |                |                 |
| Avg. equity + non-interest bearing demand deposits / Avg. interest earning assets | 32.5%             | 33.2%             | 31.3%             |                |                 |
| Quarterly inflation rate <sup>7</sup>   | (0.16)%           | 0.42%             | 0.56%             |                |                 |
| Central Bank reference rate   | 5.00%             | 5.00%             | 5.25%             |                |                 |
| Avg. 10 year Central Bank yield (real)  | 2.42%             | 2.49%             | 2.63%             |                |                 |

1. Client net interest income is mainly net interest income from the Bank's loan portfolio. See footnote 2 at the end of this page.

2. Non-client interest income is net interest income mainly from the Bank's ALCO positions and treasury. See footnote 2 at the end of this page.

3. Interest income divided by interest earning assets.

4. Interest expense divided by interest bearing liabilities + demand deposits.

5. Client net interest income annualized divided by average loans

6. Net interest income divided by average interest earning assets annualized.

7. Inflation measured as the variation of the Unidad de Fomento in the quarter.

In 3Q12, **Net interest income** decreased 6.4% QoQ and increased 2.9% YoY. The **Net interest margin (NIM)** in 3Q12 reached 4.7% compared to 5.0% in 2Q12 and 4.6% in 3Q11. In order to improve the explanation of margins we have divided the analysis of net interest income between client interest income<sup>2</sup> and non-client net interest income.

2 In order to explain better the evolution of net interest income, we have divided net interest income between client net interest income and non-client net interest income. Client net interest income is net interest income from all client activities such as loans and deposits minus the internal transfer rate. Non-client interest income is net interest income from Bank's inflation gap, the financial cost of hedging, the financial cost of the Bank's structural liquidity position, net interest income from treasury positions and the interest expense of the Bank's financial investments classified as trading, since interest income from this portfolio is recognized as financial transactions net.

#### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



**Client net interest income** in 3Q12 was flat QoQ and increased 10.1% YoY. **Client net interest margin** (defined as client net interest income divided by average loans) reached 5.9% in 3Q12 compared to 6.1% in 2Q12 and 5.7% in 3Q11. Since the second half of 2011, the Bank has been implementing a **stricter spread policy** in light of the increase in credit risk, especially in the mass consumer market. For this reason, client net interest income has increased at twice the pace of average loan growth in the last twelve-month period. The growth of core deposits (See Funding) **improved the funding mix** and has also helped to sustain client margins.



This positive trend was offset by the **deflation** registered during the quarter. It is important to point out that the Bank has more assets than liabilities linked to inflation and, as a result, margins have a positive sensitivity to variations in inflation. In 3Q12, the variation of the Unidad de Fomento (an inflation indexed currency unit), was -0.16% compared to inflation of +0.42% in 2Q12 and +0.56% in 3Q11. The gap between assets and liabilities indexed to the UF averaged US\$6.7 billion in 3Q12. Therefore, the reduction in inflation signified a QoQ decrease in net interest income of approximately US\$40 million or Ch\$19,000 million.

For the remainder of 2012, the evolution of margins should improve as inflation trends normalize. In 4Q12 inflation is expected to exceed 1% is expected which should drive NIMs back to levels greater than 5%. In 2013, the negative effects of possible regulations regarding maximum rates may have a negative impact on margins. The final law regulating this change is still being discussed in Congress. To counterbalance this affect we expect: (1) healthier loan growth both in terms of volumes and in terms of margins, post provision expense and, (2) an improved funding mix via healthy growth of core deposits.

#### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



## PROVISION FOR LOAN LOSSES AND ASSET QUALITY

Non-recurring Ch\$24.7 billion provision expenses recognized in 3Q12

| Provision for loan losses<br>(Ch\$ million)       | Quarter          |                 |                 | Change %       |                 |
|---|------------------|-----------------|-----------------|----------------|-----------------|
|   | 3Q12             | 2Q12            | 3Q11            | 3Q12 /<br>3Q11 | 3Q 12 /<br>2Q12 |
| Gross provisions                                  | (32,952)         | 1,891           | (18,628)        | 76.9%          | (1842.6)%       |
| Charge-offs                                       | (96,256)         | (88,009)        | (77,466)        | 24.3%          | 9.4%            |
| <b>Gross provisions and charge-offs</b>           | <b>(129,208)</b> | <b>(86,118)</b> | <b>(96,094)</b> | <b>34.5%</b>   | <b>50.0%</b>    |
| Loan loss recoveries                              | 9,749            | 7,543           | 5,722           | 70.4%          | 29.2%           |
| <b>Net provisions for loan losses</b>             | <b>(119,459)</b> | <b>(78,575)</b> | <b>(90,372)</b> | <b>32.2%</b>   | <b>52.0%</b>    |
| Total loans <sup>1</sup>                          | 18,503,174       | 18,374,472      | 17,680,356      | 4.7%           | 0.7%            |
| Total reserves (RLL)                              | 552,138          | 518,331         | 520,566         | 6.1%           | 6.5%            |
| Non-performing loans <sup>2</sup> (NPLs)          | 561,730          | 529,869         | 496,786         | 13.1%          | 6.0%            |
| NPLs commercial loans                             | 307,658          | 277,742         | 244,209         | 26.0%          | 10.8%           |
| NPLs residential mortgage loans                   | 149,936          | 150,505         | 140,273         | 6.9%           | (0.4)%          |
| NPLs consumer loans                               | 104,136          | 101,622         | 112,304         | (7.3)%         | 2.5%            |
| <b>Risk index<sup>3</sup> (RLL / Total loans)</b> | <b>2.98%</b>     | <b>2.82%</b>    | <b>2.94%</b>    |                |                 |
| <b>NPL / Total loans</b>                          | <b>3.04%</b>     | <b>2.88%</b>    | <b>2.81%</b>    |                |                 |
| NPL / Commercial loans                            | 3.00%            | 2.73%           | 2.51%           |                |                 |
| NPL / Residential mortgage loans                  | 2.88%            | 2.88%           | 2.80%           |                |                 |
| NPL / consumer loans                              | 3.43%            | 3.40%           | 3.84%           |                |                 |
| <b>Coverage of NPLs<sup>4</sup></b>               | <b>98.3%</b>     | <b>97.8%</b>    | <b>104.8%</b>   |                |                 |
| Coverage of commercial NPLs                       | 80.0%            | 84.9%           | 98.3%           |                |                 |
| Coverage of residential mortgage NPLs             | 24.5%            | 24.1%           | 25.7%           |                |                 |
| Coverage of consumer NPLs                         | 258.6%           | 242.4%          | 217.6%          |                |                 |

1. Excludes interbank loans.

2. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.

3. Risk Index: Loan loss allowances / Total loans; measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.

4. Loan loss allowances / NPLs.

**Net provision for loan losses** in the quarter totaled Ch\$119,459 million, an increase of 52% QoQ and 32.2% YoY. The net provision expense by loan product was as follows:

| Net provisions for loan losses<br>by segment<br>(Ch\$ million) | Quarter          |                 |                 | Change %       |                 |
|--|------------------|-----------------|-----------------|----------------|-----------------|
|  | 3Q12             | 2Q12            | 3Q11            | 3Q12 /<br>3Q11 | 3Q 12 /<br>2Q12 |
| Commercial loans   | (30,791)         | (16,024)        | (19,079)        | 61.4%          | 92.2%           |
| Residential mortgage loans                                     | (4,488)          | (3,855)         | (14,444)        | (68.9)%        | 16.4%           |
| Consumer loans   | (84,180)         | (58,696)        | (56,849)        | 48.1%          | 43.4%           |
| <b>Net provisions for loan losses</b>                          | <b>(119,459)</b> | <b>(78,575)</b> | <b>(90,372)</b> | <b>32.2%</b>   | <b>52.0%</b>    |

### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



**Net provision expense in consumer loans** increased 43.4% QoQ and 48.1% YoY. Since 3Q11, the Bank has been implementing more prudent credit risk policies in consumer lending as asset quality has deteriorated above our expectations despite positive economic trends. This has been due to:

- (i) Following the La Polar case, affecting Chile's 4<sup>th</sup> largest retailer in May 2011, the default rates in the mass consumer loan industry increased as banks and non-bank lenders tightened credit policies resulting in greater charge-offs as credit became less available;
- (ii) In February 2012, the Ley de DICOM was passed which, among other provisions, eliminated from the negative credit bureau debtors with a negative credit history in an amount of Ch\$2,400,000 (US\$4,800) or less. This temporarily reduced the effectiveness of this negative credit bureau, a key component of our credit scoring systems. Before the law was passed 4.1 million people were listed in Dicom and after its implementation 2.9 million persons were removed from the list;
- (iii) The Bank has a 24% market share in consumer banking and, therefore, these events, together with the strong growth in consumer lending in 2010 and the first half of 2011, resulted in a larger impact for the Bank compared to our main bank competitors.

To respond to this the Bank has:

- (i) **Recalibrated the consumer loan-provisioning model** that increased the minimum provision set aside for consumer loans at origination given the higher risks observed in this portfolio. As a result, gross provision expenses in 3Q12 includes a **non-recurring provision expense** of Ch\$24,753 million.
- (ii) **Tightened admission and approval policies** in consumer lending. This mainly consisted of lowering the debt servicing levels for loan approvals and focusing loan growth in less riskier segments. This resulted in lower consumer loan growth and a fall in market share in 2012 (See Loans).
- (iii) **Restricted renegotiation policies and strengthened collection efforts**. This resulted in an increase in charge-offs. Charge-offs increased 9.4% QoQ and 24.3% YoY. At the same time, **loan loss recoveries** increased 29.2% QoQ and 70.4% YoY in 3Q12.

It is important to point out that these efforts have led to a stabilization of non-performing loan (NPLs) in consumer banking and to an increase in the coverage. As of September 2012, the NPL ratio of consumer loans reached 3.43% compared to 3.40% as of June 2012 and 3.84% in September 2011. The coverage ratio of consumer loans reached 258.6% as of September 2012 compared to 242.2% as of June 2012 and 217.6% as of September 2011.

#### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl





The 92.2% QoQ and the 61.4% QoQ increase in **commercial loan provision expense** was driven by an increase in provisions in the SME loan segment. The NPL ratio for commercial loans increased to 3.0% in September 2012 from 2.73% in June 2012 and 2.51% in September 2011. It is important to note that loans entering NPLs have a high level of collateral and this explains the lower level of NPL coverage. As of September 2012, the coverage ratio of commercial loans NPLs reached 129.8%.

**Provision expense for mortgage residential loans** increased 16.4% QoQ and decreased 68.9% YoY. Mortgage loan NPLS were stable at 2.88% and coverage of mortgage NPLs increased slightly to 24.5% as of September 2012. Including collateral, the coverage of residential mortgage NPLs reached 114.8%. The 63.9% YoY decrease of provisions in 3Q12 was mainly due to the Ch\$10,000 million non-recurring provision recognized in 3Q11 as a consequence of the improvements made in the provisioning model for residential mortgage lending in that quarter (See 3Q11 Earnings Report-Annex 1 for more details).



#### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: [rmorenoh@santander.cl](mailto:rmorenoh@santander.cl)



## **NET FEE INCOME**

*Lower business activity in retail banking lowers fee income*

| Fee Income<br>(Ch\$ million)  | Quarter       |               |               | Change %       |                 |
|-------------------------------|---------------|---------------|---------------|----------------|-----------------|
|                               | 3Q12          | 2Q12          | 3Q11          | 3Q12 /<br>3Q11 | 3Q 12 /<br>2Q12 |
| Collection fees               | 14,819        | 16,449        | 14,683        | 0.9%           | (9.9)%          |
| Credit, debit & ATM card fees | 13,104        | 13,639        | 14,384        | (8.9)%         | (3.9)%          |
| Asset management              | 8,270         | 8,488         | 8,796         | (6.0)%         | (2.6)%          |
| Insurance brokerage           | 8,138         | 8,015         | 7,955         | 2.3%           | 1.5%            |
| Contingent operations         | 7,223         | 6,909         | 6,334         | 14.0%          | 4.5%            |
| Checking accounts             | 7,144         | 7,350         | 7,256         | (1.5)%         | (2.8)%          |
| Fees from brokerage           | 2,353         | 3,303         | 2,469         | (4.7)%         | (28.8)%         |
| Lines of credit               | 2,228         | 2,418         | 2,763         | (19.4)%        | (7.9)%          |
| Other Fees                    | 3,758         | 1,436         | 1,351         | 178.2%         | 161.7%          |
| <b>Total fees</b>             | <b>67,037</b> | <b>68,006</b> | <b>65,991</b> | <b>1.6%</b>    | <b>(1.4)%</b>   |

**Net fee income** decreased 1.4% QoQ and increased 1.6% YoY in 2Q12. The Bank continued to increase its client base and cross-selling indicators, especially in the middle-upper income segments while limiting client growth in the mass consumer segment. The Bank's total client base has increased 3.7% in the past twelve-months and the amount of cross-sold clients in all segments, excluding Banefe, has risen 11.3% YoY. This was offset by a decline in Banefe clients, as the Bank reduced its exposure to clients with unhealthy financial behavior. This also had a short-term impact on certain fees in the quarter, specifically credit card, checking account and line of credit fees. This was partially offset by positive fee growth from our corporate banking unit.



**Cross-sold:** For clients in Banefe cross-sold clients are clients with at least two products, one of which is a loan product plus direct deposit. In the Bank, excluding Banefe, a cross-sold client uses at least 4 products. The definition of cross-sold clients was changed in the quarter and the historical figures were restated.

The Bank's Transformation Plan continues to be implemented. This is the largest overhaul and reorganization of the Bank's middle and lower income business segments in the last decade. The installation of the new CRM, a corner-piece of this initiative, is starting to improve the Bank's client service indicators as reflected in the descending market share of client complaints to the Superintendency of Banks, SBIF, the industry's main regulator.



### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



## NET RESULTS FROM FINANCIAL TRANSACTIONS

### Lower client treasury gains from Santander Global Connect

| Results from Financial Transactions*           | Quarter       |               |               | Change %       |                |
|--|---------------|---------------|---------------|----------------|----------------|
|  | 3Q12          | 2Q12          | 3Q11          | 3Q12 / 3Q11    | 3Q 12 / 2Q12   |
| <b>(Ch\$ million)</b>                          |               |               |               |                |                |
| Net income from financial operations           | (19,161)      | 20,416        | 102,133       | —%             | —%             |
| Foreign exchange profit (loss), net            | 38,383        | 5,224         | (79,132)      | —%             | 634.7%         |
| <b>Net results from financial transactions</b> | <b>19,222</b> | <b>25,640</b> | <b>23,001</b> | <b>(16.4)%</b> | <b>(25.0)%</b> |

\* These results mainly include the mark-to-market of the Available for sale investment portfolio, realized and unrealized gains of Financial investments held for trading, the interest revenue generated by the Held for trading portfolio, gains or losses from the sale of charged-off loans and the mark-to-market of derivatives. The results recorded as Foreign exchange profits (loss), net mainly includes the translation gains or losses of assets and a liability denominated in foreign currency.

**Net results from financial transactions** totaled a gain of Ch\$19,222 million in 3Q12, a 25.0% QoQ and a 16.4% YoY decrease. In order to understand more clearly these line items, we present them by business area in the table below.

| Results from Financial Transactions            | Quarter       |               |               | Change %       |                |
|--|---------------|---------------|---------------|----------------|----------------|
|  | 3Q12          | 2Q12          | 3Q11          | 3Q12 / 3Q11    | 3Q 12 / 2Q12   |
| <b>(Ch\$ million)</b>                          |               |               |               |                |                |
| Santander Global Connect <sup>1</sup>          | 9,467         | 14,610        | 16,259        | (41.8)%        | (35.2)%        |
| Market-making                                  | 8,659         | 7,430         | 4,958         | 74.6%          | 16.5%          |
| <b>Client treasury services</b>                | <b>18,126</b> | <b>22,040</b> | <b>21,217</b> | <b>(14.6)%</b> | <b>(17.8)%</b> |
| <b>Non-client treasury income</b>              | <b>1,096</b>  | <b>3,600</b>  | <b>1,784</b>  | <b>(38.6)%</b> | <b>(69.5)%</b> |
| <b>Net results from financial transactions</b> | <b>19,222</b> | <b>25,640</b> | <b>23,001</b> | <b>(16.4)%</b> | <b>(25.0)%</b> |

1. Santander Global Connect is the Bank's commercial platform for selling treasury products to our clients.

**Client treasury services** totaled Ch\$18,126 million in 3Q12 and decreased 14.6% QoQ and 17.8% YoY mainly due to lower gains from Santander Global Connect, our platform for selling treasury products to our clients. In addition to lower volatility in some key macro indicators, we have been more conservative in our approval process for the sale of treasury products to smaller corporate clients. In addition, the Bank recognized a Ch\$1,096 million gain from **Non-client treasury services**, reflecting that the bulk of our treasury income is client related.

### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: [rmorenoh@santander.cl](mailto:rmorenoh@santander.cl)



## **OPERATING EXPENSES AND EFFICIENCY**

*Cost growth moderates as key project begin to have an impact on efficiency*

| Operating Expenses<br>(Ch\$ million)      | Quarter          |                  |                  | Change %       |                 |
|---|------------------|------------------|------------------|----------------|-----------------|
|   | 3Q12             | 2Q12             | 3Q11             | 3Q12 /<br>3Q11 | 3Q 12 /<br>2Q12 |
| Personnel expenses                        | (75,561)         | (78,395)         | (73,884)         | 2.3%           | (3.6)%          |
| Administrative expenses                   | (46,053)         | (45,115)         | (41,041)         | 12.2%          | 2.1%            |
| Depreciation, amortization and impairment | (14,051)         | (14,232)         | (13,431)         | 4.6%           | (1.3)%          |
| <b>Operating expenses</b>                 | <b>(135,665)</b> | <b>(137,742)</b> | <b>(128,356)</b> | <b>5.7%</b>    | <b>(1.5)%</b>   |
| <b>Efficiency ratio<sup>1</sup></b>       | <b>42.4%</b>     | <b>41.0%</b>     | <b>41.3%</b>     |                |                 |

1. Operating expenses / Operating income. Operating income = Net interest income + Net fee income+ Net results from Financial transactions + Other operating income and expenses.

**Operating expenses** in 3Q12 decreased 1.5% QoQ and increased 5.7% YoY. The 3.6% QoQ decrease in **personnel expenses** reflects lower variable incentives paid to personnel. At the same time, headcount was flat QoQ with the exception of our collection areas that continued to be strengthened. The 2.3% YoY increase in **personnel expenses** also reflects the relatively stable YoY evolution of headcount. As of September 2012, headcount totaled 11,629 employees. Going forward personnel expense should grow at a slower pace than those observed in previous quarters as headcount remain stable and the different technologic tools being implemented should increase employee's productivity.



**Administrative expenses** increased 2.1% QoQ and 12.2% YoY in 3Q12, as the Bank continued with its projects of investing in a new Client Relationship Management system and the Transformation Initiatives aimed at enhancing productivity in retail banking.

### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



## OTHER INCOME AND EXPENSES

| Other Income and Expenses<br>(Ch\$ million) | Quarter        |                 |                | Change %       |                |
|---|----------------|-----------------|----------------|----------------|----------------|
|   | 3Q12           | 2Q12            | 3Q11           | 3Q12 / 3Q11    | 3Q 12 / 2Q12   |
| Other operating income                      | 8,074          | 3,072           | 2,194          | 268.0%         | 162.8%         |
| Other operating expenses                    | (13,008)       | (15,464)        | (12,156)       | 7.0%           | (15.9)%        |
| <b>Other operating income, net</b>          | <b>(4,934)</b> | <b>(12,392)</b> | <b>(9,962)</b> | <b>(50.5)%</b> | <b>(60.2)%</b> |
| Income from investments in other companies  | 143            | 660             | 546            | (73.8)%        | (78.3)%        |
| Income tax expense                          | (12,276)       | (14,027)        | (16,629)       | (26.2)%        | (12.5)%        |
| Income tax rate                             | 18.9%          | 11.6%           | 17.9%          |                |                |

**Other operating income, net**, totaled Ch\$ -4,934 million in 3Q12. The lower loss compared to 2Q12 and 3Q11 was mainly due to a Ch\$5,591 million from the sale of 11 branches. Branches are risk weighted at 100% and so, from a capital perspective, it is more efficient to rent them than to own them and the gains realized from these sales boost core capital levels.

The higher **income tax** rate in 3Q12 was mainly due to the deflation, which eliminated in the quarter any tax gains from the revaluation of capital due to CPI. For tax purposes, the Bank must revalue its capital by the consumer price index. Since CPI inflation is usually positive, this results in a tax loss that lowers the Bank's effective tax rate. When there is deflation or very low inflation this does not occur.

Congress approved a law that raised the statutory corporate tax rate to 20% next year.

### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: [rmorenoh@santander.cl](mailto:rmorenoh@santander.cl)



## **SECTION 4: CREDIT RISK RATINGS**

### **International ratings**

The Bank has credit ratings from three leading international agencies.

| <b>Moody's (Outlook negative)</b> | <b>Rating</b> |
|-----------------------------------|---------------|
| Foreign currency bank deposits    | Aa3           |
| Senior bonds                      | Aa3           |
| Subordinated debt                 | A1            |
| Bank Deposits in Local Currency   | Aa3           |
| Bank financial strength           | C+            |
| Short-term deposits               | P-1           |

  

| <b>Standard and Poor's (Outlook negative)</b> | <b>Rating</b> |
|---|---------------|
| Long-term Foreign Issuer Credit               | A             |
| Long-term Local Issuer Credit                 | A             |
| Short-term Foreign Issuer Credit              | A-1           |
| Short-term Local Issuer Credit                | A-1           |

  

| <b>Fitch (Outlook negative)</b>  | <b>Rating</b> |
|----------------------------------|---------------|
| Foreign Currency Long-term Debt  | A+            |
| Local Currency Long-term Debt    | A+            |
| Foreign Currency Short-term Debt | F1            |
| Local Currency Short-term Debt   | F1            |
| Viability rating                 | a+            |

### **Local ratings:**

Our local ratings, the highest in Chile, are the following:

| <b>Local ratings</b>   | <b>Fitch Ratings</b> | <b>Feller Rate</b> |
|------------------------|----------------------|--------------------|
| Shares                 | 1CN1                 | 1CN1               |
| Short-term deposits    | N1+                  | N1+                |
| Long-term deposits     | AAA                  | AAA                |
| Mortgage finance bonds | AAA                  | AAA                |
| Senior bonds           | AAA                  | AAA                |
| Subordinated bonds     | AA                   | AA+                |
| Outlook                | Negative             | Stable             |

### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: [rmorenoh@santander.cl](mailto:rmorenoh@santander.cl)



## **SECTION 5: SHARE PERFORMANCE**

**As of September 2012**



### **ADR price<sup>3</sup> (US\$) 9M12**

|                 |       |
|-----------------|-------|
| 09/30/12:       | 28.20 |
| Maximum (9M12): | 34.00 |
| Minimum (9M12): | 27.23 |

### **Market Capitalization:**

US\$13,268 million

|                         |      |
|-------------------------|------|
| P/E 12 month trailing*: | 16.8 |
| P/BV (09/30/12)**:      | 3.07 |
| Dividend yield***:      | 3.5% |

\* Price as of Sept. 30, 2012 / 12mth. earnings

\*\* Price as of Sept. 30, 2012 / Book value as of 09/30/12

\*\*\* Based on closing price on record date of last dividend payment.

### **Local share price (Ch\$) 9M12**

|                 |       |
|-----------------|-------|
| 09/30/12:       | 33.55 |
| Maximum (9M12): | 41.00 |
| Minimum (9M12): | 32.47 |

### **Dividends:**

| Year paid | Ch\$/share | % of previous year earnings |
|-----------|------------|-----------------------------|
| 2008:     | 1.06       | 65%                         |
| 2009:     | 1.13       | 65%                         |
| 2010:     | 1.37       | 60%                         |
| 2011:     | 1.52       | 60%                         |
| 2012:     | 1.39       | 60%                         |

<sup>3</sup> On Oct. 22, 2012, the ratio of common share per ADR was changed from 1,039 shares per ADR to 400 shares per ADR.

### **Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



## ANNEX 1: BALANCE SHEET

### Unaudited Balance Sheet

|  | Sep-12<br>US\$ths | Sep-12<br>Ch\$ million | Dec-11            | Sept. 12 / Dec. 11<br>% Chg. |
|--|-------------------|------------------------|-------------------|------------------------------|
| <b>Assets</b>  |                   |                        |                   |                              |
| Cash and balances from Central Bank                        | 3,339,115         | 1,585,078              | 2,793,701         | (43.3)%                      |
| Funds to be cleared  | 1,262,564         | 599,339                | 276,454           | 116.8%                       |
| Financial assets held for trading                          | 437,346           | 207,608                | 409,763           | (49.3)%                      |
| Investment collateral under agreements to repurchase       | 320,249           | 152,022                | 12,928            | 1075.9%                      |
| Derivatives  | 3,109,772         | 1,476,209              | 1,612,869         | (8.5)%                       |
| Interbank loans  | 232,239           | 110,244                | 87,541            | 25.9%                        |
| <b>Loans, net of loan loss allowances</b>                  | <b>37,815,538</b> | <b>17,951,036</b>      | <b>16,823,407</b> | <b>6.7%</b>                  |
| Available-for-sale financial assets                        | 3,643,737         | 1,729,682              | 1,661,311         | 4.1%                         |
| Held-to-maturity investments                               | -                 | -                      | -                 | —%                           |
| Investments in other companies                             | 18,193            | 8,636                  | 8,728             | (1.1)%                       |
| Intangible assets  | 158,201           | 75,098                 | 80,739            | (7.0)%                       |
| Fixed assets   | 316,467           | 150,227                | 153,059           | (1.9)%                       |
| Current tax assets   | 2,694             | 1,279                  | 37,253            | (96.6)%                      |
| Deferred tax assets  | 382,956           | 181,789                | 147,754           | 23.0%                        |
| Other assets   | 1,499,505         | 711,815                | 546,470           | 30.3%                        |
| <b>Total Assets</b>  | <b>52,538,576</b> | <b>24,940,062</b>      | <b>24,651,977</b> | <b>1.2%</b>                  |
| <b>Liabilities and Equity</b>                              |                   |                        |                   |                              |
| Demand deposits  | 9,692,774         | 4,601,160              | 4,413,815         | 4.2%                         |
| Funds to be cleared  | 849,282           | 403,154                | 89,486            | 350.5%                       |
| Investments sold under agreements to repurchase            | 250,358           | 118,845                | 544,381           | (78.2)%                      |
| Time deposits and savings accounts                         | 19,986,539        | 9,487,610              | 8,921,114         | 6.4%                         |
| Derivatives  | 2,842,368         | 1,349,272              | 1,292,148         | 4.4%                         |
| Deposits from credit institutions                          | 3,110,225         | 1,476,424              | 1,920,092         | (23.1)%                      |
| Marketable debt securities                                 | 9,680,118         | 4,595,152              | 4,623,239         | (0.6)%                       |
| Other obligations  | 399,467           | 189,627                | 176,599           | 7.4%                         |
| Current tax liabilities                                    | 17,139            | 8,136                  | 1,498             | 443.1%                       |
| Deferred tax liability                                     | 22,361            | 10,615                 | 5,315             | 99.7%                        |
| Provisions   | 366,427           | 173,943                | 230,290           | (24.5)%                      |
| Other liabilities  | 915,121           | 434,408                | 398,977           | 8.9%                         |
| <b>Total Liabilities</b>                                   | <b>48,132,180</b> | <b>22,848,346</b>      | <b>22,616,954</b> | <b>1.0%</b>                  |
| <b>Equity</b>  |                   |                        |                   |                              |
| Capital  | 1,877,613         | 891,303                | 891,303           | 0.0%                         |
| Reserves   | 2,057,217         | 976,561                | 51,539            | 1794.8%                      |
| Unrealized gain (loss) Available-for-sale financial assets | (3,851)           | (1,828)                | 2,832             | (164.5)%                     |
| <b>Retained Earnings:</b>                                  | <b>404,877</b>    | <b>192,195</b>         | <b>1,055,548</b>  | <b>(81.8)%</b>               |
| Retained earnings previous periods                         | 0                 | 0                      | 750,989           | (100.0)%                     |
| Net income   | 578,397           | 274,565                | 435,084           | (36.9)%                      |
| Provision for mandatory dividend                           | (173,520)         | (82,370)               | (130,525)         | (36.9)%                      |
| <b>Total Shareholders' Equity</b>                          | <b>4,335,855</b>  | <b>2,058,231</b>       | <b>2,001,222</b>  | <b>2.8%</b>                  |
| Minority Interest  | 70,539            | 33,485                 | 33,801            | (0.9)%                       |
| <b>Total Equity</b>  | <b>4,406,396</b>  | <b>2,091,716</b>       | <b>2,035,023</b>  | <b>2.8%</b>                  |
| <b>Total Liabilities and Equity</b>                        | <b>52,538,576</b> | <b>24,940,062</b>      | <b>24,651,977</b> | <b>1.2%</b>                  |

Figures in US\$ have been translated at the exchange rate of Ch\$474.70

### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



**ANNEX 2: YEAR-TO-DATE INCOME STATEMENTS****YTD Income Statement Unaudited**

|  | Sep-12<br>US\$ths. | Sep-12<br>Ch\$ million | Sep-11           | Sept. 12 / Sept. 11<br>% Chg. |
|--|--------------------|------------------------|------------------|-------------------------------|
| Interest income                                | 2,877,681          | 1,366,035              | 1,271,278        | 7.5%                          |
| Interest expense                               | (1,277,211)        | (606,292)              | (563,124)        | 7.7%                          |
| <b>Net interest income</b>                     | <b>1,600,470</b>   | <b>759,743</b>         | <b>708,154</b>   | <b>7.3%</b>                   |
| Fee and commission income                      | 570,238            | 270,692                | 271,541          | (0.3)%                        |
| Fee and commission expense                     | (141,051)          | (66,957)               | (62,111)         | 7.8%                          |
| <b>Net fee and commission income</b>           | <b>429,187</b>     | <b>203,735</b>         | <b>209,430</b>   | <b>(2.7)%</b>                 |
| Net income from financial operations           | (69,393)           | (32,941)               | 153,535          | —%                            |
| Foreign exchange profit (loss), net            | 204,563            | 97,106                 | (75,265)         | —%                            |
| <b>Total financial transactions, net</b>       | <b>135,170</b>     | <b>64,165</b>          | <b>78,270</b>    | <b>(18.0)%</b>                |
| Other operating income                         | 31,869             | 15,128                 | 8,053            | 87.9%                         |
| <b>Net operating profit before loan losses</b> | <b>2,196,695</b>   | <b>1,042,771</b>       | <b>1,003,907</b> | <b>3.9%</b>                   |
| <b>Provision for loan losses</b>               | <b>(582,083)</b>   | <b>(276,315)</b>       | <b>(195,920)</b> | <b>41.0%</b>                  |
| <b>Net operating profit</b>                    | <b>1,614,611</b>   | <b>766,456</b>         | <b>807,987</b>   | <b>(5.1)%</b>                 |
| Personnel salaries and expenses                | (470,647)          | (223,416)              | (207,380)        | 7.7%                          |
| Administrative expenses                        | (284,921)          | (135,252)              | (122,078)        | 10.8%                         |
| Depreciation and amortization                  | (84,940)           | (40,321)               | (39,638)         | 1.7%                          |
| Impairment                                     | (185)              | (88)                   | (109)            | (19.3)%                       |
| <b>Operating expenses</b>                      | <b>(840,693)</b>   | <b>(399,077)</b>       | <b>(369,205)</b> | <b>8.1%</b>                   |
| Other operating expenses                       | (94,453)           | (44,837)               | (41,569)         | 7.9%                          |
| Total operating expenses                       | (935,146)          | (443,914)              | (410,774)        | 8.1%                          |
| <b>Operating income</b>                        | <b>679,465</b>     | <b>322,542</b>         | <b>397,213</b>   | <b>(18.8)%</b>                |
| Income from investments in other companies     | 2,633              | 1,250                  | 1,673            | (25.3)%                       |
| <b>Income before taxes</b>                     | <b>682,098</b>     | <b>323,792</b>         | <b>398,886</b>   | <b>(18.8)%</b>                |
| Income tax expense                             | (95,606)           | (45,384)               | (62,546)         | (27.4)%                       |
| <b>Net income from ordinary activities</b>     | <b>586,493</b>     | <b>278,408</b>         | <b>336,340</b>   | <b>(17.2)%</b>                |
| Net income discontinued operations             | -                  | -                      | -                | —%                            |
| <b>Net income attributable to:</b>             |                    |                        |                  |                               |
| Minority interest                              | 8,096              | 3,843                  | 3,377            | 13.8%                         |
| <b>Net income attributable to shareholders</b> | <b>578,397</b>     | <b>274,565</b>         | <b>332,963</b>   | <b>(17.5)%</b>                |

Figures in US\$ have been translated at the exchange rate of Ch\$474.70

**Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



### ANNEX 3: QUARTERLY INCOME STATEMENTS

| Unaudited Quarterly Income Statement           | 3Q12             | 3Q12             | 2Q12             | 3Q11             | 3Q12 / 3Q11    | 3Q 12 / 2.Q12  |
|--|------------------|------------------|------------------|------------------|----------------|----------------|
|  | US\$ths.         | Ch\$mnn          |                  |                  | % Chg.         |                |
| Interest income                                | 857,851          | 407,222          | 455,980          | 420,729          | (3.2)%         | (10.7)%        |
| Interest expense                               | (354,942)        | (168,491)        | (201,040)        | (188,672)        | (10.7)%        | (16.2)%        |
| <b>Net interest income</b>                     | <b>502,909</b>   | <b>238,731</b>   | <b>254,940</b>   | <b>232,057</b>   | <b>2.9%</b>    | <b>(6.4)%</b>  |
| Fee and commission income                      | 187,101          | 88,817           | 90,940           | 87,651           | 1.3%           | (2.3)%         |
| Fee and commission expense                     | (45,882)         | (21,780)         | (22,933)         | (21,660)         | 0.6%           | (5.0)%         |
| <b>Net fee and commission income</b>           | <b>141,220</b>   | <b>67,037</b>    | <b>68,007</b>    | <b>65,991</b>    | <b>1.6%</b>    | <b>(1.4)%</b>  |
| Net income from financial operations           | (40,364)         | (19,161)         | 20,416           | 102,133          | —%             | —%             |
| Foreign exchange profit (loss), net            | 80,857           | 38,383           | 5,224            | (79,132)         | —%             | 634.7%         |
| <b>Total financial transactions, net</b>       | <b>40,493</b>    | <b>19,222</b>    | <b>25,640</b>    | <b>23,001</b>    | <b>(16.4)%</b> | <b>(25.0)%</b> |
| Other operating income                         | 17,009           | 8,074            | 3,072            | 2,194            | 268.0%         | 162.8%         |
| <b>Net operating profit before loan losses</b> | <b>701,631</b>   | <b>333,064</b>   | <b>351,659</b>   | <b>323,243</b>   | <b>3.0%</b>    | <b>(5.3)%</b>  |
| <b>Provision for loan losses</b>               | <b>(251,652)</b> | <b>(119,459)</b> | <b>(78,575)</b>  | <b>(90,372)</b>  | <b>32.2%</b>   | <b>52.0%</b>   |
| <b>Net operating profit</b>                    | <b>449,979</b>   | <b>213,605</b>   | <b>273,084</b>   | <b>232,871</b>   | <b>(8.3)%</b>  | <b>(21.8)%</b> |
| Personnel salaries and expenses                | (159,176)        | (75,561)         | (78,395)         | (73,884)         | 2.3%           | (3.6)%         |
| Administrative expenses                        | (97,015)         | (46,053)         | (45,115)         | (41,041)         | 12.2%          | 2.1%           |
| Depreciation and amortization                  | (29,600)         | (14,051)         | (14,198)         | (13,354)         | 5.2%           | (1.0)%         |
| Impairment                                     | 0                | 0                | (34)             | (77)             | —%             | —%             |
| <b>Operating expenses</b>                      | <b>(285,791)</b> | <b>(135,665)</b> | <b>(137,742)</b> | <b>(128,356)</b> | <b>5.7%</b>    | <b>(1.5)%</b>  |
| Other operating expenses                       | (27,403)         | (13,008)         | (15,464)         | (12,156)         | 7.0%           | (15.9)%        |
| Total operating expenses                       | (313,194)        | (148,673)        | (153,206)        | (140,512)        | 5.8%           | (3.0)%         |
| <b>Operating income</b>                        | <b>136,785</b>   | <b>64,932</b>    | <b>119,878</b>   | <b>92,359</b>    | <b>(29.7)%</b> | <b>(45.8)%</b> |
| Income from investments in other companies     | 301              | 143              | 660              | 546              | (73.8)%        | (78.3)%        |
| <b>Income before taxes</b>                     | <b>137,087</b>   | <b>65,075</b>    | <b>120,538</b>   | <b>92,905</b>    | <b>(30.0)%</b> | <b>(46.0)%</b> |
| Income tax expense                             | (25,861)         | (12,276)         | (14,027)         | (16,629)         | (26.2)%        | (12.5)%        |
| <b>Net income from ordinary activities</b>     | <b>111,226</b>   | <b>52,799</b>    | <b>106,511</b>   | <b>76,276</b>    | <b>(30.8)%</b> | <b>(50.4)%</b> |
| Net income discontinued operations             | -                | -                | -                | -                | —%             | —%             |
| <b>Net income attributable to:</b>             |                  |                  |                  |                  |                |                |
| Minority interest                              | 4,710            | 2,236            | 816              | 1,123            | 99.1%          | 174.0%         |
| <b>Net income attributable to shareholders</b> | <b>106,516</b>   | <b>50,563</b>    | <b>105,695</b>   | <b>75,153</b>    | <b>(32.7)%</b> | <b>(52.2)%</b> |

Figures in US\$ have been translated at the exchange rate of Ch\$474.70

#### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl

**ANNEX 4: QUARTERLY EVOLUTION OF MAIN RATIOS AND OTHER INFORMATION**

| (Ch\$ millions)                           | Sep-11            | Dec-11            | Mar-12            | Jun-12            | Sep-12            |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Loans</b>                              |                   |                   |                   |                   |                   |
| Consumer loans                            | 2,925,659         | 2,943,846         | 2,963,104         | 2,987,880         | 3,039,998         |
| Residential mortgage loans                | 5,016,420         | 5,115,663         | 5,162,473         | 5,221,914         | 5,208,217         |
| Commercial loans                          | 9,738,277         | 9,287,585         | 9,666,504         | 10,164,678        | 10,254,959        |
| <b>Total loans</b>                        | <b>17,680,356</b> | <b>17,347,094</b> | <b>17,792,081</b> | <b>18,374,472</b> | <b>18,503,174</b> |
| Allowance for loan losses                 | (520,566)         | (523,687)         | (522,728)         | (518,331)         | (552,138)         |
| <b>Total loans, net of allowances</b>     | <b>17,159,790</b> | <b>16,823,407</b> | <b>17,269,353</b> | <b>17,856,141</b> | <b>17,951,034</b> |
| <b>Loans by segment</b>                   |                   |                   |                   |                   |                   |
| Individuals                               | 9,187,526         | 9,289,345         | 9,376,934         | 9,534,018         | 9,613,857         |
| SMEs                                      | 2,522,698         | 2,560,736         | 2,604,565         | 2,658,077         | 2,745,928         |
| <b>Total retail lending</b>               | <b>11,710,224</b> | <b>11,850,081</b> | <b>11,981,499</b> | <b>12,192,095</b> | <b>12,359,785</b> |
| Institutional lending                     | 351,644           | 355,199           | 347,818           | 366,862           | 355,119           |
| Middle-Market & Real estate               | 3,731,980         | 3,650,709         | 3,692,576         | 3,848,479         | 3,918,324         |
| Corporate                                 | 1,905,005         | 1,494,752         | 1,881,429         | 2,006,270         | 1,874,749         |
| <b>Customer funds</b>                     |                   |                   |                   |                   |                   |
| Demand deposits                           | 4,496,757         | 4,413,815         | 4,566,890         | 4,624,570         | 4,601,160         |
| Time deposits                             | 9,395,246         | 8,921,114         | 8,825,599         | 9,913,093         | 9,487,610         |
| <b>Total deposits</b>                     | <b>13,892,003</b> | <b>13,334,929</b> | <b>13,392,489</b> | <b>14,537,663</b> | <b>14,088,770</b> |
| Mutual funds (Off balance sheet)          | 2,852,379         | 2,941,773         | 2,995,292         | 2,944,482         | 3,080,130         |
| <b>Total customer funds</b>               | <b>16,744,382</b> | <b>16,276,702</b> | <b>16,387,781</b> | <b>17,482,145</b> | <b>17,168,900</b> |
| <b>Loans / Deposits<sup>1</sup></b>       | <b>94.8%</b>      | <b>95.4%</b>      | <b>98.4%</b>      | <b>96.5%</b>      | <b>98.7%</b>      |
| <b>Average balances</b>                   |                   |                   |                   |                   |                   |
| Avg. interest earning assets              | 20,068,323        | 19,836,214        | 20,119,312        | 20,362,279        | 20,410,407        |
| Avg. loans                                | 17,460,992        | 17,494,801        | 17,537,743        | 18,127,164        | 18,546,119        |
| Avg. assets                               | 24,961,680        | 25,245,472        | 24,918,317        | 24,957,219        | 25,106,995        |
| Avg. demand deposits                      | 4,372,511         | 4,374,397         | 4,527,917         | 4,749,885         | 4,598,283         |
| Avg equity                                | 1,901,447         | 1,964,850         | 2,035,332         | 2,014,260         | 2,042,929         |
| Avg. free funds                           | 6,273,958         | 6,339,246         | 6,563,249         | 6,764,145         | 6,641,212         |
| <b>Capitalization</b>                     |                   |                   |                   |                   |                   |
| Risk weighted assets                      | 18,954,147        | 18,243,142        | 18,509,191        | 19,572,225        | 19,479,092        |
| Tier I (Shareholders' equity)             | 1,927,498         | 2,001,222         | 2,065,994         | 2,028,612         | 2,058,231         |
| Tier II                                   | 715,184           | 686,171           | 673,110           | 659,788           | 642,650           |
| Regulatory capital                        | 2,642,682         | 2,687,393         | 2,739,104         | 2,688,401         | 2,700,881         |
| Tier I ratio                              | 10.2%             | 11.0%             | 11.2%             | 10.4%             | 10.6%             |
| BIS ratio                                 | 13.9%             | 14.7%             | 14.8%             | 13.7%             | 13.9%             |
| <b>Profitability &amp; Efficiency</b>     |                   |                   |                   |                   |                   |
| Net interest margin                       | 4.6%              | 5.3%              | 5.3%              | 5.0%              | 4.7%              |
| Efficiency ratio                          | 41.3%             | 38.5%             | 36.8%             | 41.0%             | 42.4%             |
| Avg. Free funds / interest earning assets | 31.3%             | 32.0%             | 32.6%             | 33.2%             | 32.5%             |
| Return on avg. equity                     | 15.8%             | 20.8%             | 23.3%             | 21.0%             | 9.9%              |
| Return on avg. assets                     | 1.2%              | 1.6%              | 1.9%              | 1.7%              | 0.8%              |

**Investor Relations Department**

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



|   | Sep-11      | Dec-11      | Mar-12      | Jun-12      | Sep-12      |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Asset quality</b>                                  |             |             |             |             |             |
| Non-performing loans (NPLs) <sup>2</sup>              | 496,786     | 511,357     | 519,283     | 529,869     | 561,730     |
| Past due loans <sup>3</sup>                           | 223,948     | 237,573     | 255,417     | 284,716     | 301,250     |
| Risk index <sup>4</sup>                               | 520,566     | 523,687     | 522,728     | 518,331     | 552,138     |
| NPLs / total loans                                    | 2.81%       | 2.95%       | 2.92%       | 2.88%       | 3.04%       |
| PDL / total loans                                     | 1.27%       | 1.37%       | 1.44%       | 1.55%       | 1.63%       |
| Coverage of NPLs (Loan loss allowance / NPLs)         | 104.79%     | 102.41%     | 100.66%     | 97.82%      | 98.29%      |
| Coverage of PDLs (Loan loss allowance / PDLs)         | 232.4%      | 220.4%      | 204.7%      | 182.1%      | 183.3%      |
| Risk index (Loan loss allowances / Loans)             | 2.94%       | 3.02%       | 2.94%       | 2.82%       | 2.98%       |
| Cost of credit (prov. expense / loans)                | 2.04%       | 2.00%       | 1.76%       | 1.71%       | 2.58%       |
| <b>Network</b>  |             |             |             |             |             |
| Branches  | 494         | 499         | 499         | 499         | 496         |
| ATMs  | 1,892       | 1,920       | 1,949       | 1,966       | 1,966       |
| Employees   | 11,706      | 11,566      | 11,572      | 11,621      | 11,692      |
| <b>Market information (period-end)</b>                |             |             |             |             |             |
| Net income per share (Ch\$)                           | 0.40        | 0.54        | 0.63        | 0.56        | 0.27        |
| <b>Net income per ADR (US\$)</b>                      | <b>0.31</b> | <b>0.42</b> | <b>0.51</b> | <b>0.44</b> | <b>0.23</b> |
| Stock price   | 37.5        | 37.4        | 40.5        | 37.3        | 33.55       |
| ADR price   | 28.3        | 29.1        | 33.1        | 29.8        | 28.2        |
| Market capitalization (US\$mn)                        | 13,328      | 13,728      | 15,613      | 14,053      | 13,285      |
| Shares outstanding                                    | 188,446.1   | 188,446.1   | 188,446.1   | 188,446.1   | 188,446.1   |
| ADRs (1 ADR = 1,039 shares)                           | 471.1       | 471.1       | 471.1       | 471.1       | 471.1       |
| <b>Other Data</b>                                     |             |             |             |             |             |
| Quarterly inflation rate <sup>5</sup>                 | 0.56%       | 1.28%       | 1.07%       | 0.42%       | -0.16%      |
| Central Bank monetary policy reference rate (nominal) | 5.25%       | 5.25%       | 5.00%       | 5.00%       | 5.00%       |
| Avg. 10 year Central Bank yield (real)                | 2.63%       | 2.61%       | 2.45%       | 2.49%       | 2.42%       |
| Avg. 10 year Central Bank yield (nominal)             | 5.64%       | 5.21%       | 5.40%       | 5.58%       | 5.31%       |
| Observed Exchange rate (Ch\$/US\$) (period-end)       | 515.14      | 521.46      | 489.76      | 509.73      | 470.48      |

1 Ratio = Loans - marketable securities / Time deposits + demand deposits

2 Capital + future interest of all loans with one installment 90 days or more overdue.

3 Total installments plus lines of credit more than 90 days overdue

4 Based on internal credit models and SBIF guidelines. Banks must have a 100% coverage of risk index

5 Calculated using the variation of the Unidad de Fomento (UF) in the period

#### Investor Relations Department

Bandera 140 19<sup>th</sup> Floor, Santiago, Chile, Tel: 562-320-8284, fax: 562-671-6554,  
email: rmorenoh@santander.cl



**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
Consolidated Interim Financial Statements

for the periods ending as of September 30, 2012 and  
2011 and December 31, 2011

## CONTENT

|   |     |
|---|-----|
| <b>Consolidated Interim Financial Statements</b>                |     |
| CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION           | 2   |
| CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME         | 4   |
| CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY            | 5   |
| CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW                    | 6   |
| <b>Notes to the Consolidated Interim Financial Statements</b>   |     |
| NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES           | 8   |
| NOTE 2 – ACCOUNTING CHANGES:                                    | 33  |
| NOTE 3 - SIGNIFICANT EVENTS:                                    | 34  |
| NOTE 4 - BUSINESS SEGMENTS:                                     | 36  |
| NOTE 5 - CASH AND CASH EQUIVALENTS                              | 42  |
| NOTE 6 - TRADING INVESTMENTS:                                   | 43  |
| NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING: | 44  |
| NOTE 8 - INTERBANK LOANS  | 50  |
| NOTE 9 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS:          | 51  |
| NOTE 10 - AVAILABLE FOR SALE INVESTMENTS:                       | 56  |
| NOTE 11 - INTANGIBLE ASSETS:                                    | 57  |
| NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT                        | 59  |
| NOTE 13 - CURRENT AND DEFERRED TAXES:                           | 63  |
| NOTE 14 – OTHER ASSETS:   | 66  |
| NOTE 15 - TIME DEPOSITS AND OTHER TIME LIABILITIES:             | 67  |
| NOTE 16 - ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS:        | 68  |
| NOTE 17 - MATURITIES OF ASSETS AND LIABILITIES:                 | 74  |
| NOTE 18 - OTHER LIABILITIES                                     | 76  |
| NOTE 19 -CONTINGENCIES AND COMMITMENTS:                         | 77  |
| NOTE 20 – EQUITY:   | 79  |
| NOTE 21 - CAPITAL REQUIREMENTS (BASEL):                         | 82  |
| NOTE 22 – NON CONTROLLING INTEREST                              | 84  |
| NOTE 23 -INTEREST INCOME AND EXPENSE                            | 86  |
| NOTE 24 – FEES AND COMMISSIONS                                  | 89  |
| NOTE 25 - NET INCOME FROM FINANCIAL OPERATIONS                  | 90  |
| NOTE 26 – NET FOREIGN EXCHANGE PROFIT                           | 90  |
| NOTE 27 - PROVISION FOR LOAN LOSSES                             | 91  |
| NOTE 28 - PERSONNEL SALARIES AND EXPENSES                       | 93  |
| NOTE 29 - ADMINISTRATIVE EXPENSES                               | 94  |
| NOTE 30 – DEPRECIATION, AMORTIZATION AND IMPAIRMENT             | 95  |
| NOTE 31 - OTHER OPERATING INCOME AND EXPENSES                   | 96  |
| NOTE 32 - TRANSACTIONS WITH RELATED PARTIES:                    | 98  |
| NOTE 33 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:       | 103 |
| NOTE 34 – SUBSEQUENT EVENTS                                     | 106 |

**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

For periods ending

|   | NOTE | As of September<br>30,<br>2012<br>MCh\$ | As of December<br>31,<br>2011<br>MCh\$ |
|---|------|---|--|
| <b>ASSETS</b>                                     |      |   |  |
| Cash and deposits in banks                        | 5    | 1,585,078                               | 2,793,701                              |
| Cash items in process of collection               | 5    | 599,339                                 | 276,454                                |
| Trading investments                               | 6    | 207,608                                 | 409,763                                |
| Investments under repurchase agreements           |      | 152,022                                 | 12,928                                 |
| Financial derivative contracts                    | 7    | 1,476,209                               | 1,612,869                              |
| Interbank loans, net                              | 8    | 110,244                                 | 87,541                                 |
| Loans and accounts receivable from customers, net | 9    | 17,951,036                              | 16,823,407                             |
| Available for sale investments                    | 10   | 1,729,682                               | 1,661,311                              |
| Held to maturity investments                      | 10   | -                                       | -                                      |
| Investments in other companies                    |      | 8,636                                   | 8,728                                  |
| Intangible assets                                 | 11   | 75,098                                  | 80,739                                 |
| Property, plant, and equipment                    | 12   | 150,227                                 | 153,059                                |
| Current taxes                                     | 13   | 1,279                                   | 37,253                                 |
| Deferred taxes                                    | 13   | 181,789                                 | 147,754                                |
| Other assets                                      | 14   | 711,815                                 | 546,470                                |
| <b>TOTAL ASSETS</b>                               |      | <b>24,940,062</b>                       | <b>24,651,977</b>                      |
| <b>LIABILITIES</b>                                |      |   |  |
| Deposits and other demand liabilities             | 15   | 4,601,160                               | 4,413,815                              |
| Cash items in process of being cleared            | 5    | 403,154                                 | 89,486                                 |
| Obligations under repurchase agreements           |      | 118,845                                 | 544,381                                |
| Time deposits and other time liabilities          | 15   | 9,487,610                               | 8,921,114                              |
| Financial derivative contracts                    | 7    | 1,349,272                               | 1,292,148                              |
| Interbank borrowings                              |      | 1,476,424                               | 1,920,092                              |
| Issued debt instruments                           | 16   | 4,595,152                               | 4,623,239                              |
| Other financial liabilities                       | 16   | 189,627                                 | 176,599                                |
| Current taxes                                     | 13   | 8,136                                   | 1,498                                  |
| Deferred taxes                                    | 13   | 10,615                                  | 5,315                                  |
| Provisions  |      | 173,943                                 | 230,290                                |
| Other liabilities                                 | 18   | 434,408                                 | 398,977                                |
| <b>TOTAL LIABILITIES</b>                          |      | <b>22,848,346</b>                       | <b>22,616,954</b>                      |
| <b>EQUITY</b>                                     |      |   |  |
| <b>Attributable to Bank shareholders:</b>         |      | <b>2,058,231</b>                        | <b>2,001,222</b>                       |
| Capital   |      | 891,303                                 | 891,303                                |
| Reserves  |      | 976,561                                 | 51,539                                 |
| Valuation adjustments                             | 20   | (1,828)                                 | 2,832                                  |
| <b>Retained Earnings</b>                          |      | <b>192,195</b>                          | <b>1,055,548</b>                       |
| Retained earnings of prior years                  |      | -                                       | 750,989                                |
| Income for the period                             |      | 274,565                                 | 435,084                                |
| Minus: Provision for mandatory dividends          |      | (82,370)                                | (130,525)                              |
| <b>Non-controlling interest</b>                   | 22   | <b>33,485</b>                           | <b>33,801</b>                          |
| <b>TOTAL EQUITY</b>                               |      | <b>2,091,716</b>                        | <b>2,035,023</b>                       |
| <b>TOTAL LIABILITIES AND EQUITY</b>               |      | <b>24,940,062</b>                       | <b>24,651,977</b>                      |

**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF INCOME**

For periods ending as of

|   | NOTE | For the quarter ending as of<br>September 30, |                  | For the 9-month period ending on<br>September 30, |                  |
|---|------|---|------------------|---|------------------|
|   |      | 2012<br>MCh\$                                 | 2011<br>MCh\$    | 2012<br>MCh\$                                     | 2011<br>MCh\$    |
| <b>OPERATING INCOME</b>   |      |   |                  |   |                  |
| Interest income   | 23   | 407,222                                       | 420,729          | 1,366,035   | 1,271,278        |
| Interest expense  | 23   | (168,491)                                     | (188,672)        | (606,292)   | (563,124)        |
| <b>Net interest income</b>  |      | <b>238,731</b>                                | <b>232,057</b>   | <b>759,743</b>                                    | <b>708,154</b>   |
| Fee and commission income   | 24   | 88,817  | 87,651           | 270,692   | 271,541          |
| Fee and commission expense  | 24   | (21,780)                                      | (21,660)         | (66,957)  | (62,111)         |
| <b>Net fee and commission income</b>  |      | <b>67,037</b>                                 | <b>65,991</b>    | <b>203,735</b>                                    | <b>209,430</b>   |
| Net income from financial operations (net trading income)                             | 25   | (19,161)                                      | 102,133          | (32,941)  | 153,535          |
| Foreign exchange profit (loss), net   | 26   | 38,383  | (79,132)         | 97,106  | (75,265)         |
| Other operating income  | 31   | 8,074   | 2,194            | 15,128  | 8,053            |
| <b>Net operating profit before loan losses</b>  |      | <b>333,064</b>                                | <b>323,243</b>   | <b>1,042,771</b>                                  | <b>1,003,907</b> |
| Provision for loan losses   | 27   | (119,459)                                     | (90,372)         | (276,315)   | (195,920)        |
| <b>NET OPERATING PROFIT</b>   |      | <b>213,605</b>                                | <b>232,871</b>   | <b>766,456</b>                                    | <b>807,987</b>   |
| Personnel salaries and expenses   | 28   | (75,561)                                      | (73,884)         | (223,416)   | (207,380)        |
| Administrative expenses   | 29   | (46,053)                                      | (41,041)         | (135,252)   | (122,078)        |
| Depreciation and amortization   | 30   | (14,051)                                      | (13,354)         | (40,321)  | (39,638)         |
| Impairment  | 12   | -   | (77)             | (88)  | (109)            |
| Other operating expenses  | 31   | (13,008)                                      | (12,156)         | (44,837)  | (41,569)         |
| <b>Total operating expenses</b>   |      | <b>(148,673)</b>                              | <b>(140,512)</b> | <b>(443,914)</b>                                  | <b>(410,774)</b> |
| <b>OPERATING INCOME</b>   |      | <b>64,932</b>                                 | <b>92,359</b>    | <b>322,542</b>                                    | <b>397,213</b>   |
| Income from investments in other companies  |      | 143   | 546              | 1,250   | 1,673            |
| <b>Income before tax</b>  |      | <b>65,075</b>                                 | <b>92,905</b>    | <b>323,792</b>                                    | <b>398,886</b>   |
| Income tax  | 13   | (12,276)                                      | (16,629)         | (45,384)  | (62,546)         |
| <b>NET INCOME FOR THE PERIOD</b>  |      | <b>52,799</b>                                 | <b>76,276</b>    | <b>278,408</b>                                    | <b>336,340</b>   |
| Attributable to:  |      |   |                  |   |                  |
| Bank shareholders (Equity holders of the Bank)  |      | 50,563  | 75,153           | 274,565   | 332,963          |
| Non-controlling interest  | 22   | 2,236   | 1,123            | 3,843   | 3,377            |
| Earnings per share attributable to Bank shareholders:<br>(expressed in Chilean pesos) |      |   |                  |   |                  |
| Basic earnings  |      | 0,268   | 0,399            | 1,457   | 1,767            |
| Diluted earnings  |      | 0,268   | 0,399            | 1,457   | 1,767            |



**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

For the following periods:

|  | NOTE | For the quarter ended<br>as of September 30, |               | For the 9-month period ending on<br>September 30, |                |
|--|------|--|---------------|---|----------------|
|  |      | 2012<br>MCh\$                                | 2011<br>MCh\$ | 2012<br>MCh\$                                     | 2011<br>MCh\$  |
| <b>CONSOLIDATE INCOME FOR THE PERIOD</b>               |      | <b>52,799</b>                                | <b>76,276</b> | <b>278,408</b>                                    | <b>336,340</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                      |      |  |               |   |                |
| Available for sale investments                         | 20   | (4,869)                                      | 22,561        | (7,049)   | 21,486         |
| Cash flow hedge  | 20   | (2,234)                                      | (12,051)      | 1,374   | (14,074)       |
| <b>Other comprehensive income before income tax</b>    |      | <b>(7,103)</b>                               | <b>10,510</b> | <b>(5,675)</b>                                    | <b>7,412</b>   |
| Income tax related to other comprehensive income       |      | 1,307  | (2,058)       | 1,070   | (1,401)        |
| <b>Total other comprehensive income</b>                |      | <b>(5,796)</b>                               | <b>8,452</b>  | <b>(4,605)</b>                                    | <b>6,011</b>   |
| <b>CONSOLIDATE COMPREHENSIVE INCOME FOR THE PERIOD</b> |      | <b>47,003</b>                                | <b>84,728</b> | <b>273,803</b>                                    | <b>342,351</b> |
| Attributable to:                                       |      |  |               |   |                |
| Bank shareholders (Equity holders of the Bank)         |      | 44,789                                       | 83,577        | 269,905   | 338,736        |
| Non-controlling interest                               | 22   | 2,214  | 1,151         | 3,898   | 3,615          |

**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
For periods ending as of September 30, 2012 and 2011 and December 31, 2011

|   | RESERVES      |  |  | VALUATION ADJUSTMENTS                |                       |                  | RETAINED EARNINGS                      |                             |   | Total attributable to Bank shareholders MCh\$ | Non-controlling interest MCh\$ | Total Equity MCh\$ |
|---|---------------|--|--|--------------------------------------|-----------------------|------------------|--|-----------------------------|---|---|--------------------------------|--------------------|
|   | Capital MCh\$ | Reserves and other retained earnings MCh\$ | Merger of companies under common control MCh\$ | Available for sale investments MCh\$ | Cash flow hedge MCh\$ | Income tax MCh\$ | Retained earnings of prior years MCh\$ | Income for the period MCh\$ | Provision for mandatory dividends MCh\$ |   |                                |                    |
| <b>Equity as of December 31, 2010</b>         | 891,303       | 53,763                                     | (2,224)  | (18,341)                             | 11,958                | 1,203            | 560,128                                | 477,155                     | (143,147)                               | 1,831,798                                     | 31,809                         | 1,863,607          |
| Distribution of income from previous period   | -             | -  | -  | -                                    | -                     | -                | 477,155                                | (477,155)                   | -                                       | -   | -                              | -                  |
| <b>Equity as of January 1, 2011</b>           | 891,303       | 53,763                                     | (2,224)  | (18,341)                             | 11,958                | 1,203            | 1,037,283                              | -                           | (143,147)                               | 1,831,798                                     | 31,809                         | 1,863,607          |
| Increase or decrease of capital and reserves  | -             | -  | -  | -                                    | -                     | -                | -                                      | -                           | -                                       | -   | -                              | -                  |
| Dividends distributions / Withdrawals made    | -             | -  | -  | -                                    | -                     | -                | (286,294)                              | -                           | 143,147                                 | (143,147)                                     | (3,122)                        | (146,269)          |
| Other changes in equity                       | -             | -  | -  | -                                    | -                     | -                | -                                      | -                           | -                                       | -   | (9)                            | (9)                |
| Provisions for mandatory dividends            | -             | -  | -  | -                                    | -                     | -                | -                                      | -                           | (99,889)                                | (99,889)                                      | (99,889)                       | (99,889)           |
| <b>Subtotals</b>                              | -             | -  | -  | -                                    | -                     | -                | (286,294)                              | -                           | 43,258                                  | (243,036)                                     | (3,131)                        | (246,167)          |
| Other comprehensive income                    | -             | -  | -  | 21,197                               | (14,074)              | (1,350)          | -                                      | -                           | -                                       | 5,773   | 238                            | 6,011              |
| Income for the period                         | -             | -  | -  | -                                    | -                     | -                | -                                      | 332,963                     | -                                       | 332,963                                       | 3,377                          | 336,340            |
| <b>Subtotals</b>                              | -             | -  | -  | 21,197                               | (14,074)              | (1,350)          | -                                      | 332,963                     | -                                       | 338,736                                       | 3,615                          | 342,351            |
| <b>Equity as of September 30, 2011</b>        | 891,303       | 53,763                                     | (2,224)  | 2,856                                | (2,116)               | (147)            | 750,989                                | 332,963                     | (99,889)                                | 1,927,498                                     | 32,293                         | 1,959,791          |
| <b>Equity as of December 31, 2011</b>         | 891,303       | 53,763                                     | (2,224)  | 3,077                                | 394                   | (639)            | 750,989                                | 435,084                     | (130,525)                               | 2,001,222                                     | 33,801                         | 2,035,023          |
| Distribution of income from previous period   | -             | -  | -  | -                                    | -                     | -                | 435,084                                | (435,084)                   | -                                       | -   | -                              | -                  |
| <b>Opening balances as of January 1, 2012</b> | 891,303       | 53,763                                     | (2,224)  | 3,077                                | 394                   | (639)            | 1,186,073                              | -                           | (130,525)                               | 2,001,222                                     | 33,801                         | 2,035,023          |
| Increase or decrease of capital and reserves  | -             | -  | -  | -                                    | -                     | -                | -                                      | -                           | -                                       | -   | -                              | -                  |
| Dividends distributions / Withdrawals made    | -             | -  | -  | -                                    | -                     | -                | (261,051)                              | -                           | 130,525                                 | (130,526)                                     | (4,211)                        | (134,737)          |
| Other changes in equity                       | -             | 925,022                                    | -  | -                                    | -                     | -                | (925,022)                              | -                           | -                                       | -   | (3)                            | (3)                |
| Provision for mandatory dividends             | -             | -  | -  | -                                    | -                     | -                | -                                      | -                           | (82,370)                                | (82,370)                                      | (82,370)                       | (82,370)           |
| <b>Subtotals</b>                              | -             | 925,022                                    | -  | -                                    | -                     | -                | (1,186,073)                            | -                           | 48,155                                  | (212,896)                                     | (4,214)                        | (217,110)          |
| Other comprehensive income                    | -             | -  | -  | (7,118)                              | 1,374                 | 1,084            | -                                      | -                           | -                                       | (4,660)                                       | 55                             | (4,605)            |
| Income for the period                         | -             | -  | -  | -                                    | -                     | -                | -                                      | 274,565                     | -                                       | 274,565                                       | 3,843                          | 278,408            |
| <b>Subtotals</b>                              | -             | -  | -  | (7,118)                              | 1,374                 | 1,084            | -                                      | 274,565                     | -                                       | 269,905                                       | 3,898                          | 273,803            |
| <b>Balances as of September 30, 2012</b>      | 891,303       | 978,785                                    | (2,224)  | (4,041)                              | 1,768                 | 445              | -                                      | 274,565                     | (82,370)                                | 2,058,231                                     | 33,485                         | 2,091,716          |

| 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 2011 (Shareholders Meeting April 2012) | 435,084                                       | 174,033  | 261,051                      | 60                       | 188,446,126,794  | 1,385                         |
| Year 2010 (Shareholders Meeting April 2011) | 477,155                                       | 190,861  | 286,294                      | 60                       | 188,446,126,794  | 1,519                         |

**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW**

For periods ending:

|   | NOTE | As of September 30 |                  |
|---|------|--------------------|------------------|
|   |      | 2012<br>MCh\$      | 2011<br>MCh\$    |
| <b>A - CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |      |                    |                  |
| <b>CONSOLIDATED INCOME BEFORE TAX</b>                                     |      | <b>323,792</b>     | <b>398,886</b>   |
| <b>Debits (credits) to income that do not represent cash flows</b>        |      | <b>(661,309)</b>   | <b>(675,799)</b> |
| Depreciation and amortization   | 30   | 40,321             | 39,638           |
| Impairment of property, plant, and equipment                              | 12   | 88                 | 109              |
| Provision for loan losses   | 27   | 298,555            | 211,939          |
| Mark to market of trading investments                                     |      | (10,228)           | (7,848)          |
| Income from investments in other companies                                |      | (1,250)            | (1,673)          |
| Net gain on sale of assets received in lieu of payment                    | 31   | (7,767)            | (6,654)          |
| Provisions for assets received in lieu of payment                         | 31   | 3,586              | 2,135            |
| Net gain on sale of investments in other companies                        | 31   | (599)              | -                |
| Net gain on sale of property, plant and equipment                         | 31   | (6,208)            | (830)            |
| Charge off of assets received in lieu of payment                          | 31   | 6,250              | 7,118            |
| Net interest income   | 23   | (759,743)          | (708,154)        |
| Net fee and commission income   | 24   | (203,735)          | (209,430)        |
| Debits (credits) to income that do not represent cash flows               |      | 7,522              | 18,078           |
| Changes in assets and liabilities due to deferred taxes                   | 13   | (28,101)           | (20,227)         |
| <b>Increase/decrease in operating assets and liabilities</b>              |      | <b>(530,443)</b>   | <b>903,088</b>   |
| Decrease (increase) of loans and accounts receivables from customers, net |      | (955,220)          | (1,892,335)      |
| Decrease (increase) of financial investments                              |      | 133,784            | (801,170)        |
| Decrease (increase) due to repurchase agreements (assets)                 |      | (139,094)          | 158,828          |
| Decrease (increase) of interbank loans                                    |      | (22,702)           | (18,222)         |
| Decrease of assets received or awarded in lieu of payment                 |      | 33,443             | 33,020           |
| Increase of debits in checking accounts                                   |      | 65,944             | 44,856           |
| Increase (decrease) of time deposits and other time liabilities           |      | 421,846            | 2,133,646        |
| Increase (decrease) of obligations with domestic banks                    |      | -                  | -                |
| Increase of other demand liabilities or time obligations                  |      | 121,431            | 162,403          |
| Increase (decrease) of obligations with foreign banks                     |      | (443,304)          | 441,478          |
| Decrease of obligations with Central Bank of Chile                        |      | (364)              | (397)            |
| Increase (decrease) due to repurchase agreements (liabilities)            |      | (425,536)          | (67,682)         |
| Increase (decrease) of other short-term liabilities                       |      | 13,028             | (690)            |
| Net increase of other assets and liabilities                              |      | (345,644)          | (315,359)        |
| Issuance of letters of credit   |      | -                  | -                |
| Redemption of letters of credit   |      | (39,587)           | (42,129)         |
| Senior bond issuances   |      | 581,088            | 489,133          |
| Redemption of senior bonds and payments of interest                       |      | (446,516)          | (278,094)        |
| Interest received   |      | 1,382,224          | 1,277,893        |
| Interest paid   |      | (624,425)          | (569,670)        |
| Dividends received from investments in other companies                    |      | 810                | 696              |
| Fees and commissions received   | 24   | 270,692            | 271,541          |
| Fees and commissions paid   | 24   | (66,957)           | (62,112)         |
| Income tax paid   | 13   | (45,384)           | (62,546)         |
| <b>Net cash flows from (used in) operating activities</b>                 |      | <b>(867,960)</b>   | <b>626,175</b>   |

**BANCO SANTANDER CHILE AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW**

For periods ending:

|  | <u>NOTE</u> | <u>As of September 30</u> |                  |
|--|-------------|---------------------------|------------------|
|  |             | <u>2012</u>               | <u>2011</u>      |
|  |             | <u>MCh\$</u>              | <u>MCh\$</u>     |
| <b>B - CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>                                    |             |                           |                  |
| Purchases of property, plant, and equipment  | 12          | (17,474)                  | (13,261)         |
| Sales of property, plant, and equipment  | 12          | 5,152                     | 167              |
| Purchases of investments in other companies  |             | (61)                      | -                |
| Sales of investments in other companies  |             | 401                       | 5,705            |
| Purchases of intangible assets   | 11          | (19,452)                  | (24,118)         |
| <b>Net cash used in investment activities</b>  |             | <b>(31,434)</b>           | <b>(31,507)</b>  |
| <b>C - CASH FLOW FROM FINANCING ACTIVITIES:</b>                                      |             |                           |                  |
| <b>From shareholders' financing activities</b>                                       |             | <b>(286,089)</b>          | <b>(198,515)</b> |
| Increase of other obligations  |             | 116                       | -                |
| Issuance of subordinated bonds   |             | -                         | 114,978          |
| Redemption of subordinated bonds and payments of interest                            |             | (25,155)                  | (27,199)         |
| Dividends paid   |             | (261,050)                 | (286,294)        |
| <b>From non-controlling interest financing activities</b>                            |             | <b>(4,211)</b>            | <b>(3,122)</b>   |
| Increases of capital   |             | -                         | -                |
| Dividends and/or withdrawals paid  |             | (4,211)                   | (3,122)          |
| <b>Net cash flows used in financing activities</b>                                   |             | <b>(290,300)</b>          | <b>(201,637)</b> |
| <b>D - NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>               |             | <b>(1,189,694)</b>        | <b>393,031</b>   |
| <b>E - EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS</b>                             |             | <b>(9,712)</b>            | <b>(66,149)</b>  |
| <b>F - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS</b>                              |             | <b>2,980,669</b>          | <b>1,836,441</b> |
| <b>FINAL BALANCE OF CASH AND CASH EQUIVALENTS</b>                                    | <b>5</b>    | <b>1,781,263</b>          | <b>2,163,323</b> |
|  |             | <u>As of September 30</u> |                  |
| <b>Reconciliation of provisions for Consolidated Interim Statements of Cash Flow</b> |             | <u>2012</u>               | <u>2011</u>      |
|  |             | <u>MCh\$</u>              | <u>MCh\$</u>     |
| Provisions for loan losses for cash flow   |             | 298,555                   | 211,939          |
| Recovery of loans previously charged off   |             | (22,240)                  | (16,019)         |
| <b>Expenses on allowances for loan losses</b>  |             | <b>276,315</b>            | <b>195,920</b>   |

## NOTE 1 – 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, addressed at #140 Bandera St., first floor, and 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, besides 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, 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 Superintendence of Banks and Financial Institutions, may also use the names Banco Santander Santiago or Santander Santiago or Banco Santander or Santander.

Banco Santander España controls Banco Santander-Chile through its share in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding S.A., which are subsidiaries controlled by Banco Santander España. As of September 30, 2011 Banco Santander España owns or controls directly and indirectly 99.5% of the Santander-Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This grants Banco Santander España control over 67.18% of the Bank’s shares.

### a) Basis of preparation

These Consolidated Interim Financial Statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF), a regulatory agency. Article 15 of the General Banking Law states that, in accordance with the laws, banks must abide by the accounting criteria issued by the Superintendency and that, in any situation not provided for therein—if it is not contrary to its instructions—must abide by the generally accepted accounting principles, which correspond with the technical standards issued by the Colegio de Contadores de Chile AG (Association of Chilean Accountants), which coincide with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB). In the event of discrepancies between the accounting principles and the accounting criteria issued by the SBIF (Compendium of Accounting Standard), the latter will prevail. In the event of discrepancies between the accounting principles and the accounting criteria issued by the SBIF (Compendium of Accounting Standard), the latter will prevail. The notes to these Consolidated Interim Financial Statements include additional information to the one presented on the Consolidated Interim Statements of Financial Position, on the Consolidated Interim Statements of Income, the Consolidated Interim Statements of Comprehensive Income, the Consolidated Interim Statements of Changes in Equity and the Consolidated Interim Statements of Cash Flows. The notes provide narrative descriptions of those statements in a clear, relevant, reliable and comparable manner. The notes provide narrative descriptions of those statements in a clear, relevant, reliable and comparable manner.

### b) Basis of preparation for the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements include the preparation of separate (individual) financial statements of the Bank and the companies that participate in the consolidation as of September 30, 2012 and 2011 and December 31, 2011, and they include the adjustments and reclassifications needed to make the accounting policies and valuation criteria applied by Bank to abide by the Compendium of Accounting Regulations issued by the SBIF.

### 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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

Financial Statements of subsidiaries are consolidated together 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' shares in the Consolidated Bank's equity are presented as "Non-controlling interests" in the Consolidated Interim Statement of Income. Their shares in the year's income are presented under "Non-controlling interests" in the Consolidated Interim Statement of 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 September 30, 2012 |            |         | As of December 31, 2011 |            |         | As of September 30, 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   |
| 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  |

**Special Purpose Entities**

According to IFRS, the Bank must continuously analyze its perimeter of consolidation. The key criterion for such analysis is the degree of control held by the Bank over a given entity, not the percentage of holding 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 Standard 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 residuals 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 profits 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 therefore are included within the scope of consolidation:

- 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**

Associated entities are those entities over which the Bank exercises significant influence but not control or joint control; usually because it holds 20% or more of the entity's voting power. Investments in associated entities are accounted for using the "equity method."

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

The following companies are considered “Associates” in which the Bank accounts for its participation using the equity method:

| <u>Associates</u>                                  | <u>Percentage share</u>                 |  |   |
|--|---|--|---|
|  | <u>As of September 30,</u><br>2012<br>% | <u>As of December 31,</u><br>2011<br>% | <u>As of September 30,</u><br>2011<br>% |
| Redbanc S.A.                                       | 33.43                                   | 33.43                                  | 33.43                                   |
| Transbank S.A.                                     | 25.00                                   | 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.             | 14.44                                   | 12.65                                  | 12.65                                   |
| Administrador Financiero del Transantiago S.A.     | 20.00                                   | 20.00                                  | 20.00                                   |
| Sociedad 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 it exerts significant influence over these entities.

**Share or rights in other companies**

Entities in which the Bank has no control or significant influence are presented in this category. These holdings are shown at purchase value (historical cost).

**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 Interim Statement of Income, and separately from shareholders equity in the Consolidated Interim 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**

- i. has been identified;
- ii. exceeds the quantitative thresholds stipulated 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. nature of the products and services;
- ii. 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.

**NOTE 1 – 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 the 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; (ii) the combined reported loss of all the operating segments that reported a loss.
- iii. Its assets represent 10% or more of the combined assets of all the 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 could be useful for the users of the financial statements.

Information about other business activities of the 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:

- i. It 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. Its operating results are regularly reviewed by the entity’s chief executive officer, who makes decisions about resources allocated to the segment and assess its performance; and
- iii. Discrete financial information is available for it.

**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.”

**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\$474.70 per US\$1 as of September 30, 2012 (Ch\$519.65 for Banks and Ch\$515.14 informed by the Chilean Central Bank for subsidiaries as of September, 2011). 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\$520.35 per US\$1 for Banks and Ch\$521.46 informed by the Chilean Central Bank for subsidiaries), as of December 31, 2011.

The amounts of net foreign exchange profits and losses includes recognition of the effects that exchange rate variations 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. An “equity instrument” is a legal transaction that evidences a residual interest in the assets of an entity deducting all of its liabilities.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

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), which initial investment is very small compared to 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 a profit 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 Interim 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, minus 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 type of borrower and the form of financing. It includes loans and accounts receivable from customers, interbank loans, and financial lease transactions in which the consolidated entities act 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 Interim 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. Amounts placed in overnight transactions will continue to be reported in this line item and in the lines or items to which they correspond. If there is no special item for these transactions, they will be included with the related account as indicated above.
- 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.
- 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 7 to the Consolidated Interim 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

- 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**

Financial liabilities are initially classified into the various categories used for management and measurement purposes.

- Financial liabilities held for trading (at fair value through profit or loss): financial liabilities issued to generate a short-term profit 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 type 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 Interim 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 securities repurchase and loan agreements. Pursuant to the current regulations, the Bank does not record instruments acquired under repurchase agreements as its own portfolio.
- 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 for hedge accounting, as set forth in Note 7.
  - 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 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

- 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 include 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 by two 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 Interim 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 of the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recorded in “Net income from financial operations” in the Consolidated Interim 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 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.

“Loans and accounts receivable from customers” and “Held-to-maturity instrument portfolio” 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 are recorded in “Net income from financial operations”.

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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

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 quotations in active markets, include government debt securities, private sector debt securities, shares, short positions, and fixed-income securities issued.

In cases where quotations cannot be observed, the 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 September 30, 2012 and 2011 and as of December 31, 2011 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 abovementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, and the 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.

**iv. Recording results**

As a general rule, changes in the carrying amount of financial assets and liabilities are recorded in the Consolidated Interim Statement of Income, distinguishing between those arising from the accrual of interests, which are recorded under Interest income or Interest expense, as appropriate, and those arising from 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 and foreign exchange, are included in the Consolidated Interim Statement of Income under "Net income from financial operations."

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

Adjustments due to changes in fair value from

- “Available-for-sale financial 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 Adjustment” is reclassified to the Consolidated Interim 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, profits or losses arising on both the hedging instruments and the hedged items (attributable to the type of risk being hedged) are recorded directly in the Consolidated Interim Statement of Income.
- b. In fair value hedges of interest rate risk in a portfolio of financial instruments, gains or losses that arise in measuring the hedging instruments are recorded directly in the Consolidated Interim Statement of Income, whereas the gains or losses due to changes in the fair value of the hedged amount (attributable to the hedged risk) are recorded in the Consolidated Interim Statement of Income with an offset to “Net income from financial operations”.
- c. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recorded temporarily 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 Interim 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 Interim Statement of Income under “Income from financial operations”.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

If a derivative designated as a hedge 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 the “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 Interim Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative profit or loss is recorded immediately in the Consolidated Interim Statement of Income.

**i. 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.”

**ii. Offsetting of financial instruments**

Financial asset and liability balances are offset, i.e., reported in the Consolidated Interim Statements of Financial Position at their net amount, only if the subsidiaries currently have a legally enforceable right to offset the recorded amounts and intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**iii. 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 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 assignor 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 Interim 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 associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements to repurchase 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 removed from the Consolidated Interim 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 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:

1. The asset is removed from the Consolidated Interim Statements of Financial Position and any rights or obligations retained or created in the transfer are recorded.
2. 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 Interim Statements of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized in the Consolidated Interim Statements of Financial Position when the obligations specified in the contract are discharged, cancelled or expire.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**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 Interim Statement of Income unless they have actually been received.

As interest and adjustments are generally referred to as “suspended” and are recorded in memorandum accounts which are part of the Consolidated Statements of Financial Position and 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 Interim 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 with changes in results are acknowledged 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**

Loan arrangement fees, mainly loan origination and application fees, are accrued and recorded in the Consolidated Interim Statements of Income over the term of the loan. Regarding loan origination fees, the Bank immediately records direct costs related to loan origination within the Consolidated Interim Statement of Income.

**j) Impairment**

**i. Financial assets:**

A financial asset, other than that a fair value through profit and loss, is evaluated on each financial statement filing date to determine whether objective evidence of impairment exists.

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 initial recognition of the asset (“event causing the loss”), and this event or events causing the loss 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 recorded amount of the asset and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

An impairment loss relating to a financial asset available for sale is calculated based on a significant extended decline in its fair value.

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.

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.

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 financial assets that are variable-rate securities, the reversal is directly recorded in equity.

**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 to 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 amortization or depreciation) had no impairment loss been recognized for the asset in prior years

**k) Property, plant, and equipment**

This category includes the amount of 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 presented 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.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

The Bank must apply the following useful lives for the tangible assets that comprise its assets:

| <u>ITEM</u>  | <u>Useful Life<br/>(Months)</u> |
|--|---------------------------------|
| Land   | -                               |
| Paintings and works of art                         | -                               |
| Assets retired for disposal                        | -                               |
| Carpets and curtains                               | 36                              |
| Computers and hardware                             | 36                              |
| Vehicles   | 36                              |
| Computer 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 value 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 Interim 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 it is therefore included under "Loans and accounts receivable from customers" in the Consolidated Interim Statements of Financial Position.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

When the consolidated entities act as lessees, they show the cost of the leased assets in the Consolidated Interim 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 revenues and finance expenses arising from these contracts are credited and debited, respectively, to “Interest income” and “Interest expense” in the in the Consolidated Interim 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 Interim 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 Interim Statement of Income.

**iii. Sale and leaseback transactions**

For sale at fair value and operating leasebacks, the profit or loss generated is recorded at the time of sale. In the case of finance leasebacks, the profit 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 of 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 Interim 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; which has been defined as 36 months.

Expenditure on research activities is recorded as an expense in the year in which it is incurred and cannot be subsequently capitalized.

**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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

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. Operational activities: Normal activities performed by banks and other activities that cannot be classified as investing or financing activities.
- iii. Investing activities: The acquisition, sale, or disposal by other means 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 models used to determine credit risk provisions are described below:

**I. Allowances for individual evaluations of 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

For the purposes of establishing its Provisions, the Banks assigns each debtor and his contingent loans and credits a risk category, after assigning them to one of the portfolio categories: Normal, Substandard and Default. 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 portfolio categories and their definitions are as follows:

- i. Normal Compliance Portfolio, which corresponds to debtors with a payment capacity that allows them to comply with their obligations and commitments and this is not likely to change, based on the current economic and financial situation. The classifications assigned to this portfolio are categories from A1 to A6.
- ii. Substandard Portfolio: includes debtors with financial difficulties or a significant worsening of their payment capacity and about which are reasonable doubts about the total refund of the capital and interest within the agreed terms, showing low comfort in fulfilling their short-term financial obligations. Debtors who in the last period have slow their payments in more than 90 days. The classifications assigned to this portfolio are categories from B1 to B4.
- iii. Default Portfolio: includes debtors and their credits from which payment is considered remote since they show a deteriorated or null payment capacity. Debtors with manifest signs of a possible break, those who required a forced debt restructuring, and any debtor who has been in default for over 90 days in his payment of interest or capital, are included in this portfolio. The classifications assigned to this portfolio are categories from C1 to C6.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**Normal and Substandard Compliance Portfolio**

As part of individual debtor analysis, the Bank classifies debtors in the following categories, assigning them a percentage for probability of default and loss given default, which result in the expected loss percentages.

| Type of Portfolio     | Debtor's Category | Probability of default (%) | Loss given Default (%) | Expected Loss (%) |
|-----------------------|-------------------|----------------------------|------------------------|-------------------|
| Normal portfolio      | A1                | 0.04                       | 90.0                   | 0.03600           |
|                       | A2                | 0.10                       | 82.5                   | 0.08250           |
|                       | A3                | 0.25                       | 87.5                   | 0.21875           |
|                       | A4                | 2.00                       | 87.5                   | 1.75000           |
|                       | A5                | 4.75                       | 90.0                   | 4.27500           |
|                       | A6                | 10.00                      | 90.0                   | 9.00000           |
| Substandard Portfolio | B1                | 15.00                      | 92.5                   | 13.87500          |
|                       | B2                | 22.00                      | 92.5                   | 20.35000          |
|                       | B3                | 33.00                      | 97.5                   | 32.17500          |
|                       | B4                | 45.00                      | 97.5                   | 43.87500          |

To establish the amount of the provisions, the Bank first determines the provisionable exposure, which includes the accounting value of the loans and accounts receivable from the client plus contingent loans, minus income that can be recovered through executing the guarantees. This exposure is applied the respective loss percentages.

The formula established for this calculation is as follows:

$$\text{Provision}_{\text{debtor}} = (\text{PE} - \text{GE}) \times (\text{PD}_{\text{debtor}} / 100) \times (\text{LGD}_{\text{debtor}} / 100) + \text{GE} \times (\text{PD}_{\text{guarantee}} / 100) \times (\text{LGD}_{\text{guarantee}} / 100)$$

In which:

PE = Provisionable exposure

GE = Guaranteed exposure

PE = (Loans + Contingent Loans) – Financial or real guarantees

Notwithstanding the latter, the Bank keeps a minimum provision percentage of 0.5% over allocations and contingent credits of the normal portfolio, which is accounted for as “minimum provision adjustment” within the item Provisions by Liability Contingencies.

**Default Portfolio**

To constitute allowances over the Default Portfolio, first an expected loss rate is created, deducting the amounts that are possible to recover by executing guarantees and the present value of recoveries received through collection actions, net of associated expenses.

Once the expected loss range is established, the respective allowance percentage is applied over the exposure amount constituted by loans plus contingent credits by the same debtor.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

The allowance percentage applied over exposure is as follows:

| Classification | Estimated range of loss     | Allowance |
|----------------|-----------------------------|-----------|
| C1             | Up to 3%                    | 2%        |
| C2             | More than 3% and up to 20%  | 10%       |
| C3             | More than 20% and up to 30% | 25%       |
| C4             | More than 30% and up to 50% | 40%       |
| C5             | More than 50% and up to 80% | 65%       |
| C6             | More than 80%               | 90%       |

The formula established for this calculation is as follows:

$$\text{Expected Loss Rate} = (E-R)/E$$

$$\text{Allowance} = \text{Ex} (AP/100)$$

In which:

E = Exposure amount

R = Receivable amount

AP = Allowance percentage

**II. Loan loss allowances for Group evaluations**

The Bank uses group evaluations to evaluate operations with similar credit risk characteristics that are indicative of the debtor's payment capacity to pay in full the contracted loan amount. Additionally, group evaluations allow the bank to simultaneously evaluate a large number of small operations for individuals or small companies. Therefore, debtors and loans with similar characteristics are grouped together and assigned a risk level.

The Bank uses a methodology to determine credit risk levels based on historical performance and client profiles to determine the loan loss allowance for the loans considered for Group evaluations. This includes commercial loans of debtors not analyzed on an individual basis, residential mortgage loans and consumer loans (including installment, credit card and line of credit loan for individuals). This methodology allows us to estimate the amount of loan loss allowances required to cover twelve months of losses since the date of the financial statements.

The client base is segmented by profiles based on internal and external information such as payment behavior, client segment and success in recovery to differentiate each group of clients in the most effective way and, in the process, set aside the necessary provisions to cover the risk of the portfolio.

The method of constructing a client profile group is based on a statistical model built on a regression among various variables such as delinquency, external behavior and other socio-demographic variables and a response variable, which in this case is non-performance over 90 days. Subsequently, group profiles are created which are differentiated by default rates and applying historical incurred loss levels that the Bank has experienced with a group of loans.

Once the client base has been separated into profiles, the loan loss allowance is calculated as a product of three factors: exposure (EXP), Probability of Non-Performing (PNP) and Severity (SEV). Additionally, the model contemplates the adjustment of parameters and other factors in line with the effectiveness of the provisions determined by the model, the characteristics of the client and the collateral associated to the loan. The exposure includes to the book value of the loans including contingent operations minus amounts that can be recovered through the foreclosure of collateral.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**III. Additional provisions**

According to the SBIF regulation, banks are allowed to establish provisions over the limits described below so as to protect themselves from the risk of non-predictable economical fluctuations that could affect the macroeconomical environment or the situation of a specific economical sector.

According to no. 10 of Chapter B-1 from the SBIF Compendium of Accounting Regulations, these provisions will be informed in liabilities, like provisions for contingent loans.

**IV. Charge-offs**

As a general rule, charge-offs should be done when the contract rights over cash flow expire. As a general rule, charge-offs should be done when the contract rights over cash flow expire. In the case of allocations, even if this does not happen, the respective balances will be charged off according to Title II of Chapter B-2 of the SBIF Compendium of Accounting Regulations.

Charge-offs refers to derecognition in the Consolidated Interim 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.

| <b>Type of loan</b>                            | <b>Term</b> |
|--|-------------|
| Consumer loans with or without real guarantees | 6 months    |
| Other transactions without real guarantees     | 24 months   |
| Business credits with real guarantees          | 36 months   |
| Mortgage loans                                 | 48 months   |
| Consumer leasing                               | 6 months    |
| Other non-mortgage leasing transactions        | 12 months   |
| Mortgage leasing (household and business)      | 36 months   |

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

Any renegotiation of an already charged-off loan will not create income -as long as the operation is still deteriorated- and the effective payments received must be treated as recovery from loans previously charged off.

The renegotiated credit could only be re-entered to assets if it stops being deteriorated, also acknowledging the activation income as recovery from Loans previously charged off .

**V. Recovery of loans previously charged off and accounts receivable from clients**

Recovery of previously charged off loans and accounts receivable from customers, are recorded in the Consolidated Interim Statement 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 Interim 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 readily measured.

Contingent assets or contingent liabilities are any potential rights or obligations arising from past events whose existence will be confirmed only by the occurrence or nonoccurrence if one or more uncertain future events that are not wholly under control of the Bank.

The following are classified as contingent in the supplementary information:

- i. Guarantees and bonds: Encompasses guarantees, bonds, and standby letters of credit. In addition, guarantees of payment from buyers in factored receivables. It also includes payment guarantees from factoring transactions.
- 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 lines of credit: 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).
- 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

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 recorded when such liabilities cease to exist or decrease.

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.

**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 internal valuation models and other valuation techniques.

The Bank has established allowances to cover incurred losses in accordance with regulations issued by the Superintendency of Banks and Financial Institutions. These regulations require that, 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' ability to pay. Increases in the allowances for loan losses are reflected as "Provisions for loan losses" in the Consolidated Interim Statement of Income. Loans are charged-off when the 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.

These estimates, made on the basis of the best available information, mainly refer to:

- Impairment losses of certain assets (Notes 7, 8, 9, and 30)
- The useful lives of tangible and intangible assets (Notes 11, 12, and 30)
- The fair value of assets and liabilities (Notes 6, 7, 10, and 33)
- Commitments and contingencies (Note 19)
- Current and deferred taxes (Note 13)



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**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 value or fair value minus cost of sale. From that moment on, the assets (or divestiture group) are measured at the minimum value between the book value and the fair value minus sale cost.

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 September 30, 2012 and 2011 and December 31, 2011 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 reorganized, 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 value 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 carries out the necessary analysis to update these assets' cost to sale. According to the Bank's survey, as of September 30, 2012 and 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. As of September 30, 2011 the average cost to sale used was at 5.5%.

In general, it is estimated that these assets will be divested within one year since their awarding date. To comply with article 84 of the General Banking Law, those assets which are not sold during that period, will be charge-off in a single payment.

**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, 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 September 30, 2012 and 2011 and December 31, 2011 the Bank did not have instruments that generated diluting effects over 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 Interim 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 Interim Statements of Financial Position. Management fees are included in "Fee and commission income" in the Consolidated Interim Statement of Income.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**x) Provision for mandatory dividends**

As of September 2011 and 2010, and December 31, 2011 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, 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 unanimous vote of the outstanding shares. This provision is recorded, as a deducting item, 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 Plan:**

According to current collective bargaining and other agreements, the Bank has undertaken to supplement the benefits granted by the public systems corresponding to certain employees and other beneficiary right holders, for retirement, permanent disability or death, outstanding salaries or 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 promoted by the Santander Chile Group are:

- a. Aimed at the Group's management
- b. The general requisite to apply for this benefit is that the employee must be carrying out his/her duties when turning 60 years old.
- c. The Bank will take on insurance (pension fund) on the employee's behalf, for which it will 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 Interim 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 in time as explained below.

"Plan assets" are defined as those which will be used to settle the obligations and which 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 or the entity in relation to the benefits due to current or former employees or to reimburse employee benefits previously 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 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 Interim 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 Interim Statements of Financial Position net of the plan assets, the cost of the liabilities which are recorded in the Consolidated Interim Statement of Income reflects exclusively the obligations recorded in liabilities.
- The expected return on the plan's assets and the gains and losses in 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 unrecognized past service cost the cost are recorded under "Personnel salaries and expenses" in the Consolidated Interim Statement of Income.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**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 Interim Statement of Income under the “Personnel wages 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) New accounting pronouncements**

**i. Incorporation of new accounting regulations and instructions issued by the SBIF as well as by the IASB:**

As of the date in which these Consolidated Interim Financial Statements were issued, the following accounting pronouncements have been issued by both the SBIF and the IASB, which have been fully incorporated by the Bank and are detailed as follows:

**1) Accounting Regulations Issued by the SBIF**

As of September 30, 2012 there are no new Accounting Regulations.

**2) Accounting Regulations Issued by the International Accounting Standards Board**

**Annual Improvements to Financial Information** – On May 17, 2012 the IASB issued “Annual Improvements to IFRS: 2009-2011 Cycle”, incorporating amendments to 5 standards. The amendments are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier. *Management has not had the opportunity to consider the potential impact of the adoption of these amendments.*

**Amendments to IFRS 10, IFRS 11 and IFRS 12** - On June 28, 2012 the IASB issued “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”. These amendments provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier. *Management has not had the opportunity to consider the potential impact of the adoption of these amendments.*

**Amendment to IAS 12, Income Taxes** – On December 20, 2010 the IASB published *Deferred Taxes: Recovery of Underlying Assets – Modifications to IAS 12*. The modifications establish an exemption to the IAS 12 general principle that the measurement of assets and liabilities by deferred taxes should reflect the tax consequences that would continue the way the entity expects to recover the book value of an asset. The exemption applies specifically to assets and liabilities by deferred taxes originating from investment properties measured using the fair value model from IAS 40 and investment properties acquired in a business combination, if this is afterwards measured using the IAS 40 fair value model. The modification incorporates the assumption that the current value of the investment property will be recovered when sold, except when the property is depreciable and kept within a business model that aims at consuming substantially all economic benefits through time rather than through sale. These modifications should be back applied demanding a back re issuance of all assets and liabilities by deferred taxes within the reach of this modification, including those initially recorded in a business combination. These modifications will be mandatorily applied for yearly periods beginning on or after January 1, 2012. In-advance enforcement is allowed. *These amendments did not have a material impact on our consolidated financial statements.*

**Amendment to IFRS 1, First Time Adoption of IFRS** – On December 20, 2010 the IASB published certain modifications to IFRS 1, specifically:

(i) *Elimination of Set Dates for First Time Adopters* - These modifications help first time adopters of IFRS by replacing the back application date of the un-record of financial assets and liabilities of ‘January 1, 2004’ with the ‘transition date to IFRS’. In this way, first time IFRS adopters do not have to apply the un-record requirements of IAS 39 retrospectively to a previous date and it frees adopters from recalculating profit and losses of ‘day 1’ over transactions that took place before the transition date to IFRS.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

(ii) *Severe Hyperinflation* – These modifications provide guidelines for entities coming from a severe hyperinflation, allowing them at the date of transaction of entities, to measure all assets and liabilities held before the normalization of functional currency date to fair value on the transition date to IFRS and use that fair value as the attributed cost for those assets and liabilities in the statements of opening financial position under IFRS. Entities using this exemption will have to describe the circumstances of how and why their functional currency was subjected to severe hyperinflation and the circumstances that led to end those conditions.

These modifications were mandatory for annual periods beginning on or after July 1, 2011, with early adoption allowed. *These amendments did not have a material impact on our consolidated interim financial statements.*

**Amendment to IFRS 7, Financial Instruments: Disclosures** – On October 7, 2010 the IASB issued Disclosures - Transfer of Financial Assets (Modifications to IFRS 7 Financial Instruments - Disclosures) which increases the disclosure requirements for transactions involving the transfer of financial assets. These modifications aim at providing a bigger transparency over risk exposure of transactions where a financial asset is transferred but the transferring party retains some level of continuous exposure (referred to as ‘continuous involvement’) in the asset. Modifications also require to disclose when the transfers of financial assets have not been evenly distributed during the period (i.e., when transfers take place close to the report period). The modifications are effective for yearly periods beginning on or after July 1, 2011.

Early adoption is permitted. Disclosures are not required for any of the periods presented starting before the initial application date of the modifications. These amendments did not have a material impact on our consolidated financial statements.

**ii. New accounting regulations and instructions issued by the SBIF as well as by the IASB not enforced as of September 30, 2012.**

At the end date of these financial statements new IFRS had been published as well as interpretations of these regulations that were not mandatory as of September 30, 2012. Though in some cases the IASB has allowed for their in advance adoption, the Bank has not done so up to said date.

**1) Accounting and Other Regulations Issued by the SBIF**

**Circular Letter No. 3,532** – On June 28, 2012 the SBIF issued a letter granting Banks the future possibility of establishing the most appropriate collection methods to the respective segments in which on demand and savings accounts are offered. These methods will include collection according to a number of transactions, establishing the annual limit for totaling collections and transactions in what is left of the annual period after reaching the limit, they will be free of payment. *The Bank is assessing the potential impact this regulation will have on the Bank’s financial statements.*

**Circular Letter No. 3,530** – On June 21, 2012 the SBIF issued the letter together with the Chilean Securities and Insurance Supervisor (General Regulation No. 330) which controls the individual and collective hiring of insurances associated to mortgage loans, the minimum conditions to be included in the bidding procedure and the minimum information that credit entities, insurance brokers and insurance companies must provide to the debtors regarding cover and functioning. These regulations are effective starting on July 1, 2012 for hiring, renovation, etc. *The Bank is assessing the potential impact these regulations will have on the Bank’s financial statements.*

**2) Accounting Regulations Issued by the International Accounting Standards Board**

**Amendments to IFRS 10, IFRS 11 and IFRS 12** - On June 28, 2012 the IASB issued “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”. These amendments provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 , limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier. Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

**Annual Improvements to Financial Information** – On May 17, 2012 the IASB issued “Annual Improvements to IFRS: 2009-2011 Cycle”, incorporating amendments to 5 standards. The amendments are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier. Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**IFRS 7, Financial Instruments: Information to 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 disclosing 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. The information to be provided due to these modifications will be backdated. *The Bank is assessing the potential impact this regulation will have on the Bank's financial statements.*

**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 is for the annual period beginning on or after January 1, 2014, with early adoption permitted. The information to be provided due to these modifications will be backdated. *Management has not had the opportunity to consider the potential impact of the adoption of these amendments.*

**IAS 1, Presentation of Financial Statements** - On June 16, 2011 the presentation of Other Comprehensive Income is amended in two important aspects: 1) profit or loss and OCI must be presented together, i.e. either as a single statement of comprehensive income, or separate income statement and a statement of comprehensive income. If an entity decides to present a statement separated for other Comprehensive Income, this statement should immediately precede OCI, 2) Group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. The effective date is for the annual period beginning on or after January 1, 2012, with early adoption permitted. *Management believes these amendments will have no significant impact over the Bank's Consolidated Financial Statements.*

**IAS 19, Employee Benefits** - On June 16, 2011, the following modifications were incorporated:  
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 has not had the opportunity to consider the potential impact of the adoption of these amendments.*

**IFRS 10, Consolidated Interim 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 power 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 a detailed guide 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 01, 2013 with earlier application permitted under certain circumstances. *The Bank is assessing the potential impact this regulation will have on the Bank's financial statements*

**IFRS 11, Joint Agreements** - 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 all joint arrangements as joint operations (combining the current concepts on jointly controlled assets and operations) or joint ventures (equivalent to current concept of jointly controlled entity). A joint operation is a joint agreement in which the parts which have control have rights over assets and obligations towards liabilities. A joint venture is a joint agreement in which the parties which have joint control have rights over the agreement's net assets. IFRS 11 needs to use the Equity Method to enter the participation in a joint business; therefore, it eliminates the proportion in the consolidation. The effective date of IFRS 11 is January 1, 2013, with earlier application permitted under certain circumstances. *The Bank is assessing the potential impact this regulation will have on the Bank's financial statements*

**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. *The Bank is assessing the potential impact this regulation will have on the Bank's financial statements.*

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:**

**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. *The Bank is assessing the potential impact this regulation will have on the Bank’s financial statements.*

**IAS 27 Separate Financial Statements (revised in 2011)** - On May 12, *IAS 27 Consolidated and Separate Financial Statements* has been amended for the issuance of IFRS 10 but retains the guidance for separate financial statements. Effective date is January 01, 2013 though its early adoption is permitted as the new regulations are adopted. *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 in 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. Effective date is January 01, 2013 though its early adoption is permitted as the new regulations are adopted. *Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013.*

**Amendments to IFRS 9 – Financial Instruments** – On October 28, 2010 the IFRS published a revised version of IFRS 9, Financial Instruments. The revised Standard keeps the requirements for classification and measurement of financial assets published on November 2009 but it adds guidelines on classification and measurement of financial liabilities. As part of the restructuring of IFRS 9, the IASB has also reproduced the guidelines on un-record of financial instruments and related implementation guidelines from IAS 39 to IFRS 9. These new guidelines constitute the first stage of the IASB project to replace IAS 39. The other stages, impairment and hedge accounting, have not been finished yet.

The guidelines included in IFRS 9 about the classification and measurement of financial assets has not changed from those established in IAS 39. In other words, financial liabilities will continue to be measured whether by amortized cost or fair value with change in income. The concept of bifurcation of embedded derivatives in a contract by financial asset has not change either. Financial liabilities held for trade will continue to be measured at fair value with changes in profit and loss, and all other financial assets will be measured at amortized cost unless the fair value option is applied using currently existing criteria in IAS 39.

Notwithstanding the latter, there are two differences with regards to IAS 39:

- The presentation of effects from changes in fair value attributable to a liability’s credit risk; and
- The elimination of the cost exemption for liability derivatives to be settled by giving non traded equity instruments.

*The Bank management, according to SBIF, will not apply this regulation in advance; furthermore, this regulation will not be applied as long as the SBIF does not set it as mandatory use standard for all balances.*

**IFRS 9, Financial Instruments** – On November 12, 2009 the IASB issued IFRS 9, *Financial Instruments*. This regulation incorporates new requirements for the classification and measurement of financial assets and it is effective for yearly periods beginning on or after January 2015, allowing its early adoption. IFRS 9 specifies how an entity should classify and measure its financial assets. It requires that all financial assets be classified in their entirety on the basis of the entity’s business model for the management of financial assets and the features of the financial assets agreement cash flows. Financial assets are measured whether by amortized cost or fair value. Only financial assets classified as measured to amortized cost will be tested for Impairment. *The Bank management, according to SBIF, will not apply this regulation in advance; furthermore, this regulation will not be applied as long as the SBIF does not set it as mandatory use standard for all balances*

**NOTE 2 – ACCOUNTING CHANGES:**

As of September 30, 2012, there have not been accounting changes that significantly affect the presentation of these statements.

**NOTE 3 - SIGNIFICANT EVENTS**

As of September 30, 2011, the following significant events have occurred and had an impact on the Bank's operations or the Consolidated Interim Interim Financial Statements:

**a) The Board**

A Shareholders' Meeting of Banco Santander Chile was held on April 24, 2012, 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, and Raimundo Monge Zegers (Alternate Director). Also, the CEO Claudio Melandri Hinojosa and CAO Felipe Contreras Fajardo attended the meeting. In Extraordinary Board Session No. 103 held on May 24, 2012, Mr. Juan Manuel Hoyos Martínez de Irujo resigned from his position as Alternate Director.

In the Extraordinary Board Session No. 436 held on August 28, 2012, Mr. Juan Pedro Santa María Pérez resigned from his position as Alternate Director.

**Use of income and Distribution of Dividends**

According to the information presented in the aforementioned meeting, 2011 net income (designated in the financial statements as "Income attributable to equity holders of the Bank") amounted Ch\$ 435,084 million. The Board approved to distribute 60% of such net income which divided by the amount of shares issued corresponds to a Ch\$ \$1,385 dividend per share, which was payable starting on April 25, 2012. In addition, the Board approved that 40% of the remaining profit be destined to increase the Bank's reserves.

**b) Issuance of Bonds during 2012**

In 2012 the Bank issued bonds denominated in USD 1,085,990,000; UF 4,000,000; and CLP 25,000,000,000. The placement detail in 2012 is included in Note 16.

**b.1) 2012 Senior Bonds**

| Series           | Amount                    | Term     | Interest Rate             | Issue date | Maturity date |
|------------------|---------------------------|----------|---------------------------|------------|---------------|
| DN Senior bonds  | USD 250,000,000           | 2 years  | Libor (3 months) + 200 bp | 14-02-2012 | 14-02-2014    |
| Zero-coupon bond | USD 85,990,000            | 1 year   | Libor (3 months) + 100 bp | 29-08-2012 | 29-08-2013    |
| USD Bond         | USD 750,000,000           | 10 years | 3.875 % annual simple     | 12-09-2012 | 20-09-2022    |
| <b>Total</b>     | <b>USD 1,085,990,000</b>  |          |                           |            |               |
| E6               | UF 4,000,000              | 10 years | 3.5 % per annum simple    | 01-04-2012 | 01-04-2022    |
| <b>Total</b>     | <b>UF 4,000,000</b>       |          |                           |            |               |
| E7               | CLP 25,000,000,000        | 5 years  | 6.75% per annum simple    | 30-07-2012 | 30-07-2017    |
| <b>Total</b>     | <b>CLP 25,000,000,000</b> |          |                           |            |               |

**b.2) 2012 Subordinated bonds**

In 2012, the Bank has not issued any subordinated bonds.

**NOTE 3 - SIGNIFICANT EVENTS, continued:**

**c) Building sale**

In the first quarter of 2012, the Bank sold eleven offices. This transaction is detailed on Note 31.

**d) Purchase of Shares**

In August 2012, Banco Santander Chile bought 144 shares from Sociedad Operadora de la Cámara de Compensación de pagos de Alto Valor S.A through Banco Scotiabank Chile, increasing its share from 12.65% to 14.44%. The purchase value was MCh\$ 61 million.

**e) Sale of Shares**

In July 2012, Banco Santander Chile sold 3,628,154 shares from the Sociedad de apoyo Transbank S.A, decreasing its share from 32.71% to 25%. The sale value was Ch\$ 1,000 million.

**f) Sales of loans previously charged off**

In 2012, Banco Santander Chile signed assignment agreements of loans previously charged off with “Fondo de Inversiones Cantábrico.” As of September 30 the following portfolio sales have been carried out:

| Date of agreement | Nominal portfolio sale |                   | Nominal portfolio sale<br>MCh\$ | Selling price<br>MCh\$ |
|-------------------|------------------------|-------------------|---------------------------------|------------------------|
|                   | Commercial<br>MCh\$    | Consumer<br>MCh\$ |                                 |                        |
| 01-24-2012        | 603                    | 12,527            | 13,130                          | 853                    |
| 02-21-2012        | 411                    | 12,946            | 13,357                          | 868                    |
| 03-20-2012        | 412                    | 13,226            | 13,638                          | 886                    |
| <b>Total</b>      | <b>1,426</b>           | <b>38,699</b>     | <b>40,125</b>                   | <b>2,607</b>           |

**e) Sales of Current Mortgage Loans**

In 2012, Banco Santander Chile signed assignment agreements of mortgage loans with “Metlife Chile Seguros de Vida S.A.” As of September 30 the following portfolio sales have been carried out:

| Date of contract | Book sale<br>MCh\$ | Selling price<br>MCh\$ |
|------------------|--------------------|------------------------|
| 01-19-2012       | 9,032              | 9,349                  |
| 02-02-2012       | 7,849              | 8,250                  |
| 08-13-2012       | 927                | 988                    |
| <b>Total</b>     | <b>17,808</b>      | <b>18,587</b>          |



#### **NOTE 4 - 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. However, the valuation and classification of assets, liabilities, and income for each segment considers the accounting criteria established on Note 01.d) of the Consolidated Financial Statements.

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 from 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 over Ch\$400,000 pesos. 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 below 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**

This 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 also includes all the companies engaged in the real estate industry who 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, chiefly 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, savings products, mutual funds, and insurance.

**NOTE 4 - BUSINESS SEGMENTS, continued:**

**Global Banking and Markets**

The Global Banking and Markets segment is comprised of:

**a. Corporate**

Foreign multinational corporations or Chilean corporations with sales over 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. 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 tailor-made 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.

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 September 30, 2012. Regarding the information corresponding to the previous year (2011) this has been prepared with the valid criteria at the time of reporting these financial statements to achieve the dully comparability of figures.

Below are the tables showing the Bank's results by business segment, for the periods ending as of September 30, 2012 and 2011 in addition to the corresponding balances of loans and accounts receivable from customers as of September 30, 2012 and 2011, and December 31, 2011.

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 4 - BUSINESS SEGMENTS, continued:**

|  | For the quarter ended as of September 30, 2012 |  |                  |                     |                               | Segment's net contribution<br>MCh\$ |
|--|--|--|------------------|---------------------|-------------------------------|-------------------------------------|
|  | Net interest income<br>MCh\$                   | Net fee and commission income<br>MCh\$ | ROF (1)<br>MCh\$ | Allowances<br>MCh\$ | Support expenses (2)<br>MCh\$ |                                     |
| <b>Segments</b>                              |  |  |                  |                     |                               |                                     |
| <b>Individuals</b>                           | 157,237  | 41,609                                 | 1,311            | (90,779)            | (88,837)                      | 20,541                              |
| Santander Banefe                             | 30,426   | 8,200                                  | 39               | (17,404)            | (17,218)                      | 4,043                               |
| Commercial Banking                           | 126,811  | 33,409                                 | 1,272            | (73,375)            | (71,619)                      | 16,498                              |
| <b>Small and mid-sized companies (PYMEs)</b> | <b>59,849</b>                                  | <b>10,064</b>                          | <b>908</b>       | <b>(21,599)</b>     | <b>(18,346)</b>               | <b>30,876</b>                       |
| Institutional                                | 7,028  | 646                                    | 141              | 146                 | (3,132)                       | 4,829                               |
| <b>Companies</b>                             | <b>36,978</b>                                  | <b>6,442</b>                           | <b>2,702</b>     | <b>(10,501)</b>     | <b>(12,883)</b>               | <b>22,738</b>                       |
| Companies                                    | 17,695   | 3,471                                  | 1,173            | (8,771)             | (6,511)                       | 7,057                               |
| Large Corporations                           | 13,908   | 2,200                                  | 1,476            | (1,512)             | (4,947)                       | 11,125                              |
| Real estate                                  | 5,375  | 771                                    | 53               | (218)               | (1,425)                       | 4,556                               |
| <b>Commercial Banking</b>                    | <b>261,092</b>                                 | <b>58,761</b>                          | <b>5,062</b>     | <b>(122,733)</b>    | <b>(123,198)</b>              | <b>78,984</b>                       |
| <b>Global Banking and Markets</b>            | <b>12,748</b>                                  | <b>3,787</b>                           | <b>14,480</b>    | <b>2,458</b>        | <b>(8,528)</b>                | <b>24,945</b>                       |
| Corporate                                    | 15,557   | 4,500                                  | 81               | 2,458               | (3,796)                       | 18,800                              |
| Treasury                                     | (2,809)  | (713)                                  | 14,399           | -                   | (4,732)                       | 6,145                               |
| <b>Other</b>                                 | <b>(35,109)</b>                                | <b>4,489</b>                           | <b>(320)</b>     | <b>816</b>          | <b>(3,939)</b>                | <b>(34,063)</b>                     |
| <b>Total</b>                                 | <b>238,731</b>                                 | <b>67,037</b>                          | <b>19,222</b>    | <b>(119,459)</b>    | <b>(135,665)</b>              | <b>69,866</b>                       |
| Other operating income                       |  |  |                  |                     |                               | 8,074                               |
| Other operating expenses                     |  |  |                  |                     |                               | (13,008)                            |
| Income from investments in other companies   |  |  |                  |                     |                               | 143                                 |
| Income tax                                   |  |  |                  |                     |                               | (12,276)                            |
| <b>Consolidated income for the period</b>    |  |  |                  |                     |                               | <b>52,799</b>                       |

(1) Corresponds to the sum of the net income from financial operations and the foreign exchange profit.

(2) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation, amortization, and impairment.

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 4 - BUSINESS SEGMENTS, continued:**

|  | For the quarter ended as of September 30, 2011 |  |                     |                     |                                     |  |
|--|--|--|---------------------|---------------------|-------------------------------------|--|
|  | Net interest<br>income<br>MCh\$                | Net fee and<br>commission<br>income<br>MCh\$ | ROF<br>(1)<br>MCh\$ | Provisions<br>MCh\$ | Support<br>expenses<br>(2)<br>MCh\$ | Segment's net<br>contribution<br>MCh\$ |
| <b>Segments</b>                              |  |  |                     |                     |                                     |  |
| <b>Individuals</b>                           | 128,536  | 43,639                                       | 1,258               | (67,802)            | (82,894)                            | 22,737                                 |
| Santander Banefe                             | 31,084   | 10,512                                       | 9                   | (21,663)            | (19,225)                            | 717                                    |
| Commercial Banking                           | 97,452   | 33,127                                       | 1,249               | (46,139)            | (63,669)                            | 22,020                                 |
| <b>Small and mid-sized companies (PYMEs)</b> | <b>81,974</b>                                  | <b>9,314</b>                                 | <b>2,446</b>        | <b>(14,824)</b>     | <b>(19,228)</b>                     | <b>59,682</b>                          |
| <b>Institutional</b>                         | <b>8,849</b>                                   | <b>323</b>                                   | <b>244</b>          | <b>(186)</b>        | <b>(2,841)</b>                      | <b>6,389</b>                           |
| <b>Companies</b>                             | <b>22,636</b>                                  | <b>6,040</b>                                 | <b>3,582</b>        | <b>(8,118)</b>      | <b>(9,994)</b>                      | <b>14,146</b>                          |
| Companies                                    | 10,390   | 3,214  | 1,795               | (4,147)             | (5,358)                             | 5,894                                  |
| Large Corporations                           | 12,054   | 2,105  | 1,619               | 726                 | (3,477)                             | 13,027                                 |
| Real estate                                  | 192  | 721  | 168                 | (4,697)             | (1,159)                             | (4,775)                                |
| <b>Commercial Banking</b>                    | <b>241,995</b>                                 | <b>59,316</b>                                | <b>7,530</b>        | <b>(90,930)</b>     | <b>(114,957)</b>                    | <b>102,954</b>                         |
| <b>Global Banking and Markets</b>            | <b>17,908</b>                                  | <b>4,013</b>                                 | <b>22,111</b>       | <b>45</b>           | <b>(9,318)</b>                      | <b>34,759</b>                          |
| Corporate                                    | 23,742   | 5,551  | 935                 | 48                  | (3,609)                             | 26,667                                 |
| Treasury                                     | (5,834)  | (1,538)                                      | 21,176              | (3)                 | (5,709)                             | 8,092                                  |
| <b>Other</b>                                 | <b>(27,846)</b>                                | <b>2,662</b>                                 | <b>(6,640)</b>      | <b>513</b>          | <b>(4,081)</b>                      | <b>(35,392)</b>                        |
| <b>Total</b>                                 | <b>232,057</b>                                 | <b>65,991</b>                                | <b>23,001</b>       | <b>(90,372)</b>     | <b>(128,356)</b>                    | <b>102,321</b>                         |
| Other operating income                       |  |  |                     |                     |                                     | 2,194                                  |
| Other operating expenses                     |  |  |                     |                     |                                     | (12,156)                               |
| Income from investments in other companies   |  |  |                     |                     |                                     | 546                                    |
| Income tax                                   |  |  |                     |                     |                                     | (16,629)                               |
| <b>Consolidated income for the period</b>    |  |  |                     |                     |                                     | <b>76,276</b>                          |

(1) Corresponds to the sum of the net income from financial operations and the Foreign exchange profit.

(2) Corresponds to the sum of Personnel salaries and expenses, administrative expenses, depreciation, amortization, and impairment.

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 4 - BUSINESS SEGMENTS, continued:**

|  | For the 9-month period ended on September 30, 2012                 |                              |  |                     |                     |                                  | Segment's net contribution<br>MCh\$ |
|--|--|------------------------------|--|---------------------|---------------------|----------------------------------|-------------------------------------|
|  | Loans and accounts receivables from customers, net<br>(1)<br>MCh\$ | Net interest income<br>MCh\$ | Net fee and commission income<br>MCh\$ | ROF<br>(2)<br>MCh\$ | Provisions<br>MCh\$ | Support expenses<br>(3)<br>MCh\$ |                                     |
|  | MCh\$  | MCh\$                        | MCh\$                                  | MCh\$               | MCh\$               | MCh\$                            |                                     |
| <b>Segments</b>                              |  |                              |  |                     |                     |                                  |                                     |
| <b>Individuals</b>                           | 9,613,857  | 466,692                      | 132,244                                | 4,571               | (208,729)           | (258,380)                        | 136,398                             |
| Santander Banefe                             | 802,975  | 93,482                       | 26,071                                 | 77                  | (57,330)            | (51,121)                         | 11,179                              |
| Commercial banking                           | 8,810,882  | 373,210                      | 106,173                                | 4,494               | (151,399)           | (207,259)                        | 125,219                             |
| <b>Small and mid-sized companies (PYMEs)</b> | 2,745,928  | 172,954                      | 29,757                                 | 3,784               | (51,700)            | (55,936)                         | 98,859                              |
| Institutional                                | 355,119  | 22,221                       | 1,859                                  | 499                 | (544)               | (9,456)                          | 14,579                              |
| <b>Companies</b>                             | 3,918,324  | 111,451                      | 19,620                                 | 8,531               | (17,851)            | (36,169)                         | 85,582                              |
| Companies                                    | 1,604,211  | 53,187                       | 10,422                                 | 3,940               | (17,022)            | (18,476)                         | 32,051                              |
| Large Corporations                           | 1,591,882  | 42,439                       | 6,697                                  | 4,301               | (1,928)             | (13,616)                         | 37,893                              |
| Real estate                                  | 722,231  | 15,825                       | 2,501                                  | 290                 | (1,099)             | (4,077)                          | 15,638                              |
| <b>Commercial Banking</b>                    | 16,633,228   | 773,318                      | 183,480                                | 17,385              | (278,824)           | (359,941)                        | 335,418                             |
| <b>Global Banking and Markets</b>            | 1,874,749  | 40,675                       | 11,237                                 | 50,322              | 2,458               | (26,009)                         | 78,682                              |
| Corporate                                    | 1,874,749  | 47,946                       | 13,694                                 | 445                 | 2,458               | (10,793)                         | 53,750                              |
| Treasury                                     | -  | (7,271)                      | (2,457)                                | 49,877              | -                   | (15,216)                         | 24,933                              |
| <b>Other</b>                                 | 105,508  | (54,250)                     | 9,019                                  | (3,541)             | 51                  | (13,127)                         | (61,850)                            |
| <b>Total</b>                                 | 18,613,485   | 759,743                      | 203,735                                | 64,165              | (276,315)           | (399,077)                        | 352,251                             |
| Other operating income                       |  |                              |  |                     |                     |                                  | 15,128                              |
| Other operating expenses                     |  |                              |  |                     |                     |                                  | (44,837)                            |
| Income from investments in other companies   |  |                              |  |                     |                     |                                  | 1,250                               |
| Income tax                                   |  |                              |  |                     |                     |                                  | (45,384)                            |
| <b>Consolidated income for the period</b>    |  |                              |  |                     |                     |                                  | 278,408                             |

- (1) Corresponds to Loans and accounts receivable from customers plus interbank loans, without deducting their allowances for loan losses.  
 (2) Corresponds to the sum of the net income from financial operations and net foreign exchange profit (loss).  
 (3) Corresponds to the sum of Personnel salaries and expenses, administrative expenses, amortization, and impairment.

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 4 - BUSINESS SEGMENTS, continued:**

|  | As of December 31,<br>2011                                       | For the 9-month period ended on September 30, 2011 |   |                     |                     |                                  | Segment's<br>net<br>contribution<br>MCh\$ |
|--|--|--|---|---------------------|---------------------|----------------------------------|---|
|  | Loans and accounts<br>receivables from<br>customers (1)<br>MCh\$ | Net interest<br>income<br>MCh\$                    | Net fee<br>and<br>commission<br>income<br>MCh\$ | ROF<br>(2)<br>MCh\$ | Allowances<br>MCh\$ | Support<br>expenses (3)<br>MCh\$ |   |
| <b>Segments</b>                              |  |  |   |                     |                     |                                  |   |
| <b>Individuals</b>                           | 9,289,345  | 416,739  | 140,905   | 5,432               | (156,561)           | (237,911)                        | 168,604                                   |
| Santander Banefe                             | 804,852  | 84,851   | 29,255  | 267                 | (52,375)            | (52,227)                         | 9,771                                     |
| Commercial banking                           | 8,484,493  | 331,888  | 111,650   | 5,165               | (104,186)           | (185,684)                        | 158,833                                   |
| <b>Small and mid-sized companies (PYMEs)</b> | <b>2,560,736</b>   | <b>149,164</b>                                     | <b>28,702</b>                                   | <b>7,611</b>        | <b>(41,708)</b>     | <b>(55,260)</b>                  | <b>88,509</b>                             |
| <b>Institutional</b>                         | <b>355,199</b>   | <b>19,531</b>                                      | <b>1,382</b>                                    | <b>677</b>          | <b>134</b>          | <b>(8,232)</b>                   | <b>13,492</b>                             |
| <b>Companies</b>                             | <b>3,650,709</b>   | <b>99,999</b>                                      | <b>18,265</b>                                   | <b>10,146</b>       | <b>(5,771)</b>      | <b>(30,039)</b>                  | <b>92,600</b>                             |
| Companies                                    | 1,583,895  | 46,370   | 9,542   | 5,308               | (6,776)             | (16,658)                         | 37,786                                    |
| Large Corporations                           | 1,470,447  | 39,804   | 6,428   | 4,290               | 1,312               | (10,059)                         | 41,775                                    |
| Real estate                                  | 596,367  | 13,825   | 2,295   | 548                 | (307)               | (3,322)                          | 13,039                                    |
| <b>Commercial Banking</b>                    | <b>15,855,989</b>  | <b>685,433</b>                                     | <b>189,254</b>                                  | <b>23,866</b>       | <b>(203,906)</b>    | <b>(331,442)</b>                 | <b>363,205</b>                            |
| <b>Global Banking and Markets</b>            | <b>1,494,752</b>   | <b>35,369</b>                                      | <b>17,689</b>                                   | <b>54,711</b>       | <b>7,407</b>        | <b>(25,788)</b>                  | <b>89,388</b>                             |
| Corporate                                    | 1,479,838  | 47,046   | 17,989  | 1,182               | 7,410               | (10,230)                         | 63,397                                    |
| Treasury                                     | 14,914   | (11,677)   | (300)   | 53,529              | (3)                 | (15,558)                         | 25,991                                    |
| <b>Other</b>                                 | <b>84,041</b>  | <b>(12,648)</b>                                    | <b>2,487</b>                                    | <b>(307)</b>        | <b>579</b>          | <b>(11,975)</b>                  | <b>(21,864)</b>                           |
| <b>Total</b>                                 | <b>17,434,782</b>  | <b>708,154</b>                                     | <b>209,430</b>                                  | <b>78,270</b>       | <b>(195,920)</b>    | <b>(369,205)</b>                 | <b>430,729</b>                            |
| Other operating income                       |  |  |   |                     |                     |                                  | 8,053                                     |
| Other operating expenses                     |  |  |   |                     |                     |                                  | (41,569)                                  |
| Income from investments in other companies   |  |  |   |                     |                     |                                  | 1,673                                     |
| Income tax                                   |  |  |   |                     |                     |                                  | (62,546)                                  |
| <b>Consolidated income for the period</b>    |  |  |   |                     |                     |                                  | <b>336,340</b>                            |

- (1) Corresponds to Loans and accounts receivable from customers plus interbank loans, without deducting their allowances for loan losses.  
 (2) Corresponds to the sum of the net income from financial operations and net foreign exchange profit (loss).  
 (3) Corresponds to the sum of Personnel salaries and expenses, administrative expenses, amortization, and impairment.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

a) The detail of the balances included under cash and cash equivalents is as follows:

|   | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|---|--|---|
| <b>Cash and deposits in banks</b>         |  |   |
| Cash                                      | 438,728                                    | 369,585                                   |
| Deposits in the Central Bank of Chile     | 928,799                                    | 2,142,550                                 |
| Deposits in domestic banks                | 994  | 465                                       |
| Deposits in foreign banks                 | 216,557                                    | 281,101                                   |
| <b>Subtotals – Cash and bank deposits</b> | <b>1,585,078</b>                           | <b>2,793,701</b>                          |
| Cash items in process of collection, net  | 196,185                                    | 186,968                                   |
| <b>Cash and cash equivalents</b>          | <b>1,781,263</b>                           | <b>2,980,669</b>                          |

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 items in process of collection:

Cash items 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:

|   | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|---|--|---|
| <b>Assets</b>   |  |   |
| Documents held by other banks (documents to be exchanged) | 183,483                                    | 188,907                                   |
| Funds receivable  | 415,856                                    | 87,547                                    |
| <b>Subtotals</b>  | <b>599,339</b>                             | <b>276,454</b>                            |
| <b>Liabilities</b>  |  |   |
| Funds payable   | 403,154                                    | 89,486                                    |
| <b>Subtotals</b>  | <b>403,154</b>                             | <b>89,486</b>                             |
| <b>Cash items in process of collection, net</b>           | <b>196.185</b>                             | <b>186,968</b>                            |

**NOTE 6 - TRADING INVESTMENTS:**

The detail of the instruments deemed as financial trading investments is as follows:

|  | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|--|--|---|
| <b>Chilean Central Bank and Government securities:</b>   |  |   |
| Chilean Central Bank Bonds                               | 176,040                                    | 311,503                                   |
| Chilean Central Bank Notes                               | 7,407                                      | 60,233                                    |
| Other Chilean Central Bank and Government securities     | 21,328                                     | 15,789                                    |
| <b>Subtotals</b>   | <b>204,775</b>                             | <b>387,525</b>                            |
| <b>Other Chilean securities:</b>                         |  |   |
| Time deposits in Chilean financial institutions          | 798  | -   |
| Mortgage finance bonds of Chilean financial institutions | -  | -   |
| Chilean financial institution bonds                      | -  | -   |
| Chilean corporate bonds                                  | 1,989                                      | -   |
| Other Chilean securities                                 | -  | -   |
| <b>Subtotals</b>   | <b>2,787</b>                               | <b>-</b>                                  |
| <b>Foreign financial securities:</b>                     |  |   |
| Foreign Central Banks and Government securities          | -  | -   |
| Other foreign financial instruments                      | -  | -   |
| <b>Subtotals</b>   | <b>-</b>                                   | <b>-</b>                                  |
| <b>Investments in mutual funds:</b>                      |  |   |
| Funds managed by related entities                        | 46   | 22,238                                    |
| Funds managed by others                                  | -  | -   |
| <b>Subtotals</b>   | <b>46</b>                                  | <b>22,238</b>                             |
| <b>Total</b>   | <b>207,608</b>                             | <b>409,763</b>                            |

As of September 30, 2012 in the “Chilean Central Bank and Government securities” item there are no securities sold with repurchase agreement to customers and financial institutions (MCh\$ 27,017 as of December 31, 2011).

As of September 30, 2012 and December 31, 2011 there are no securities sold with repurchase agreement to clients and financial institutions included under “Other Chilean Securities” and “Foreign financial securities” items.



**NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING:**

a) As of September 30, 2012 and December 31, 2011 the Bank holds the following portfolio of derivative instruments:

|                                     | As of September 30, 2012   |   |                              |                   | Fair value       |                      |
|-------------------------------------|----------------------------|---|------------------------------|-------------------|------------------|----------------------|
|                                     | Notional amount            |   |                              |                   | Assets<br>MCh\$  | Liabilities<br>MCh\$ |
|                                     | Up to 3<br>months<br>MCh\$ | More than 3<br>months to<br>1 year<br>MCh\$ | More than<br>1 year<br>MCh\$ | Total<br>MCh\$    |                  |                      |
| <b>Fair value hedge derivatives</b> |                            |   |                              |                   |                  |                      |
| Currency forwards                   | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate swaps                 | 357,930                    | 467,203                                     | 513,915                      | 1,339,048         | 17,317           | 3,071                |
| Cross currency swaps                | -                          | 39,930                                      | 569,580                      | 609,510           | 7,944            | 2,121                |
| Call currency options               | -                          | -   | -                            | -                 | -                | -                    |
| Call interest rate options          | -                          | -   | -                            | -                 | -                | -                    |
| Put currency options                | -                          | -   | -                            | -                 | -                | -                    |
| Put interest rate options           | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate futures               | -                          | -   | -                            | -                 | -                | -                    |
| Other derivatives                   | -                          | -   | -                            | -                 | -                | -                    |
| <b>Subtotals</b>                    | <b>357,930</b>             | <b>507,133</b>                              | <b>1,083,495</b>             | <b>1,948,558</b>  | <b>25,261</b>    | <b>5,192</b>         |
| <b>Cash flow hedge derivatives</b>  |                            |   |                              |                   |                  |                      |
| Currency forwards                   | -                          | 13,555                                      | -                            | 13,555            | -                | 247                  |
| Interest rate swaps                 | -                          | -   | -                            | -                 | -                | -                    |
| Cross currency swaps                | 343,570                    | 734,760                                     | 685,174                      | 1,763,504         | 148              | 87,241               |
| Call currency options               | -                          | -   | -                            | -                 | -                | -                    |
| Call interest rate options          | -                          | -   | -                            | -                 | -                | -                    |
| Put currency options                | -                          | -   | -                            | -                 | -                | -                    |
| Put interest rate options           | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate futures               | -                          | -   | -                            | -                 | -                | -                    |
| Other derivatives                   | -                          | -   | -                            | -                 | -                | -                    |
| <b>Subtotals</b>                    | <b>343,570</b>             | <b>748,315</b>                              | <b>685,174</b>               | <b>1,777,059</b>  | <b>148</b>       | <b>87,488</b>        |
| <b>Trading derivatives</b>          |                            |   |                              |                   |                  |                      |
| Currency forwards                   | 14,322,946                 | 9,778,185                                   | 846,131                      | 24,947,262        | 225,078          | 280,063              |
| Interest rate swaps                 | 4,341,054                  | 10,635,303                                  | 13,968,125                   | 28,944,482        | 220,175          | 254,148              |
| Cross currency swaps                | 1,184,573                  | 2,980,160                                   | 11,488,948                   | 15,653,681        | 1,003,463        | 719,521              |
| Call currency options               | 307,534                    | 14,617                                      | -                            | 322,151           | 499              | 1,849                |
| Call interest rate options          | 2,447                      | 6,147                                       | 15,490                       | 24,084            | 1                | 47                   |
| Put currency options                | 296,497                    | 237   | -                            | 296,734           | 1,168            | 849                  |
| Put interest rate options           | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate futures               | -                          | -   | -                            | -                 | -                | -                    |
| Other derivatives                   | 211,909                    | -   | -                            | 211,909           | 416              | 115                  |
| <b>Subtotals</b>                    | <b>20,666,960</b>          | <b>23,414,649</b>                           | <b>26,318,694</b>            | <b>70,400,303</b> | <b>1,450,800</b> | <b>1,256,592</b>     |
| <b>Total</b>                        | <b>21,368,460</b>          | <b>24,670,097</b>                           | <b>28,087,363</b>            | <b>74,125,920</b> | <b>1,476,209</b> | <b>1,349,272</b>     |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:**

|                                     | As of December 31, 2011    |   |                              |                   | Fair value       |                      |
|-------------------------------------|----------------------------|---|------------------------------|-------------------|------------------|----------------------|
|                                     | Notional amount            |   |                              | Total<br>MCh\$    | Assets<br>MCh\$  | Liabilities<br>MCh\$ |
|                                     | Up to 3<br>months<br>MCh\$ | More than 3<br>months to<br>1 year<br>MCh\$ | More than<br>1 year<br>MCh\$ |                   |                  |                      |
| <b>Fair value hedge derivatives</b> |                            |   |                              |                   |                  |                      |
| Currency forwards                   | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate swaps                 | -                          | 368,885                                     | 444,845                      | 813,730           | 22,376           | 35                   |
| Cross currency swaps                | 30,989                     | -   | 277,469                      | 308,458           | 20,499           | 869                  |
| Call currency options               | -                          | -   | -                            | -                 | -                | -                    |
| Call interest rate options          | -                          | -   | -                            | -                 | -                | -                    |
| Put currency options                | -                          | -   | -                            | -                 | -                | -                    |
| Put interest rate options           | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate futures               | -                          | -   | -                            | -                 | -                | -                    |
| Other derivatives                   | -                          | -   | -                            | -                 | -                | -                    |
| <b>Subtotals</b>                    | <b>30,989</b>              | <b>368,885</b>                              | <b>722,314</b>               | <b>1,122,188</b>  | <b>42,875</b>    | <b>904</b>           |
| <b>Cash flow hedge derivatives</b>  |                            |   |                              |                   |                  |                      |
| Currency forwards                   | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate swaps                 | -                          | -   | -                            | -                 | -                | -                    |
| Cross currency swaps                | 284,875                    | 1,234,882                                   | 394,050                      | 1,913,807         | 94,562           | 713                  |
| Call currency options               | -                          | -   | -                            | -                 | -                | -                    |
| Call interest rate options          | -                          | -   | -                            | -                 | -                | -                    |
| Put currency options                | -                          | -   | -                            | -                 | -                | -                    |
| Put interest rate options           | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate futures               | -                          | -   | -                            | -                 | -                | -                    |
| Other derivatives                   | -                          | -   | -                            | -                 | -                | -                    |
| <b>Subtotals</b>                    | <b>284,875</b>             | <b>1,234,882</b>                            | <b>394,050</b>               | <b>1,913,807</b>  | <b>94,562</b>    | <b>713</b>           |
| <b>Trading derivatives</b>          |                            |   |                              |                   |                  |                      |
| Currency forwards                   | 14,305,612                 | 8,473,390                                   | 604,935                      | 23,383,937        | 264,712          | 216,978              |
| Interest rate swaps                 | 5,527,118                  | 11,459,132                                  | 13,716,043                   | 30,702,293        | 265,482          | 302,292              |
| Cross currency swaps                | 1,405,419                  | 2,511,430                                   | 10,688,479                   | 14,605,328        | 943,457          | 769,031              |
| Call currency options               | 36,180                     | 23,502                                      | -                            | 59,682            | 741              | 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           | -                          | -   | -                            | -                 | -                | -                    |
| Interest rate futures               | -                          | -   | -                            | -                 | -                | -                    |
| Other derivatives                   | 102,084                    | 1,694                                       | -                            | 103,778           | 222              | 397                  |
| <b>Subtotals</b>                    | <b>21,396,684</b>          | <b>22,505,424</b>                           | <b>25,039,129</b>            | <b>68,941,237</b> | <b>1,475,432</b> | <b>1,290,531</b>     |
| <b>Total</b>                        | <b>21,712,548</b>          | <b>24,109,191</b>                           | <b>26,155,493</b>            | <b>71,977,232</b> | <b>1,612,869</b> | <b>1,292,148</b>     |

**NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:**

**b) Hedge Accounting**

**Fair Value Hedge:**

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 elements and hedge instruments under fair value hedges as of September 30, 2012 and December 31, 2011 classified by term to maturity:

|                           | As of September 30, 2012 |                                   |                                   |                       |                  |
|---------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------|------------------|
|                           | Within 1 year<br>MCh\$   | Between 1 and 3<br>years<br>MCh\$ | Between 3 and<br>6 years<br>MCh\$ | Over 6 years<br>MCh\$ | Total<br>MCh\$   |
| <b>Hedged item</b>        |                          |                                   |                                   |                       |                  |
| Corporate bonds           | 10,206                   | -                                 | -                                 | -                     | 10,206           |
| Subordinated bonds        | -                        | 142,410                           | -                                 | -                     | 142,410          |
| Short-term loans          | -                        | 25,000                            | -                                 | -                     | 25,000           |
| Interbank loans           | -                        | -                                 | -                                 | -                     | -                |
| Mortgage finance bonds    | -                        | -                                 | -                                 | 4,077                 | 4,077            |
| Senior bonds              | 332,290                  | 237,350                           | 4,518                             | 479,926               | 1,054,084        |
| Time deposits             | 522,567                  | -                                 | -                                 | 27,109                | 549,676          |
| Yankee Bond               | -                        | -                                 | -                                 | 4,747                 | 4,747            |
| FRN Bonds                 | -                        | -                                 | 59,176                            | 99,182                | 158,358          |
| <b>Total</b>              | <b>865,063</b>           | <b>404,760</b>                    | <b>63,694</b>                     | <b>615,041</b>        | <b>1,948,558</b> |
| <b>Hedging instrument</b> |                          |                                   |                                   |                       |                  |
| Cross currency swap       | 39,930                   | 237,350                           | 63,694                            | 268,536               | 609,510          |
| Interest rate swap        | 371,496                  | 142,410                           | -                                 | 123,422               | 637,328          |
| Call money swap           | 453,637                  | 25,000                            | -                                 | 223,083               | 701,720          |
| <b>Total</b>              | <b>865,063</b>           | <b>404,760</b>                    | <b>63,694</b>                     | <b>615,041</b>        | <b>1,948,558</b> |

|                           | As of December 31, 2011 |                                   |                                   |                       |                  |
|---------------------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------|------------------|
|                           | Within 1 year<br>MCh\$  | Between 1 and 3<br>years<br>MCh\$ | Between 3 and<br>6 years<br>MCh\$ | Over 6 years<br>MCh\$ | Total<br>MCh\$   |
| <b>Hedged item</b>        |                         |                                   |                                   |                       |                  |
| Corporate bonds           | -                       | 11,188                            | -                                 | -                     | 11,188           |
| Subordinated bonds        | -                       | 158,124                           | -                                 | -                     | 158,124          |
| Short-term loans          | -                       | 25,000                            | -                                 | -                     | 25,000           |
| Interbank loans           | -                       | -                                 | -                                 | -                     | -                |
| Mortgage finance bonds    | -                       | -                                 | -                                 | 28,339                | 28,339           |
| Senior bonds              | 364,245                 | -                                 | 326,129                           | 148,484               | 838,858          |
| Time deposits             | 35,629                  | 25,050                            | -                                 | -                     | 60,679           |
| Yankee Bond               | -                       | -                                 | -                                 | -                     | -                |
| FRN Bonds                 | -                       | -                                 | -                                 | -                     | -                |
| <b>Total</b>              | <b>399,874</b>          | <b>219,362</b>                    | <b>326,129</b>                    | <b>176,823</b>        | <b>1,122,188</b> |
| <b>Hedging instrument</b> |                         |                                   |                                   |                       |                  |
| 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          |
| <b>Total</b>              | <b>399,874</b>          | <b>219,362</b>                    | <b>326,129</b>                    | <b>176,823</b>        | <b>1,122,188</b> |

**NOTE 7 - 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 September 30, 2012 and December 31, 2011 and the period when the cash flows will be generated:

|                                | As of September 30, 2012 |                                   |                                   |                       | Total<br>MCh\$   |
|--------------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------|------------------|
|                                | Within 1 year<br>MCh\$   | Between 1 and 3<br>years<br>MCh\$ | Between 3 and 6<br>years<br>MCh\$ | Over 6 years<br>MCh\$ |                  |
| <b>Hedged item</b>             |                          |                                   |                                   |                       |                  |
| Interbank loans                | 837,372                  | 163,771                           | -                                 | -                     | 1,001,143        |
| Bonds                          | 135,546                  | 135,546                           | -                                 | 28,265                | 299,357          |
| FRN Bonds                      | 23,735                   | 265,168                           | 92,424                            | -                     | 381,327          |
| Deposits                       | 50,450                   | -                                 | -                                 | -                     | 50,450           |
| DVP                            | 44,782                   | -                                 | -                                 | -                     | 44,782           |
| <b>Total</b>                   | <b>1,091,885</b>         | <b>564,485</b>                    | <b>92,424</b>                     | <b>28,265</b>         | <b>1,777,059</b> |
| <b>Hedging instrument</b>      |                          |                                   |                                   |                       |                  |
| Cross currency swap            | 1,078,330                | 564,485                           | 92,424                            | 28,265                | 1,763,504        |
| Forward                        | 13,555                   | -                                 | -                                 | -                     | 13,555           |
| <b>Total</b>                   | <b>1,091,885</b>         | <b>564,485</b>                    | <b>92,424</b>                     | <b>28,265</b>         | <b>1,777,059</b> |
| <b>As of December 31, 2011</b> |                          |                                   |                                   |                       |                  |
|                                | Within 1 year<br>MCh\$   | Between 1 and 3<br>years<br>MCh\$ | Between 3 and 6<br>years<br>MCh\$ | Over 6 years<br>MCh\$ | Total<br>MCh\$   |
| <b>Hedged item</b>             |                          |                                   |                                   |                       |                  |
| Interbank loans                | 1,142,238                | 147,329                           | -                                 | -                     | 1,289,567        |
| Bonds                          | 377,519                  | 246,721                           | -                                 | -                     | 624,240          |
| FRN Bonds                      | -                        | -                                 | -                                 | -                     | -                |
| Deposits                       | -                        | -                                 | -                                 | -                     | -                |
| DVP                            | -                        | -                                 | -                                 | -                     | -                |
| <b>Total</b>                   | <b>1,519,757</b>         | <b>394,050</b>                    | <b>-</b>                          | <b>-</b>              | <b>1,913,807</b> |
| <b>Hedging instrument</b>      |                          |                                   |                                   |                       |                  |
| Cross currency swap            | 1,519,757                | 394,050                           | -                                 | -                     | 1,913,807        |
| Forward                        | -                        | -                                 | -                                 | -                     | -                |
| <b>Total</b>                   | <b>1,519,757</b>         | <b>394,050</b>                    | <b>-</b>                          | <b>-</b>              | <b>1,913,807</b> |

**NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:**

Below is an estimate of the periods in which the flows are expected to be produced:

|                           | As of September 30, 2012 |                                   |                                   |                       |                 |
|---------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------|
|                           | Within 1 year<br>MCh\$   | Between 1 and 3<br>years<br>MCh\$ | Between 3 and 6<br>years<br>MCh\$ | Over 6 years<br>MCh\$ | Total<br>MCh\$  |
| <b>Hedged item</b>        |                          |                                   |                                   |                       |                 |
| Inflows                   | -                        | -                                 | -                                 | -                     | -               |
| Outflows                  | (17,009)                 | (16,095)                          | (1,726)                           | -                     | (34,830)        |
| <b>Net flows</b>          | <b>(17,009)</b>          | <b>(16,095)</b>                   | <b>(1,726)</b>                    | -                     | <b>(34,830)</b> |
| <b>Hedging instrument</b> |                          |                                   |                                   |                       |                 |
| Inflows                   | 17,009                   | 16,095                            | 1,726                             | -                     | 34,830          |
| Outflows                  | (36,113)                 | (34,530)                          | (2,584)                           | -                     | (73,227)        |
| <b>Net flows</b>          | <b>(19,104)</b>          | <b>(18,435)</b>                   | <b>(858)</b>                      | -                     | <b>(38,397)</b> |

|                           | As of December 31, 2011 |                                   |                                   |                       |                 |
|---------------------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------|
|                           | Within 1 year<br>MCh\$  | Between 1 and 3<br>years<br>MCh\$ | Between 3 and 6<br>years<br>MCh\$ | Over 6 years<br>MCh\$ | Total<br>MCh\$  |
| <b>Hedged item</b>        |                         |                                   |                                   |                       |                 |
| Inflows                   | -                       | -                                 | -                                 | -                     | -               |
| Outflows                  | (26,147)                | (9,791)                           | -                                 | -                     | (35,938)        |
| <b>Net flows</b>          | <b>(26,147)</b>         | <b>(9,791)</b>                    | -                                 | -                     | <b>(35,938)</b> |
| <b>Hedging instrument</b> |                         |                                   |                                   |                       |                 |
| Inflows                   | 26,147                  | 9,791                             | -                                 | -                     | 35,938          |
| Outflows                  | (44,257)                | (13,692)                          | -                                 | -                     | (57,949)        |
| <b>Net flows</b>          | <b>(18,110)</b>         | <b>(3,901)</b>                    | -                                 | -                     | <b>(22,011)</b> |

**NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued:**

- c) Gain and losses for cash flow hedges whose effect was recognized in the Consolidated Statement of Changes in Equity for the periods ended as of September 30, 2012 and 2011, are shown below:

|                  | <b>As of September 30</b> |                |
|------------------|---------------------------|----------------|
|                  | <b>2012</b>               | <b>2011</b>    |
|                  | <b>MCh\$</b>              | <b>MCh\$</b>   |
| Bonds            | (1,642)                   | 465            |
| Loans            | 1,243                     | (2,581)        |
| Deposits         | 100                       | -              |
| FRN Bonds        | 2,009                     | -              |
| DVP              | 58                        | -              |
| <b>Net flows</b> | <b>1,768</b>              | <b>(2,116)</b> |

Since the variable flows for both the hedged element and the hedging element mirror each other, the hedges are nearly 100% efficient, which means that the fluctuations of value attributable to rate components are almost completely offset. As of September 30, 2012, hedge ineffectiveness recorded in the Consolidated Statement of Income was MCh\$ (23).

During 2012 the Bank recorded a future flow hedge for a syndicated loan granted to Banco Santander Chile and structured by Standard Chartered Bank for USD 175 million.

- d) Below is a presentation of income generated by cash flow hedges amount that were reclassified from other comprehensive income to profit and loss during the period:

|  | <b>As of September 30</b> |              |
|--|---------------------------|--------------|
|  | <b>2012</b>               | <b>2011</b>  |
|  | <b>MCh\$</b>              | <b>MCh\$</b> |
| Bonds                                      | (777)                     | -            |
| Loans                                      | 1,067                     | 287          |
| <b>Reclassification to profit and loss</b> | <b>290</b>                | <b>287</b>   |

- e) Hedges of net investment hedges in foreign operations:

As of September 2012 and 2011, the Bank does not present foreign net investment hedges in its hedge accounting portfolio.

**NOTE 8 - INTERBANK LOANS**

a) As of September 30, 2012 and December 31, 2011, the balances in the “Interbank loans” item are as follows:

|   | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|---|--|---|
| <b>Domestic banks</b>                             |  |   |
| 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                                   | 44   | 647                                       |
| Overdrafts in checking accounts                   | -  | -   |
| Nontransferable domestic bank loans               | -  | -   |
| Other domestic bank loans                         | -  | -   |
| Allowances and impairment for domestic bank loans | -  | (1)                                       |
| <b>Foreign banks</b>                              |  |   |
| Loans to foreign banks                            | 110,267                                    | 87,041                                    |
| Overdrafts in checking accounts                   | -  | -   |
| Nontransferable foreign bank deposits             | -  | -   |
| Other foreign bank loans                          | -  | -   |
| Allowances and impairment for foreign bank loans  | (67)                                       | (146)                                     |
| <b>Total</b>                                      | <b>110,244</b>                             | <b>87,541</b>                             |

b) The amount in each period for allowances and impairment of interbank loans, is shown below:

|                        | <u>As of September 30</u><br>2012   |                                    |                        | <u>As of December 31</u><br>2011    |                                    |                        |
|------------------------|-------------------------------------|------------------------------------|------------------------|-------------------------------------|------------------------------------|------------------------|
|                        | <u>Domestic<br/>banks<br/>MCh\$</u> | <u>Foreign<br/>banks<br/>MCh\$</u> | <u>Total<br/>MCh\$</u> | <u>Domestic<br/>banks<br/>MCh\$</u> | <u>Foreign<br/>banks<br/>MCh\$</u> | <u>Total<br/>MCh\$</u> |
| <b>As of January 1</b> | <b>1</b>                            | <b>146</b>                         | <b>147</b>             | <b>-</b>                            | <b>54</b>                          | <b>54</b>              |
| Charge-offs            | -                                   | -                                  | -                      | -                                   | -                                  | -                      |
| Allowances established | -                                   | 277                                | 277                    | 406                                 | 194                                | 600                    |
| Allowances released    | (1)                                 | (356)                              | (357)                  | (405)                               | (102)                              | (507)                  |
| <b>Total</b>           | <b>-</b>                            | <b>67</b>                          | <b>67</b>              | <b>1</b>                            | <b>146</b>                         | <b>147</b>             |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 9 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS:**

**a) Loans and accounts receivable from customers**

As of September 30, 2012 and December 31, 2011 the composition of the loan portfolio is as follows:

| As of September 30, 2012          | Assets before allowances      |                                   |                               |                   | Allowances established            |                              |                | Net assets<br>MCh\$ |
|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|-------------------|-----------------------------------|------------------------------|----------------|---------------------|
|                                   | Default<br>portfolio<br>MCh\$ | Substandard<br>Portfolio<br>MCh\$ | Default<br>portfolio<br>MCh\$ | Total<br>MCh\$    | Individual<br>allowances<br>MCh\$ | Group<br>allowances<br>MCh\$ | Total<br>MCh\$ |                     |
| <b>Commercial loans</b>           |                               |                                   |                               |                   |                                   |                              |                |                     |
| Commercial loans                  | 6,337,945                     | 220,361                           | 508,260                       | 7,066,566         | 103,334                           | 74,293                       | 177,627        | 6,888,939           |
| Foreign trade loans               | 1,205,394                     | 31,110                            | 40,369                        | 1,276,873         | 23,901                            | 681                          | 24,582         | 1,252,291           |
| Overdrafts in checking accounts   | 273,351                       | 3,740                             | 10,394                        | 287,485           | 2,620                             | 4,827                        | 7,447          | 280,038             |
| Factoring transactions            | 258,954                       | 4,069                             | 4,345                         | 267,368           | 3,499                             | 989                          | 4,488          | 262,880             |
| Leasing transactions              | 1,148,890                     | 69,766                            | 41,865                        | 1,260,521         | 14,268                            | 5,943                        | 20,211         | 1,240,310           |
| Other loans and accounts          | 79,010                        | 431                               | 16,705                        | 96,146            | 5,159                             | 6,546                        | 11,705         | 84,441              |
| <b>Subtotals</b>                  | <b>9,303,544</b>              | <b>329,477</b>                    | <b>621,938</b>                | <b>10,254,959</b> | <b>152,781</b>                    | <b>93,279</b>                | <b>246,060</b> | <b>10,008,899</b>   |
| <b>Mortgage loans</b>             |                               |                                   |                               |                   |                                   |                              |                |                     |
| Loans with mortgage finance bonds | 93,505                        | -                                 | 3,519                         | 97,024            | -                                 | 580                          | 580            | 96,444              |
| Mortgage mutual loans             | 45,477                        | -                                 | 2,376                         | 47,853            | -                                 | 387                          | 387            | 47,466              |
| Other mortgage mutual loans       | 4,850,911                     | -                                 | 212,429                       | 5,063,340         | -                                 | 35,796                       | 35,796         | 5,027,544           |
| Leasing transactions              | -                             | -                                 | -                             | -                 | -                                 | -                            | -              | -                   |
| <b>Subtotals</b>                  | <b>4,989,893</b>              | <b>-</b>                          | <b>218,324</b>                | <b>5,208,217</b>  | <b>-</b>                          | <b>36,763</b>                | <b>36,763</b>  | <b>5,171,454</b>    |
| <b>Consumer loans</b>             |                               |                                   |                               |                   |                                   |                              |                |                     |
| Installment consumer loans        | 1,483,479                     | -                                 | 364,285                       | 1,847,764         | -                                 | 222,150                      | 222,150        | 1,625,614           |
| Credit card balances              | 955,988                       | -                                 | 28,137                        | 984,125           | -                                 | 38,996                       | 38,996         | 945,129             |
| Leasing transactions              | 3,413                         | -                                 | 157                           | 3,570             | -                                 | 149                          | 149            | 3,421               |
| Other consumer loans              | 197,603                       | -                                 | 6,936                         | 204,539           | -                                 | 8,020                        | 8,020          | 196,519             |
| <b>Subtotals</b>                  | <b>2,640,483</b>              | <b>-</b>                          | <b>399,515</b>                | <b>3,039,998</b>  | <b>-</b>                          | <b>269,315</b>               | <b>269,315</b> | <b>2,770,683</b>    |
| <b>Total</b>                      | <b>16,933,920</b>             | <b>329,477</b>                    | <b>1,239,777</b>              | <b>18,503,174</b> | <b>152,781</b>                    | <b>399,357</b>               | <b>552,138</b> | <b>17,951,036</b>   |



BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 9 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:**

| As of December 31, 2011           | Assets before allowances      |                                   |                               | Allowances established |                                   |                              | Net assets<br>MCh\$ |                   |
|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|------------------------|-----------------------------------|------------------------------|---------------------|-------------------|
|                                   | Default<br>portfolio<br>MCh\$ | Substandard<br>Portfolio<br>MCh\$ | Default<br>portfolio<br>MCh\$ | Total<br>MCh\$         | Individual<br>allowances<br>MCh\$ | Group<br>allowances<br>MCh\$ |                     | Total<br>MCh\$    |
| <b>Commercial loans</b>           |                               |                                   |                               |                        |                                   |                              |                     |                   |
| Commercial loans                  | 5,903,830                     | 170,829                           | 527,713                       | 6,602,372              | 97,127                            | 81,802                       | 178,929             | 6,423,443         |
| Foreign trade loans               | 971,662                       | 31,818                            | 38,544                        | 1,042,024              | 30,654                            | 1,059                        | 31,713              | 1,010,311         |
| General purpose mortgage loans    | 119,178                       | 3,455                             | 9,750                         | 132,383                | 268                               | 3,097                        | 3,365               | 129,018           |
| Factoring transactions            | 181,104                       | 5,452                             | 2,074                         | 188,630                | 3,131                             | 822                          | 3,953               | 184,677           |
| Leasing transactions              | 1,139,799                     | 57,023                            | 40,853                        | 1,237,675              | 15,310                            | 6,167                        | 21,477              | 1,216,198         |
| Other loans and accounts          | 65,793                        | 683                               | 18,025                        | 84,501                 | 1,427                             | 4,168                        | 5,595               | 78,906            |
| <b>Subtotals</b>                  | <b>8,381,366</b>              | <b>269,260</b>                    | <b>636,959</b>                | <b>9,287,585</b>       | <b>147,917</b>                    | <b>97,115</b>                | <b>245,032</b>      | <b>9,042,553</b>  |
| <b>Mortgage loans</b>             |                               |                                   |                               |                        |                                   |                              |                     |                   |
| 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              | -                             | -                                 | -                             | -                      | -                                 | -                            | -                   | -                 |
| <b>Subtotals</b>                  | <b>4,915,967</b>              | <b>-</b>                          | <b>199,696</b>                | <b>5,115,663</b>       | <b>-</b>                          | <b>35,633</b>                | <b>35,633</b>       | <b>5,080,030</b>  |
| <b>Consumer loans</b>             |                               |                                   |                               |                        |                                   |                              |                     |                   |
| 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           |
| Leasing transactions              | 3,551                         | -                                 | 176                           | 3,727                  | -                                 | 109                          | 109                 | 3,618             |
| Other consumer loans              | 203,933                       | -                                 | 6,740                         | 210,673                | -                                 | 5,117                        | 5,117               | 205,556           |
| <b>Subtotals</b>                  | <b>2,522,156</b>              | <b>-</b>                          | <b>421,690</b>                | <b>2,943,846</b>       | <b>-</b>                          | <b>243,022</b>               | <b>243,022</b>      | <b>2,700,824</b>  |
| <b>Total</b>                      | <b>15,819,489</b>             | <b>269,260</b>                    | <b>1,258,345</b>              | <b>17,347,094</b>      | <b>147,917</b>                    | <b>375,770</b>               | <b>523,687</b>      | <b>16,823,407</b> |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 9 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:**

**b) Portfolio characteristics:**

As of September 30, 2012 and December 31, 2011, the portfolio before allowances has the following detail by customer's economic activity:

|                             | Domestic loans (*)                        |  | Foreign loans (**)                        |  | Total loans                               |  | Distribution percentage               |                                    |
|-----------------------------|---|--|---|--|---|--|---------------------------------------|------------------------------------|
|                             | As of<br>September<br>30<br>2012<br>MCh\$ | As of<br>December 31,<br>2011<br>MCh\$ | As of<br>September<br>30<br>2012<br>MCh\$ | As of<br>December 31,<br>2011<br>MCh\$ | As of<br>September<br>30<br>2012<br>MCh\$ | As of<br>December 31,<br>2011<br>MCh\$ | As of<br>September<br>30<br>2012<br>% | As of<br>December 31,<br>2011<br>% |
| <b>Commercial loans</b>     |   |  |   |  |   |  |                                       |                                    |
| Manufacturing               | 968,546                                   | 834,011                                | -   | -                                      | 968,546                                   | 834,011                                | 5.20                                  | 4.78                               |
| Mining                      | 330,545                                   | 266,442                                | -   | -                                      | 330,545                                   | 266,442                                | 1.78                                  | 1.53                               |
| Electricity, gas, and water | 310,304                                   | 221,039                                | -   | -                                      | 310,304                                   | 221,039                                | 1.67                                  | 1.27                               |
| Agriculture and livestock   | 764,889                                   | 760,527                                | -   | -                                      | 764,889                                   | 760,527                                | 4.11                                  | 4.36                               |
| Forest                      | 120,591                                   | 89,353                                 | -   | -                                      | 120,591                                   | 89,353                                 | 0.65                                  | 0.51                               |
| Fishing                     | 173,924                                   | 144,162                                | -   | -                                      | 173,924                                   | 144,162                                | 0.93                                  | 0.83                               |
| Transport                   | 496,496                                   | 473,414                                | -   | -                                      | 496,496                                   | 473,414                                | 2.67                                  | 2.72                               |
| Communications              | 169,437                                   | 252,528                                | -   | -                                      | 169,437                                   | 252,528                                | 0.91                                  | 1.45                               |
| Construction                | 1,127,554                                 | 980,797                                | -   | -                                      | 1,127,554                                 | 980,797                                | 6.06                                  | 5.63                               |
| Commerce                    | 2,287,395                                 | 1,916,400                              | 110,267                                   | 87,041                                 | 2,397,662                                 | 2,003,441                              | 12.88                                 | 11.49                              |
| Services                    | 379,103                                   | 384,061                                | -   | -                                      | 379,103                                   | 384,061                                | 2.04                                  | 2.20                               |
| Other                       | 3,126,219                                 | 2,965,498                              | -   | -                                      | 3,126,219                                 | 2,965,498                              | 16.80                                 | 17.00                              |
| <b>Subtotals</b>            | <b>10,255,003</b>                         | <b>9,288,232</b>                       | <b>110,267</b>                            | <b>87,041</b>                          | <b>10,365,270</b>                         | <b>9,375,273</b>                       | <b>55.69</b>                          | <b>53.77</b>                       |
| <b>Mortgage loans</b>       | <b>5,208,217</b>                          | <b>5,115,663</b>                       | <b>-</b>                                  | <b>-</b>                               | <b>5,208,217</b>                          | <b>5,115,663</b>                       | <b>27.98</b>                          | <b>29.35</b>                       |
| <b>Consumer loans</b>       | <b>3,039,998</b>                          | <b>2,943,846</b>                       | <b>-</b>                                  | <b>-</b>                               | <b>3,039,998</b>                          | <b>2,943,846</b>                       | <b>16.33</b>                          | <b>16.88</b>                       |
| <b>Total</b>                | <b>18,503,218</b>                         | <b>17,347,741</b>                      | <b>110,267</b>                            | <b>87,041</b>                          | <b>18,613,485</b>                         | <b>17,434,782</b>                      | <b>100.00</b>                         | <b>100.00</b>                      |

(\*) Includes domestic loans to financial institutions for MCh\$44 as of September 30, 2012 (MCh\$ 647 as of December 31, 2011), see Note 8.

(\*\*) Includes foreign loans to financial institutions for MCh\$ 110,267 as of September 30, 2012 (MCh\$ 87,041 as of December 31, 2011), see Note 8.

**NOTE 9 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:**

**c) Impaired loans**

i) As of September 30, 2012 and December 31, 2011 the composition of the impaired loans portfolio is as follows:

|                               | As of September 30<br>2012 |                   |                   |                  | As of December 31<br>2011 |                   |                   |                  |
|-------------------------------|----------------------------|-------------------|-------------------|------------------|---------------------------|-------------------|-------------------|------------------|
|                               | Commercial<br>MCh\$        | Mortgage<br>MCh\$ | Consumer<br>MCh\$ | Total<br>MCh\$   | Commercial<br>MCh\$       | Mortgage<br>MCh\$ | Consumer<br>MCh\$ | Total<br>MCh\$   |
| Individual impaired portfolio | 186,733                    | -                 | -                 | 186,733          | 285,930                   | -                 | -                 | 285,930          |
| Non-performing loans          | 307,658                    | 149,936           | 104,136           | 561,730          | 251,881                   | 152,911           | 106,565           | 511,357          |
| Other impaired portfolio      | 220,609                    | 68,388            | 295,379           | 584,376          | 164,158                   | 46,785            | 315,125           | 526,068          |
| <b>Total</b>                  | <b>715,000</b>             | <b>218,324</b>    | <b>399,515</b>    | <b>1,332,839</b> | <b>701,969</b>            | <b>199,696</b>    | <b>421,690</b>    | <b>1,323,355</b> |

ii) The impaired secured and unsecured loan portfolio as of September 30, 2012 and December 31, 2011, is as follows:

|                | As of September 30<br>2012 |                   |                   |                  | As of December 31<br>2011 |                   |                   |                  |
|----------------|----------------------------|-------------------|-------------------|------------------|---------------------------|-------------------|-------------------|------------------|
|                | Commercial<br>MCh\$        | Mortgage<br>MCh\$ | Consumer<br>MCh\$ | Total<br>MCh\$   | Commercial<br>MCh\$       | Mortgage<br>MCh\$ | Consumer<br>MCh\$ | Total<br>MCh\$   |
| Secured debt   | 375,047                    | 202,266           | 51,561            | 628,874          | 376,864                   | 183,657           | 58,335            | 618,856          |
| Unsecured debt | 339,953                    | 16,058            | 347,954           | 703,965          | 325,105                   | 16,039            | 363,355           | 704,499          |
| <b>Total</b>   | <b>715,000</b>             | <b>218,324</b>    | <b>399,515</b>    | <b>1,332,839</b> | <b>701,969</b>            | <b>199,696</b>    | <b>421,690</b>    | <b>1,323,355</b> |

iii) The portfolio of secured and unsecured non-performing loans as of September 30, 2012 and December 31, 2011 is as follows:

|                | As of September 30<br>2012 |                   |                   |                | As of December 31<br>2011 |                   |                   |                |
|----------------|----------------------------|-------------------|-------------------|----------------|---------------------------|-------------------|-------------------|----------------|
|                | Commercial<br>MCh\$        | Mortgage<br>MCh\$ | Consumer<br>MCh\$ | Total<br>MCh\$ | Commercial<br>MCh\$       | Mortgage<br>MCh\$ | Consumer<br>MCh\$ | Total<br>MCh\$ |
| Secured debt   | 153,311                    | 135,335           | 7,202             | 295,848        | 116,201                   | 138,234           | 9,920             | 264,355        |
| Unsecured debt | 154,347                    | 14,601            | 96,934            | 265,882        | 135,680                   | 14,677            | 96,645            | 247,002        |
| <b>Total</b>   | <b>307,658</b>             | <b>149,936</b>    | <b>104,136</b>    | <b>561,730</b> | <b>251,881</b>            | <b>152,911</b>    | <b>106,565</b>    | <b>511,357</b> |

**NOTE 9 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued:**

**d) Allowances**

The allowance activities in the 2012 and 2011 periods are as follows:

|                                | As of September 30                |                              |                  | As of December 31                 |                              |                  |
|--------------------------------|-----------------------------------|------------------------------|------------------|-----------------------------------|------------------------------|------------------|
|                                | Individual<br>allowances<br>MCh\$ | Group<br>allowances<br>MCh\$ | Total<br>MCh\$   | Individual<br>allowances<br>MCh\$ | Group<br>allowances<br>MCh\$ | Total<br>MCh\$   |
| <b>As of January 1</b>         | <b>147,917</b>                    | <b>375,770</b>               | <b>523,687</b>   | <b>152,748</b>                    | <b>328,833</b>               | <b>481,581</b>   |
| <b>Portfolio charge-offs:</b>  |                                   |                              |                  |                                   |                              |                  |
| Commercial loans               | (22,877)                          | (47,079)                     | (69,956)         | (23,200)                          | (67,175)                     | (90,375)         |
| Mortgage loans                 | -                                 | (10,080)                     | (10,080)         | -                                 | (12,776)                     | (12,776)         |
| Consumer loans                 | -                                 | (188,631)                    | (188,631)        | -                                 | (187,937)                    | (187,937)        |
| <b>Total charge offs loans</b> | <b>(22,877)</b>                   | <b>(245,790)</b>             | <b>(268,667)</b> | <b>(23,200)</b>                   | <b>(267,888)</b>             | <b>(291,088)</b> |
| Allowances established         | 42,195                            | 316,071                      | 358,266          | 60,110                            | 374,237                      | 434,347          |
| Allowances released            | (14,454)                          | (46,694)                     | (61,148)         | (41,741)                          | (59,412)                     | (101,153)        |
| <b>Balances</b>                | <b>152,781</b>                    | <b>399,357</b>               | <b>552,138</b>   | <b>147,917</b>                    | <b>375,770</b>               | <b>523,687</b>   |

In addition to credit risk allowances, there are allowances held for:

- a) Country risk to cover the risk taken when holding or compromising resources with any foreign country. These allowances are established over country classifications performed by the Bank, according to the provisions established on Chapter 7-13 of the Updated Regulations Compendium. The balance of allowances as of September 30, 2012 and December 31, 2011 is Ch\$ 211 million and Ch\$ 19 million, respectively.
- b) According to Circular letter 3489 from the SBIF on December 29, 2009 the Bank has established allowances related to the unused balances of lines of credit with free disposal. The balance of allowances as of September 30, 2012 and December 31, 2011 is Ch\$ 17,927 million and Ch\$ 17,473 million, respectively.

**e) Allowances established for customer and interbank loans**

|                 | As of September 30,<br>2012 | As of December 31,<br>2011 |
|-----------------|-----------------------------|----------------------------|
| Customer loans  | 358,266                     | 434,347                    |
| Interbank loans | 277                         | 600                        |
| <b>Total</b>    | <b>358,543</b>              | <b>434,947</b>             |

**NOTE 10 - AVAILABLE FOR SALE INVESTMENTS**

As of September 30, 2012 and December 31, 2011 the detail of instruments designated as available for sale instruments is as follows:

|  | <u>As of September 30</u> | <u>As of December 31</u> |
|--|---------------------------|--------------------------|
|  | <u>2012</u>               | <u>2011</u>              |
|  | <u>MCh\$</u>              | <u>MCh\$</u>             |
| <b>Chilean Central Bank and Government securities</b>    |                           |                          |
| Chilean Central Bank Bonds                               | 625,954                   | 570,573                  |
| Chilean Central Bank Notes                               | 236,106                   | 563,114                  |
| Other Chilean Central Bank and Government securities     | 255,433                   | 173,839                  |
| <b>Subtotals</b>   | <b>1,117,493</b>          | <b>1,307,526</b>         |
| <b>Other Chilean securities</b>                          |                           |                          |
| Time deposits in Chilean financial institutions          | 557,620                   | 275,022                  |
| Mortgage finance bonds of Chilean financial institutions | 38,436                    | 66,806                   |
| Chilean financial institution bonds                      | -                         | -                        |
| Chilean corporate bonds                                  | -                         | -                        |
| Other Chilean securities                                 | 313                       | 319                      |
| <b>Subtotals</b>   | <b>596,369</b>            | <b>342,147</b>           |
| <b>Foreign financial securities:</b>                     |                           |                          |
| Foreign Central Banks and Government securities          | -                         | -                        |
| Other foreign financial securities                       | 15,820                    | 11,638                   |
| <b>Subtotals</b>   | <b>15,820</b>             | <b>11,638</b>            |
| <b>Total</b>   | <b>1,729,682</b>          | <b>1,661,311</b>         |

Chilean Central Bank and Government securities include instruments sold to customers and financial institutions under repurchase agreements totaling Ch\$ 56,965 million and Ch\$144,034 million as of September 30, 2012 and December 31, 2011, respectively.

As of September 30, 2012 available for sale investments included unrealized net losses of Ch\$ 4,006 million, recorded as a "Valuation adjustment" in Equity, distributed between Ch\$ 4,041 million attributable to Bank shareholders and Ch\$ 35 million attributable to non-controlling interest.

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 interest.

**NOTE 11 - INTANGIBLE ASSETS:**

a) Intangible assets as of September 30, 2012 and December 31, 2011 are as follows:

|                      | Useful life<br>(years) | Remaining<br>useful life | Opening<br>balance<br>January 1,<br>2012<br>MCh\$ | As of September 30, 2012  |                                      |                      |
|----------------------|------------------------|--------------------------|---|---------------------------|--------------------------------------|----------------------|
|                      |                        |                          |   | Gross<br>balance<br>MCh\$ | Accumulated<br>amortization<br>MCh\$ | Net balance<br>MCh\$ |
| Licenses             | 3                      | 1.8                      | 2,496   | 9,080                     | (6,780)                              | 2,300                |
| Software development | 3                      | 1.9                      | 78,243  | 202,590                   | (129,792)                            | 72,798               |
| <b>Total</b>         |                        |                          | <b>80,739</b>                                     | <b>211,670</b>            | <b>(136,572)</b>                     | <b>75,098</b>        |

|                      | Useful life<br>(years) | Remaining<br>useful life | Opening<br>balance<br>January 1,<br>2011<br>MCh\$ | As of December 31, 2011   |                                      |                      |
|----------------------|------------------------|--------------------------|---|---------------------------|--------------------------------------|----------------------|
|                      |                        |                          |   | Gross<br>balance<br>MCh\$ | Accumulated<br>amortization<br>MCh\$ | Net balance<br>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               |
| <b>Total</b>         |                        |                          | <b>77,990</b>                                     | <b>192,218</b>            | <b>(111,479)</b>                     | <b>80,739</b>        |

b) The activity in intangible assets as of September 30, 2012 and December 31, 2011 is as follows:

**b.1) Gross balance**

|  | Licenses<br>MCh\$ | Software<br>development<br>MCh\$ | Total<br>MCh\$ |
|--|-------------------|----------------------------------|----------------|
| <b>Gross balances 2012</b>                 |                   |                                  |                |
| Balances as of January 1, 2012             | 8,085             | 184,133                          | 192,218        |
| Acquisitions                               | 995               | 18,457                           | 19,452         |
| Disposals                                  | -                 | -                                | -              |
| Other                                      | -                 | -                                | -              |
| <b>Balances as of September 30, 2012</b>   | <b>9,080</b>      | <b>202,590</b>                   | <b>211,670</b> |
| <b>Gross balances 2011</b>                 |                   |                                  |                |
| Opening balances as of January 1, 2011 (*) | 6,229             | 150,090                          | 156,319        |
| Acquisitions                               | 1,856             | 32,195                           | 34,051         |
| Disposals                                  | -                 | (409)                            | (409)          |
| Other                                      | -                 | 2,257                            | 2,257          |
| <b>Balances as of December 31, 2011</b>    | <b>8,085</b>      | <b>184,133</b>                   | <b>192,218</b> |

NOTE 11 - INTANGIBLE ASSETS, continued:

b.2) Accumulated amortization

| Accumulated amortization                 | Licenses<br>MCh\$ | Software<br>development<br>MCh\$ | Total<br>MCh\$   |
|--|-------------------|----------------------------------|------------------|
| <b>Balances as of January 1, 2012</b>    | <b>(5,589)</b>    | <b>(105,890)</b>                 | <b>(111,479)</b> |
| Amortization for the period              | (1,191)           | (23,902)                         | (25,093)         |
| Other changes                            | -                 | -                                | -                |
| <b>Balances as of September 30, 2012</b> | <b>(6,780)</b>    | <b>(129,792)</b>                 | <b>(136,572)</b> |
| <b>Balances as of January 1, 2011</b>    | <b>(4,121)</b>    | <b>(74,208)</b>                  | <b>(78,329)</b>  |
| Amortization for the period              | (1,468)           | (31,625)                         | (33,093)         |
| Other changes                            | -                 | (57)                             | (57)             |
| <b>Balances as of December 31, 2011</b>  | <b>(5,589)</b>    | <b>(105,890)</b>                 | <b>(111,479)</b> |

c) The Bank does not have any restriction on intangible assets. Additionally, intangible assets have not been pledged as security for liabilities.

**NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT**

a) Property, plant and equipment as of September 30, 2012 and December 31, 2011 are as follows:

|                              | Opening<br>balance<br>January 1,<br>2012<br>MCh\$ | As of September 30, 2012  |                                      |                      |
|------------------------------|---|---------------------------|--------------------------------------|----------------------|
|                              |   | Gross<br>balance<br>MCh\$ | Accumulated<br>depreciation<br>MCh\$ | Net balance<br>MCh\$ |
|                              |   |                           |                                      |                      |
| Land and buildings           | 118,491   | 157,062                   | (45,070)                             | 111,992              |
| Equipment                    | 22,569  | 61,487                    | (34,888)                             | 26,599               |
| Ceded under operating leases | 4,071   | 4,477                     | (535)                                | 3,942                |
| Other                        | 7,928   | 26,497                    | (18,803)                             | 7,694                |
| <b>Total</b>                 | <b>153,059</b>                                    | <b>249,523</b>            | <b>(99,296)</b>                      | <b>150,227</b>       |

|                              | Opening<br>balance<br>January 1,<br>2011<br>MCh\$ | As of December 31, 2011   |                                      |                      |
|------------------------------|---|---------------------------|--------------------------------------|----------------------|
|                              |   | Gross<br>balance<br>MCh\$ | Accumulated<br>depreciation<br>MCh\$ | Net balance<br>MCh\$ |
|                              |   |                           |                                      |                      |
| Land and buildings           | 124,426   | 156,948                   | (38,457)                             | 118,491              |
| Equipment                    | 20,346  | 51,780                    | (29,211)                             | 22,569               |
| Ceded under operating leases | 3,926   | 4,477                     | (406)                                | 4,071                |
| Other                        | 6,287   | 24,084                    | (16,156)                             | 7,928                |
| <b>Total</b>                 | <b>154,985</b>                                    | <b>237,289</b>            | <b>(84,230)</b>                      | <b>153,059</b>       |



**NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT, continued:**

b) The activity in property, plant, and equipment during 2012 and 2011 is as follows:

**b.1) Gross balance**

| 2012                                     | Land and<br>buildings<br>MCh\$ | Equipment<br>MCh\$ | Ceded under an<br>operating leases<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
|--|--------------------------------|--------------------|---|----------------|----------------|
| <b>Balances as of January 1, 2012</b>    | 156,948                        | 51,780             | 4,477                                       | 24,084         | 237,289        |
| Additions                                | 5,064                          | 9,884              | -   | 2,526          | 17,474         |
| Disposals                                | (4,950)                        | (89)               | -   | (113)          | (5,152)        |
| Impairment due to damage                 | -                              | (88)               | -   | -              | (88)           |
| Transfers                                | -                              | -                  | -   | -              | -              |
| Other                                    | -                              | -                  | -   | -              | -              |
| <b>Balances as of September 30, 2012</b> | 157,062                        | 61,487             | 4,477                                       | 26,497         | 249,523        |

| 2011                                    | Land and<br>buildings<br>MCh\$ | Equipment<br>MCh\$ | Ceded under an<br>operating leases<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
|---|--------------------------------|--------------------|---|----------------|----------------|
| <b>Balances as of January 1, 2011</b>   | 153,479                        | 42,757             | 4,182                                       | 18,943         | 219,361        |
| Additions                               | 11,977                         | 9,271              | 295   | 5,146          | 26,689         |
| Disposals                               | (8,508)                        | (132)              | -   | (5)            | (8,645)        |
| Impairment due to damage                | -                              | (116)              | -   | -              | (116)          |
| Transfers                               | -                              | -                  | -   | -              | -              |
| Other                                   | -                              | -                  | -   | -              | -              |
| <b>Balances as of December 31, 2011</b> | 156,948                        | 51,780             | 4,477                                       | 24,084         | 237,289        |

Banco Santander Chile has recognized in its financial statements as of September 30, 2012 an impairment of MCh\$88 from damages to ATMs. Indemnifications received from insurances totaled MCh\$ 241, which are presented in the "other operating income" line (Note 31).

**NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT, continued:**

**b.2) Accumulated depreciation**

| 2012                                     | Land and<br>buildings<br>MCh\$ | Equipment<br>MCh\$ | Leased branches<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
|--|--------------------------------|--------------------|--------------------------|----------------|----------------|
| <b>Balances as of January 1, 2012</b>    | (38,457)                       | (29,211)           | (406)                    | (16,156)       | (84,230)       |
| Depreciation charges in the period       | (6,734)                        | (5,690)            | (129)                    | (2,675)        | (15,228)       |
| Sales and disposals in the period        | 121                            | 13                 | -                        | 28             | 162            |
| Other                                    | -                              | -                  | -                        | -              | -              |
| <b>Balances as of September 30, 2012</b> | (45,070)                       | (34,888)           | (535)                    | (18,803)       | (99,296)       |

| 2011                                    | Land and<br>buildings<br>MCh\$ | Equipment<br>MCh\$ | Leased branches<br>MCh\$ | Other<br>MCh\$ | Total<br>MCh\$ |
|---|--------------------------------|--------------------|--------------------------|----------------|----------------|
| <b>Balances as of January 1, 2011</b>   | (29,053)                       | (22,411)           | (256)                    | (12,656)       | (64,376)       |
| Depreciation charges in the period      | (9,861)                        | (6,845)            | (150)                    | (3,517)        | (20,373)       |
| Sales and disposals in the period       | 419                            | 45                 | -                        | 17             | 481            |
| Other                                   | 38                             | -                  | -                        | -              | 38             |
| <b>Balances as of December 31, 2011</b> | (38,457)                       | (29,211)           | (406)                    | (16,156)       | (84,230)       |

**c) Operational leases – Lessor**

As of September 30, 2012 and December 31, 2011, the future minimum lease inflows under non-cancellable operating leases are as follows:

|                                     | <u>As of September 30</u> | <u>As of December 31</u> |
|-------------------------------------|---------------------------|--------------------------|
|                                     | 2012<br>MCh\$             | 2011<br>MCh\$            |
| Due within 1 year                   | 1,187                     | 1,151                    |
| Due after 1 year but within 2 years | 731                       | 1,165                    |
| Due after 2 year but within 3 years | 568                       | 605                      |
| Due after 3 year but within 4 years | 302                       | 582                      |
| Due a 4 year but within 5 years     | 264                       | 293                      |
| Due after 5 years                   | 2,190                     | 2,337                    |
| <b>Total</b>                        | <b>5,242</b>              | <b>6,133</b>             |

**NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT, continued:**

**d) Operational leases – Lessee**

Certain Bank's premises and equipment are leased under various operating leases. Future minimum rental payments under non-cancellable leases are as follows:

|                                     | <u>As of September 30</u> | <u>As of December 31</u> |
|-------------------------------------|---------------------------|--------------------------|
|                                     | <b>2012</b>               | <b>2011</b>              |
|                                     | <b>MCh\$</b>              | <b>MCh\$</b>             |
| Due within 1 year                   | 16,263                    | 15,089                   |
| Due after 1 year but within 2 years | 14,774                    | 13,521                   |
| Due after 2 year but within 3 years | 13,236                    | 12,373                   |
| Due after 3 year but within 4 years | 11,310                    | 10,781                   |
| Due a 4 year but within 5 years     | 10,421                    | 9,347                    |
| Due after 5 years                   | 63,831                    | 63,686                   |
| <b>Total</b>                        | <b>129,835</b>            | <b>124,797</b>           |

e) As of September 30, 2012 and 2011, the Bank has no financial leases which cannot be unilaterally rescinded.

f) As of September 30, 2012 and 2011, and December 31, 2011 the Bank does not have any restriction on title property, plant, and equipment. Additionally, property, plant, and equipment have not been pledged as security for liabilities. Also, the Bank has no debt regarding Property, plant, and equipment to those dates.

**NOTE 13 - CURRENT AND DEFERRED TAXES**

**a) Current taxes**

At the end of each reporting period the bank recognizes an 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:

|   | <u>As of September 30</u> | <u>As of December 31</u> |
|---|---------------------------|--------------------------|
|   | <u>2012</u>               | <u>2011</u>              |
|   | <u>MCh\$</u>              | <u>MCh\$</u>             |
| <b>Summary of current tax liabilities (assets)</b>        |                           |                          |
| Current tax (assets)                                      | (1,279)                   | (37,253)                 |
| Current tax liabilities                                   | 8,136                     | 1,498                    |
| <b>Total tax payable (recoverable)</b>                    | <b>6,857</b>              | <b>(35,755)</b>          |
| <b>(Assets) liabilities current taxes detail (net)</b>    |                           |                          |
| Income tax, tax rate of 20% for 2012 (*) and 20% for 2011 | 83,142                    | 101,853                  |
| Minus:  |                           |                          |
| Provisional monthly payments (PPM)                        | (69,871)                  | (138,329)                |
| Credit for training expenses                              | (749)                     | (1,366)                  |
| Other   | (5,665)                   | 2,087                    |
| <b>Total tax payable (recoverable)</b>                    | <b>6,857</b>              | <b>(35,755)</b>          |

(\*) Law No. 20,630 published on the Official Newspaper on September 27, 2012 increased the First Class Rate from 18.5% to 20%, permanently, for transactions accounted from January 1, 2012 onwards.

**b) Effect on income**

The effect of tax expense on income during the periods ended as of September 30, 2012 and 2011 is comprised of the following items:

|   | <u>For the quarter ended</u> |               | <u>For the 9-month period ended</u> |               |
|---|------------------------------|---------------|-------------------------------------|---------------|
|   | <u>as of September 30,</u>   |               | <u>as of September 30,</u>          |               |
|   | <u>2012</u>                  | <u>2011</u>   | <u>2012</u>                         | <u>2011</u>   |
|   | <u>MCh\$</u>                 | <u>MCh\$</u>  | <u>MCh\$</u>                        | <u>MCh\$</u>  |
| <b>Income tax expense</b>                         |                              |               |                                     |               |
| Current tax                                       | 50,709                       | 29,679        | 60,502                              | 70,157        |
| <b>Credits (debits) for deferred taxes</b>        |                              |               |                                     |               |
| Origination and reversal of temporary differences | (38,544)                     | (13,206)      | (15,232)                            | (8,292)       |
| Prior years' tax benefit                          | -                            | -             | -                                   | -             |
| <b>Subtotals</b>                                  | <b>12,165</b>                | <b>16,473</b> | <b>45,270</b>                       | <b>61,865</b> |
| Tax for rejected expenses (Article No.21)         | 89                           | 156           | 47                                  | 681           |
| Other   | 22                           | -             | 67                                  | -             |
| <b>Net charges for income tax expense</b>         | <b>12,276</b>                | <b>16,629</b> | <b>45,384</b>                       | <b>62,546</b> |

**NOTE 13 - 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 September 30, 2012 and 2011, is as follows:

|  | As of September 30 |                 |               |                 |
|--|--------------------|-----------------|---------------|-----------------|
|  | 2012               |                 | 2011          |                 |
|  | Tax rate<br>%      | Amount<br>MCh\$ | Tax rate<br>% | Amount<br>MCh\$ |
| Income tax tax using statutory rate                | 20,00              | 64,758          | 20,00         | 79,777          |
| Permanent differences                              | (2,75)             | (8,912)         | (3,08)        | (12,285)        |
| Additions or deductions                            | -                  | -               | -             | -               |
| Unique tax (rejected expenses)                     | 0,01               | 47              | 0,17          | 681             |
| Effect of change in tax rate                       | (3,25)             | (10,509)        | (1,41)        | (5,627)         |
| Other  | -                  | -               | -             | -               |
| <b>Effective rates and expenses for income tax</b> | <b>14,01</b>       | <b>45,384</b>   | <b>15,68</b>  | <b>62,546</b>   |

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\$ 11,501 corresponding to the adjustment of temporary differences to be reversed during those years. Law No. 20,630 published on the Official Newspaper on September 27, 2012 increased the First Class Rate from 18.5% to 20%, permanently, for transactions accounted from January 1, 2012 onwards.

**d) Effect of deferred taxes on comprehensive income**

Below is a summary of the separate effect of deferred tax on other comprehensive income, during the periods between January 1, 2012 and September 30, 2012 and January 1, 2011 and September 30, 2011:

|  | As of September 30 | As of December 31 |
|--|--------------------|-------------------|
|  | 2012<br>MCh\$      | 2011<br>MCh\$     |
| <b>Deferred tax assets</b>   |                    |                   |
| Available for sale investments   | 792                | 143               |
| Cash flow hedges   | 488                | -                 |
| <b>Total deferred tax assets affecting other comprehensive income</b>      | <b>1,280</b>       | <b>143</b>        |
| <b>Deferred tax liabilities</b>  |                    |                   |
| Available for sale investments   | -                  | (705)             |
| Cash flow hedges   | (842)              | (72)              |
| <b>Total deferred tax liabilities affecting other comprehensive income</b> | <b>(842)</b>       | <b>(777)</b>      |
| <b>Net deferred tax balances in equity</b>                                 | <b>438</b>         | <b>(634)</b>      |
| Deferred taxes in equity attributable to Bank shareholders                 | 445                | (639)             |
| Deferred tax in equity attributable to non-controlling interests           | (7)                | 5                 |

**NOTE 13 - CURRENT AND DEFERRED TAXES, continued:**

**e) Effect of deferred taxes on income**

As of September 30, 2012 and December 31, 2011 the Bank has registered on the Interim financial statements the effects of deferred taxes.

Below are the effects on assets and liabilities affecting profit or loss, as a result of temporary differences:

|  | <u>As of September 30</u> | <u>As of December 31</u> |
|--|---------------------------|--------------------------|
|  | 2012                      | 2011                     |
|  | MCh\$                     | MCh\$                    |
| <b>Deferred tax assets</b>               |                           |                          |
| Interest and adjustments                 | 16,295                    | 1,936                    |
| Extraordinary charge-offs                | 10,568                    | 7,028                    |
| Assets received in lieu of payment       | 1,226                     | 1,322                    |
| Exchange rate adjustments                | 1,982                     | 1,890                    |
| Property, plant and equipment            | 3,880                     | 5,906                    |
| Allowance for loan losses                | 88,554                    | 77,199                   |
| Provision for expenses                   | 16,902                    | 15,961                   |
| Derivatives                              | 89                        | 27                       |
| Leased assets                            | 35,060                    | 31,244                   |
| Subsidiaries tax losses                  | 5,190                     | 4,229                    |
| Other                                    | 763                       | 869                      |
| <b>Total deferred tax assets</b>         | <b>180,509</b>            | <b>147,611</b>           |
| <b>Deferred tax liabilities</b>          |                           |                          |
| Valuation of investments and derivatives | (6,790)                   | (2,301)                  |
| Depreciation                             | (154)                     | (178)                    |
| Prepaid expenses                         | (2,646)                   | (1,303)                  |
| Other                                    | (183)                     | (756)                    |
| <b>Total deferred tax liabilities</b>    | <b>(9,773)</b>            | <b>(4,538)</b>           |

**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:

|  | <u>As of September 30</u> | <u>As of December 31</u> |
|--|---------------------------|--------------------------|
|  | 2012                      | 2011                     |
|  | MCh\$                     | MCh\$                    |
| <b>Deferred tax assets</b>               |                           |                          |
| Recognized in other comprehensive income | 1,280                     | 143                      |
| Recognized in profit or loss             | 180,509                   | 147,611                  |
| <b>Total deferred tax assets</b>         | <b>181,789</b>            | <b>147,754</b>           |
| <b>Deferred tax liabilities</b>          |                           |                          |
| Recognized in other comprehensive income | (842)                     | (777)                    |
| Recognized in profit or loss             | (9,773)                   | (4,538)                  |
| <b>Total deferred tax liabilities</b>    | <b>(10,615)</b>           | <b>(5,315)</b>           |

**NOTE 14 – OTHER ASSETS:**

Other assets item is as follows:

|  | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|--|--|---|
| <b>Assets for leasing (*)</b>                                    | <b>30,668</b>                              | <b>105,150</b>                            |
| <b>Assets received or awarded in lieu of payment (**)</b>        |  |   |
| Assets received in lieu of payment                               | 14,420                                     | 11,428                                    |
| Assets awarded at judicial sale                                  | 8,918                                      | 10,226                                    |
| Provisions for assets received in lieu of payment or awarded     | (3,454)                                    | (2,227)                                   |
| <b>Subtotals</b>   | <b>19,884</b>                              | <b>19,427</b>                             |
| <b>Other assets</b>  |  |   |
| Guarantee deposits   | 306,168                                    | 149,583                                   |
| VAT credit   | 7,446                                      | 8,953                                     |
| Income tax recoverable   | 28,657                                     | 6,849                                     |
| Prepaid expenses   | 57,832                                     | 70,927                                    |
| Assets recovered from leasing for sale                           | 4,430                                      | 2,693                                     |
| Pension plan assets  | 2,688                                      | 3,348                                     |
| Accounts and notes receivable                                    | 95,923                                     | 64,667                                    |
| Notes receivable through brokerage and simultaneous transactions | 100,484                                    | 66,406                                    |
| Other assets   | 57,635                                     | 48,467                                    |
| <b>Subtotals</b>   | <b>661,263</b>                             | <b>421,893</b>                            |
| <b>Total</b>   | <b>711,815</b>                             | <b>546,470</b>                            |

(\*) Assets available to be granted under the financial leasing agreements.

(\*\*) Assets received in lieu of payment correspond to assets received as payment of overdue debts. The total assets held that correspond to this type must not exceed 20% of the Bank's effective equity. These assets currently represent 0.58% (0.81% as of December 31, 2011) of the Bank's effective equity.

Assets awarded in judicial sales correspond to those acquired in a judicial sale as payment of debts previously subscribed with 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.

**NOTE 15 - TIME DEPOSITS AND OTHER TIME LIABILITIES:**

As of September 30, 2012 and December 31, 2011 the composition of the item is as follows:

|   | <u>As of September 30</u><br><u>2012</u><br><u>MCh\$</u> | <u>As of December 31</u><br><u>2011</u><br><u>MCh\$</u> |
|---|--|---|
| <b>Deposits and other demand liabilities</b>    |  |   |
| Checking accounts                               | 3,609,690  | 3,543,776   |
| Other deposits and demand accounts              | 436,835  | 350,519   |
| Other demand liabilities                        | 554,635  | 519,520   |
| <b>Total</b>                                    | <b>4,601,160</b>   | <b>4,413,815</b>  |
| <b>Time deposits and other time liabilities</b> |  |   |
| Time deposits                                   | 9,382,918  | 8,816,766   |
| Time savings account                            | 103,138  | 102,831   |
| Other time liabilities                          | 1,554  | 1,517   |
| <b>Total</b>                                    | <b>9,487,610</b>   | <b>8,921,114</b>  |



**NOTE 16 - ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS:**

Intangible assets as of September 30, 2012 and December 31, 2011 are as follows:

|                                    | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|------------------------------------|--|---|
| <b>Other financial liabilities</b> |  |   |
| Obligations to public sector       | 98,524                                     | 100,299                                   |
| Other domestic obligations         | 75,602                                     | 75,260                                    |
| Foreign obligations                | 15,501                                     | 1,040                                     |
| <b>Subtotals</b>                   | <b>189,627</b>                             | <b>176,599</b>                            |
| <b>Issued debt instruments</b>     |  |   |
| Mortgage finance bonds             | 134,879                                    | 160,243                                   |
| Senior bonds                       | 3,735,698                                  | 3,601,125                                 |
| Subordinated bonds                 | 724,575                                    | 861,871                                   |
| <b>Subtotals</b>                   | <b>4,595,152</b>                           | <b>4,623,239</b>                          |
| <b>Total</b>                       | <b>4,784,779</b>                           | <b>4,799,838</b>                          |

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:

|                                    | <u>As of September 30, 2012</u> |                             |                       |
|------------------------------------|---------------------------------|-----------------------------|-----------------------|
|                                    | <u>Current</u><br>MCh\$         | <u>Non-current</u><br>MCh\$ | <u>Total</u><br>MCh\$ |
| Mortgage finance bonds             | 6,928                           | 127,951                     | 134,879               |
| Senior bonds                       | 1,102,010                       | 2,633,688                   | 3,735,698             |
| Subordinated bonds                 | 4,521                           | 720,054                     | 724,575               |
| <b>Issued debt instruments</b>     | <b>1,113,459</b>                | <b>3,481,693</b>            | <b>4,595,152</b>      |
| <b>Other financial liabilities</b> | <b>71,272</b>                   | <b>118,355</b>              | <b>189,627</b>        |
| <b>Total</b>                       | <b>1,184,731</b>                | <b>3,600,048</b>            | <b>4,784,779</b>      |

|                                    | <u>As of December 31, 2011</u> |                             |                       |
|------------------------------------|--------------------------------|-----------------------------|-----------------------|
|                                    | <u>Current</u><br>MCh\$        | <u>Non-current</u><br>MCh\$ | <u>Total</u><br>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               |
| <b>Issued debt instruments</b>     | <b>893,889</b>                 | <b>3,729,350</b>            | <b>4,623,239</b>      |
| <b>Other financial liabilities</b> | <b>56,078</b>                  | <b>120,521</b>              | <b>176,599</b>        |
| <b>Total</b>                       | <b>949,967</b>                 | <b>3,849,871</b>            | <b>4,799,838</b>      |

**NOTE 16 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:**

**a) Mortgage finance bonds**

These bonds are used to finance mortgage loans. The outstanding principal 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 weighted-average annual interest rate of 5.7% as of September 2012 (5.7% as of December 2011).

|                                     | <u>As of September 30</u> | <u>As of December 31</u> |
|-------------------------------------|---------------------------|--------------------------|
|                                     | 2012                      | 2011                     |
|                                     | <u>MCh\$</u>              | <u>MCh\$</u>             |
| Due within 1 year                   | 6,928                     | 7,707                    |
| Due after 1 year but within 2 years | 8,102                     | 7,535                    |
| Due after 2 year but within 3 years | 14,605                    | 10,333                   |
| Due after 3 year but within 4 years | 12,823                    | 21,122                   |
| Due a 4 year but within 5 years     | 11,336                    | 14,010                   |
| Due after 5 years                   | 81,085                    | 99,536                   |
| <b>Total mortgage bonds</b>         | <b>134,879</b>            | <b>160,243</b>           |

**b) Senior bonds**

The following table shows senior bonds by currency:

|                           | <u>As of September 30</u> | <u>As of December 31</u> |
|---------------------------|---------------------------|--------------------------|
|                           | 2012                      | 2011                     |
|                           | <u>MCh\$</u>              | <u>MCh\$</u>             |
| Santander bonds in UF     | 1,992,734                 | 2,001,713                |
| Santander bonds in US\$   | 1,364,883                 | 1,268,763                |
| Santander bonds in CHF\$  | 87,897                    | 119,394                  |
| Santander bonds in \$     | 290,184                   | 211,255                  |
| <b>Total senior bonds</b> | <b>3,735,698</b>          | <b>3,601,125</b>         |

**NOTE 16 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:**

In 2012 the Bank placed bonds for UF 588,000; USD 1,085,990,000; and CLP 54.730.000.000; detailed as follows:

| Placement date | Series                       | Amount                    | Term             | Issue Rate                       | Date of Issue     | Amount Issued             | Maturity date     |
|----------------|------------------------------|---------------------------|------------------|----------------------------------|-------------------|---------------------------|-------------------|
| 04-05-2012     | FD                           | UF 2,000                  |                  |                                  |                   |                           |                   |
|                | <b>FD Series Total UF</b>    | <b>UF 2,000</b>           | <b>5 years</b>   | <b>To maturity (bullet)</b>      | <b>09-01-2010</b> | <b>UF 3,500,000</b>       | <b>09-01-2015</b> |
| 02-06-2012     | E1                           | UF 300,000                |                  |                                  |                   |                           |                   |
|                | <b>E1 Series Total UF</b>    | <b>UF 300,000</b>         | <b>5 years</b>   | <b>3.50 % per annum simple</b>   | <b>02-01-2011</b> | <b>UF 4,000,000</b>       | <b>02-01-2016</b> |
| 06-07-2012     | E3                           | UF 6,000                  |                  |                                  |                   |                           |                   |
|                | <b>E3 Series Total UF</b>    | <b>UF 6,000</b>           | <b>8.5 years</b> | <b>3.50 % per annum simple</b>   | <b>01-01-2011</b> | <b>UF 4,000,000</b>       | <b>07-01-2019</b> |
| 06-15-2012     | E6                           | UF 120,000                |                  |                                  |                   |                           |                   |
| 06-15-2012     | E6                           | UF 160,000                |                  |                                  |                   |                           |                   |
|                | <b>E6 Series Total UF</b>    | <b>UF 280,000</b>         | <b>10 years</b>  | <b>3.50 % per annum simple</b>   | <b>04-01-2012</b> | <b>UF 4,000,000</b>       | <b>04-01-2022</b> |
|                | <b>Total UF</b>              | <b>UF 588,000</b>         |                  |                                  |                   |                           |                   |
| 08-27-2012     | E4                           | CLP 50,000,000            |                  |                                  |                   |                           |                   |
| 09-07-2012     | E4                           | CLP 2,000,000,000         |                  |                                  |                   |                           |                   |
| 09-12-2012     | E4                           | CLP 1,000,000,000         |                  |                                  |                   |                           |                   |
| 09-25-2012     | E4                           | CLP 1,500,000,000         |                  |                                  |                   |                           |                   |
| 09-26-2012     | E4                           | CLP 550,000,000           |                  |                                  |                   |                           |                   |
|                | <b>E4 Series Total CLP</b>   | <b>CLP 5,100,000,000</b>  | <b>4 years</b>   | <b>6.75% per annum simple</b>    | <b>06-01-2011</b> | <b>CLP 50,000,000,000</b> | <b>06-01-2016</b> |
| 08-30-2012     | E5                           | CLP 630,000,000           |                  |                                  |                   |                           |                   |
| 09-07-2012     | E5                           | CLP 24,370,000,000        |                  |                                  |                   |                           |                   |
|                | <b>E5 Series Total CLP</b>   | <b>CLP 25,000,000,000</b> | <b>9 years</b>   | <b>6.30% per annum simple</b>    | <b>12-01-2011</b> | <b>CLP 25,000,000,000</b> | <b>12-01-2022</b> |
| 09-12-2012     | E7                           | CLP 630,000,000           |                  |                                  |                   |                           |                   |
| 09-13-2012     | E7                           | CLP 24,000,000,000        |                  |                                  |                   |                           |                   |
|                | <b>E7 Series Total CLP</b>   | <b>CLP 24,630,000,000</b> | <b>5 years</b>   | <b>6.75% per annum simple</b>    | <b>07-30-2012</b> | <b>CLP 25,000,000,000</b> | <b>07-30-2017</b> |
|                | <b>CLP Total</b>             | <b>CLP 54,730,000,000</b> |                  |                                  |                   |                           |                   |
| 02-14-2012     | DN Senior bonds              | USD 250,000,000           |                  |                                  |                   |                           |                   |
|                | <b>DN Senior bonds total</b> | <b>USD 250,000,000</b>    | <b>2 years</b>   | <b>Libor (3 months) + 200 bp</b> | <b>02-14-2012</b> | <b>USD 250,000,000</b>    | <b>02-14-2014</b> |
| 08-29-2012     | Zero-coupon bond             | USD 85,990,000            |                  |                                  |                   |                           |                   |
|                | <b>Total USD Bond Series</b> | <b>USD 85,990,000</b>     | <b>1 year</b>    | <b>Libor (3 months) + 100 bp</b> | <b>08-29-2012</b> | <b>USD 85,990,000</b>     | <b>08-29-2013</b> |
| 09-20-2012     | USD Bond                     | USD 750,000,000           |                  |                                  |                   |                           |                   |
|                | <b>Total USD Bond Series</b> | <b>USD 750,000,000</b>    | <b>10 years</b>  | <b>3.875 % annual simple</b>     | <b>09-12-2012</b> | <b>USD 750,000,000</b>    | <b>09-20-2022</b> |
|                | <b>USD Total</b>             | <b>USD 1,085,990,000</b>  |                  |                                  |                   |                           |                   |

During the first semester of 2012, the Bank issued a bond for USD 250,000,000.00 on February 14.  
 During the first semester of 2012, the Bank issued a bond for UF 4,000,000 on April 1.  
 During the first semester of 2012, the Bank issued a bond for CLP 25,000,000,000 on December 1, 2011.  
 During the second semester of 2012, the Bank issued a bond for CLP 25,000,000,000 on July 30, 2012.  
 During the second semester of 2012, the Bank issued a bond for USD 85,990,000 on August 29, 2012.  
 During the second semester of 2012, the Bank issued a bond for CLP 750,000,000 on September 12, 2012.  
 During the first 2012 quarter, the Bank performed a partial repurchase of bonds for CHF 45,000,000.  
 During the second semester of 2012, the Bank repurchased a bond for USD 53,500,000.

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 16 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:**

In 2011 the Bank placed bonds for UF 5,694,000; USD 635,000,000; and CLP 36,900,000,000; detailed as follows:

| Placement date | Series                          | Amount                    | Term             | Issue Rate                       | Date of Issue     | Amount Issued             | Maturity date     |
|----------------|---------------------------------|---------------------------|------------------|----------------------------------|-------------------|---------------------------|-------------------|
| 01-19-2011     | Floating rate bond              | USD 500,000,000           |                  |                                  |                   |                           |                   |
|                | <b>Total Floating rate bond</b> | <b>USD 500,000,000</b>    | <b>5 years</b>   | <b>Libor (3 months) + 160 bp</b> | <b>01-19-2011</b> | <b>USD 500,000,000</b>    | <b>01-19-2016</b> |
| 11-29-2011     | Floating rate bond              | USD 135,000,000           |                  |                                  |                   |                           |                   |
|                | <b>Total Floating rate bond</b> | <b>USD 135,000,000</b>    | <b>6 months</b>  | <b>Libor (3 months) + 80 bp</b>  | <b>11-29-2011</b> | <b>USD 135,000,000</b>    | <b>01-29-2012</b> |
|                | <b>USD Total</b>                | <b>USD 635,000,000</b>    |                  |                                  |                   |                           |                   |
| 04-04-2011     | E1                              | UF 200,000                |                  |                                  |                   |                           |                   |
| 04-05-2011     | E1                              | UF 46,000                 |                  |                                  |                   |                           |                   |
| 05-06-2011     | E1                              | UF 650,000                |                  |                                  |                   |                           |                   |
|                | <b>E1 Series Total</b>          | <b>UF 896,000</b>         | <b>5 years</b>   | <b>3.30 % per annum simple</b>   | <b>02-01-2011</b> | <b>UF 4,000,000</b>       | <b>02-01-2016</b> |
| 08-04-2011     | E2                              | UF 556,000                |                  |                                  |                   |                           |                   |
| 08-05-2011     | E2                              | UF 2,392,000              |                  |                                  |                   |                           |                   |
| 08-08-2011     | E2                              | UF 100,000                |                  |                                  |                   |                           |                   |
|                | <b>E2 Series Total UF</b>       | <b>UF 3,048,000</b>       | <b>7.5 years</b> | <b>3.50 % per annum simple</b>   | <b>01-01-2011</b> | <b>UF 4,000,000</b>       | <b>07-01-2018</b> |
| 09-29-2011     | E3                              | UF 1,590,000              |                  |                                  |                   |                           |                   |
| 10-13-2011     | E3                              | UF 160,000                |                  |                                  |                   |                           |                   |
|                | <b>E3 Series Total UF</b>       | <b>UF 1,750,000</b>       | <b>8.5 years</b> | <b>3.50 % per annum simple</b>   | <b>01-01-2011</b> | <b>UF 4,000,000</b>       | <b>07-01-2019</b> |
|                | <b>Total UF</b>                 | <b>UF 5,694,000</b>       |                  |                                  |                   |                           |                   |
| 01-13-2011     | E4                              | CLP 36,900,000,000        |                  |                                  |                   |                           |                   |
|                | <b>E4 Series Total UF</b>       | <b>CLP 36,900,000,000</b> | <b>5 years</b>   | <b>6.75 % per annum simple</b>   | <b>06-01-2011</b> | <b>CLP 50,000,000,000</b> | <b>06-01-2016</b> |
|                | <b>CLP Total</b>                | <b>CLP 36,900,000,000</b> |                  |                                  |                   |                           |                   |

In 2011, a total payment of the Bond Series BSTDH20799 was carried out 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.

The table below shows issued bonds pending to be placed:

| Series       | Amount                   | Term      | Issue Rate              | Date of Issue | Maturity date |
|--------------|--------------------------|-----------|-------------------------|---------------|---------------|
| FD           | UF 158,000               | 5 years   | To maturity (bullet)    | 09-01-2010    | 09-01-2015    |
| E1           | UF 2,804,000             | 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  | 01-01-2011    | 07-01-2018    |
| E3           | UF 2,244,000             | 8.5 years | 3.5 % per annum simple  | 01-01-2011    | 07-01-2019    |
| E6           | UF 3,720,000             | 10 years  | 3.5 % per annum simple  | 04-01-2012    | 04-01-2022    |
| <b>Total</b> | <b>UF 9,878,000</b>      |           |                         |               |               |
| E4           | CLP 8,000,000,000        | 5 years   | 6.75 % per annum simple | 06-01-2011    | 06-01-2016    |
| E7           | CLP 370,000,000          | 5 years   | 6.75 % per annum simple | 07-30-2012    | 07-30-2017    |
| <b>Total</b> | <b>CLP 8,370,000,000</b> |           |                         |               |               |

**NOTE 16 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:**

These bonds mature as follows:

|                                     | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|-------------------------------------|--|---|
| Due within 1 year                   | 1,102,011                                  | 749,340                                   |
| Due after 1 year but within 2 years | 570,289                                    | 460,200                                   |
| Due after 2 year but within 3 years | 332,364                                    | 408,723                                   |
| Due after 3 year but within 4 years | 547,049                                    | 656,201                                   |
| Due a 4 year but within 5 years     | 206,593                                    | 488,425                                   |
| Due after 5 years                   | 977,392                                    | 838,236                                   |
| <b>Total senior bonds</b>           | <b>3,735,698</b>                           | <b>3,601,125</b>                          |

**c) Subordinated bonds**

The following table shows the balances of our subordinated bonds:

|  | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|--|--|---|
| Subordinated bonds denominated in US\$ | 151,109                                    | 316,169                                   |
| Subordinated bonds denominated in UF   | 573,466                                    | 545,702                                   |
| <b>Total subordinated bonds</b>        | <b>724,575</b>                             | <b>861,871</b>                            |

During the first semester of 2012 the Bank has not issued subordinated bonds on the local market .

In 2011 the Bank placed subordinated bonds on the local market for UF 5,100,000 which are detailed as follows:

| Placement date | Series                 |           | Amount           | Term            | Issue Rate                    | Date of Issue     | Issued Amount    | Maturity date     |
|----------------|------------------------|-----------|------------------|-----------------|-------------------------------|-------------------|------------------|-------------------|
| 03-14-2011     | G3                     | UF        | 120,000          |                 |                               |                   |                  |                   |
| 03-15-2011     | G3                     | UF        | 100,000          |                 |                               |                   |                  |                   |
| 03-16-2011     | G3                     | UF        | 300,000          |                 |                               |                   |                  |                   |
| 03-17-2011     | G3                     | UF        | 46,000           |                 |                               |                   |                  |                   |
| 03-17-2011     | G3                     | UF        | 200,000          |                 |                               |                   |                  |                   |
| 03-18-2011     | G3                     | UF        | 780,000          |                 |                               |                   |                  |                   |
| 03-24-2011     | G3                     | UF        | 30,000           |                 |                               |                   |                  |                   |
| 04-06-2011     | G3                     | UF        | 1,424,000        |                 |                               |                   |                  |                   |
|                | <b>G3 Series Total</b> | <b>UF</b> | <b>3,000,000</b> | <b>25 years</b> | <b>3.90% per annum simple</b> | <b>07-01-2012</b> | <b>3.000.000</b> | <b>07-01-2035</b> |
| 08-11-2011     | G5                     | UF        | 1,000,000        |                 |                               |                   |                  |                   |
| 08-12-2011     | G5                     | UF        | 100,000          |                 |                               |                   |                  |                   |
| 08-22-2011     | G5                     | UF        | 1,000,000        |                 |                               |                   |                  |                   |
|                | <b>G5 Series Total</b> | <b>UF</b> | <b>2,100,000</b> | <b>20 years</b> | <b>3.90% per annum simple</b> | <b>04-01-2011</b> | <b>4.000.000</b> | <b>04-01-2031</b> |
|                | <b>Total UF</b>        | <b>UF</b> | <b>5,100,000</b> |                 |                               |                   |                  |                   |

**NOTE 16 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS, continued:**

The maturities of bonds considered non-current, is as follows:

|                                     | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|-------------------------------------|--|---|
| Due within 1 year                   | 4,521                                      | 136,842                                   |
| Due after 1 year but within 2 years | 6,327                                      | -   |
| Due after 2 year but within 3 years | 158,328                                    | 179,327                                   |
| Due after 3 year but within 4 years | 4,712                                      | 10,567                                    |
| Due a 4 year but within 5 years     | 1,806                                      | 29,616                                    |
| Due after 5 years                   | 548,881                                    | 505,519                                   |
| <b>Total subordinated bonds</b>     | <b>724,575</b>                             | <b>861,871</b>                            |

**d) Other financial liabilities**

The composition of other financial obligations, by maturity, is detailed below:

|   | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|---|--|---|
| <b>Non-current portion:</b>                               |  |   |
| Due after 1 year but within 2 years                       | 29,451                                     | 29,575                                    |
| Due after 2 year but within 3 years                       | 3,277                                      | 2,866                                     |
| Due after 3 year but within 4 years                       | 3,101                                      | 3,489                                     |
| Due a 4 year but within 5 years                           | 2,998                                      | 3,095                                     |
| Due after 5 years   | 79,528                                     | 81,496                                    |
| <b>Non-current portion subtotals</b>                      | <b>118,355</b>                             | <b>120,521</b>                            |
| <b>Current portion:</b>                                   |  |   |
| Amounts due to credit card operators                      | 52,230                                     | 50,840                                    |
| Acceptance of letters of credit                           | 14,598                                     | 704                                       |
| Other long-term financial obligations, short-term portion | 4,444                                      | 4,534                                     |
| <b>Current portion subtotals</b>                          | <b>71,272</b>                              | <b>56,078</b>                             |
| <b>Total other financial liabilities</b>                  | <b>189,627</b>                             | <b>176,599</b>                            |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 17 - MATURITIES OF ASSETS AND LIABILITIES**

As of September 30, 2012 and December 31, 2010 the detail of maturities of assets and liabilities is as follows:

| As of September 30, 2012                           | Demand<br>MCh\$  | Up to<br>1 month<br>MCh\$ | Between 1<br>and<br>3 months<br>MCh\$ | Between 3<br>and<br>12 months<br>MCh\$ | Subtotal up<br>to<br>1 year<br>MCh\$ | Between 1<br>and<br>5 years<br>MCh\$ | More than<br>5 years<br>MCh\$ | Subtotal<br>more than<br>1 year<br>MCh\$ | Total<br>MCh\$    |
|--|------------------|---------------------------|---------------------------------------|--|--------------------------------------|--------------------------------------|-------------------------------|--|-------------------|
| <b>Assets</b>                                      |                  |                           |                                       |  |                                      |                                      |                               |  |                   |
| Cash and deposits in banks                         | 1.585,078        | -                         | -                                     | -                                      | 1.585,078                            | -                                    | -                             | -  | 1.585,078         |
| Cash items in process of collection                | 599,339          | -                         | -                                     | -                                      | 599,339                              | -                                    | -                             | -  | 599,339           |
| Trading investments                                | 46               | 127,344                   | 1,285                                 | 5,194                                  | 133,869                              | 61,647                               | 12,092                        | 73,739                                   | 207,608           |
| Investments under repurchase agreements            | -                | 152,022                   | -                                     | -                                      | 152,022                              | -                                    | -                             | -  | 152,022           |
| Financial derivative contracts                     | -                | 75,759                    | 140,034                               | 199,427                                | 415,220                              | 668,096                              | 392,893                       | 1,060,989                                | 1,476,209         |
| Interbank loans (*)                                | 59,450           | -                         | 50,861                                | -                                      | 110,311                              | -                                    | -                             | -  | 110,311           |
| Loans and accounts receivables from customers (**) | 781,345          | 1,772,479                 | 1,584,710                             | 2,831,862                              | 6,970,396                            | 5,711,438                            | 5,821,340                     | 11,532,778                               | 18,503,174        |
| Available for sale investments                     | -                | 374,727                   | 106,432                               | 411,765                                | 892,924                              | 478,984                              | 357,774                       | 836,758                                  | 1,729,682         |
| Held to maturity investments                       | -                | -                         | -                                     | -                                      | -                                    | -                                    | -                             | -  | -                 |
| <b>Total assets</b>                                | <b>3,025,258</b> | <b>2,502,331</b>          | <b>1,883,322</b>                      | <b>3,448,248</b>                       | <b>10,859,159</b>                    | <b>6,920,165</b>                     | <b>6,584,099</b>              | <b>13,504,264</b>                        | <b>24,363,423</b> |
| <b>Liabilities</b>                                 |                  |                           |                                       |  |                                      |                                      |                               |  |                   |
| Deposits and other demand liabilities              | 4,601,160        | -                         | -                                     | -                                      | 4,601,160                            | -                                    | -                             | -  | 4,601,160         |
| Cash items in process of collection                | 403,154          | -                         | -                                     | -                                      | 403,154                              | -                                    | -                             | -  | 403,154           |
| Obligations under repurchase agreements            | -                | 111,732                   | 6,731                                 | 382                                    | 118,845                              | -                                    | -                             | -  | 118,845           |
| Time deposits and other time liabilities           | 102,532          | 4,293,812                 | 2,812,180                             | 2,086,261                              | 9,294,785                            | 142,146                              | 50,679                        | 192,825                                  | 9,487,610         |
| Financial derivative contracts                     | -                | 101,116                   | 137,312                               | 228,093                                | 466,521                              | 587,093                              | 295,658                       | 882,751                                  | 1,349,272         |
| Interbank borrowings                               | 254              | 62,555                    | 302,724                               | 942,074                                | 1,307,607                            | 168,817                              | -                             | 168,817                                  | 1,476,424         |
| Issued debt instruments                            | -                | 403,091                   | 384,645                               | 325,723                                | 1,113,459                            | 1,874,334                            | 1,607,359                     | 3,481,693                                | 4,595,152         |
| Other financial liabilities                        | 52,230           | 12,481                    | 3,431                                 | 3,130                                  | 71,272                               | 38,827                               | 79,528                        | 118,355                                  | 189,627           |
| <b>Total liabilities</b>                           | <b>5,159,330</b> | <b>4,984,787</b>          | <b>3,647,023</b>                      | <b>3,585,663</b>                       | <b>17,376,803</b>                    | <b>2,811,217</b>                     | <b>2,033,224</b>              | <b>4,844,441</b>                         | <b>22,221,244</b> |

(\*) Interbank loans are presented in a gross basis. The amount of allowance totals Ch\$ 67 million.

(\*\*) Loans and accounts receivables from customers are presented in a gross basis. Allowance amounts according to type of loan are detailed as follows:  
 Business Ch\$ 246,060 million, Household Ch\$36,763 million, and Consumer Ch\$269,315 million.

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 17 - MATURITIES OF ASSETS AND LIABILITIES, continued:**

| As of December 31, 2011                            | Demand<br>MCh\$  | Up to<br>1 month<br>MCh\$ | Between 1<br>and<br>3 months<br>MCh\$ | Between 3<br>and<br>12 months<br>MCh\$ | Subtotal up<br>to<br>1 year<br>MCh\$ | Between 1<br>and<br>5 years<br>MCh\$ | More than<br>5 years<br>MCh\$ | Subtotal<br>more than<br>1 year<br>MCh\$ | Total<br>MCh\$    |
|--|------------------|---------------------------|---------------------------------------|--|--------------------------------------|--------------------------------------|-------------------------------|--|-------------------|
| <b>Assets</b>                                      |                  |                           |                                       |  |                                      |                                      |                               |  |                   |
| Cash and deposits in banks                         | 2,793,701        | -                         | -                                     | -                                      | 2,793,701                            | -                                    | -                             | -  | 2,793,701         |
| Cash items 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 repurchase agreements            | -                | 12,928                    | -                                     | -                                      | 12,928                               | -                                    | -                             | -  | 12,928            |
| Financial derivative contracts                     | -                | 63,101                    | 167,584                               | 295,791                                | 526,476                              | 686,325                              | 400,068                       | 1,086,393                                | 1,612,869         |
| 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                       | -                | -                         | -                                     | -                                      | -                                    | -                                    | -                             | -  | -                 |
| <b>Total assets</b>                                | <b>3,599,575</b> | <b>2,272,732</b>          | <b>1,675,839</b>                      | <b>3,402,363</b>                       | <b>10,950,509</b>                    | <b>6,831,952</b>                     | <b>6,419,347</b>              | <b>13,251,299</b>                        | <b>24,201,808</b> |
| <b>Liabilities</b>                                 |                  |                           |                                       |  |                                      |                                      |                               |  |                   |
| Deposits and other demand liabilities              | 4,413,815        | -                         | -                                     | -                                      | 4,413,815                            | -                                    | -                             | -  | 4,413,815         |
| Cash items 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                     | -                | 64,287                    | 158,196                               | 209,723                                | 432,206                              | 513,818                              | 346,124                       | 859,942                                  | 1,292,148         |
| 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           |
| <b>Total liabilities</b>                           | <b>4,854,055</b> | <b>4,955,434</b>          | <b>3,217,960</b>                      | <b>3,670,099</b>                       | <b>16,697,548</b>                    | <b>3,389,766</b>                     | <b>1,893,560</b>              | <b>5,283,326</b>                         | <b>21,980,874</b> |

(\*) Interbank loans are presented in a gross basis. The amount of allowance totals MCh\$ 147.

(\*\*) Loans and accounts receivables from customers are presented in a gross basis. Allowance amounts according to type of loan are detailed as follows: Commercial MCh\$ 245,032, Mortgage MCh\$ 35,633 and Consumer MCh\$ 243,022.



**NOTE 18 - OTHER LIABILITIES**

The Other liabilities item is as follows:

|   | <u>As of September 30</u><br><u>2012</u><br><u>MCh\$</u> | <u>As of December 31</u><br><u>2011</u><br><u>MCh\$</u> |
|---|--|---|
| Accounts and notes payable                                    | 84,180   | 86,402  |
| Outstanding agreed dividends                                  | -  | -   |
| Unearned income   | 385  | 948   |
| Collaterals received (threshold)                              | 259,075  | 271,980   |
| Notes payable through brokerage and simultaneous transactions | 1,645  | 8,725   |
| Other liabilities   | 89,123   | 30,922  |
| <b>Total</b>  | <b>434,408</b>   | <b>398,977</b>  |

**NOTE 19 - CONTINGENCIES AND COMMITMENTS**

**a) Lawsuits and legal procedures**

At the issuance date of these financial statements, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of September 30, 2012 the Bank and its affiliates maintained provisions for these legal actions, totaling Ch\$ 737 million (Ch\$784 million as of December 31, 2011), which are part of the "Provisions for contingencies" item.

**b) Contingent loans**

The following table shows the Bank's contractual obligations to issue loans:

|                                      | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|--------------------------------------|--|---|
| Letters of credit issued             | 217,309                                    | 184,649                                   |
| Foreign letters of credit confirmed  | 74,792                                     | 52,889                                    |
| Guarantees                           | 1,028,253                                  | 920,986                                   |
| Personal guarantees                  | 139,012                                    | 147,081                                   |
| <b>Subtotals</b>                     | <b>1,459,366</b>                           | <b>1,305,605</b>                          |
| Available on demand credit lines     | 4,807,370                                  | 4,673,525                                 |
| Other irrevocable credit commitments | 69,957                                     | 95,150                                    |
| <b>Total</b>                         | <b>6,336,693</b>                           | <b>6,074,280</b>                          |

**c) Held securities**

The Bank holds securities in the normal course of its business as follows:

|  | <u>As of September 30</u><br>2012<br>MCh\$ | <u>As of December 31</u><br>2011<br>MCh\$ |
|--|--|---|
| <b>Third party operations</b>                                    |  |   |
| Collections  | 408,560                                    | 212,784                                   |
| Assets from third parties managed by the Bank and its affiliates | 820,812                                    | 35  |
| <b>Subtotals</b>   | <b>1,229,372</b>                           | <b>212,819</b>                            |
| <b>Custody of securities</b>                                     |  |   |
| Securities held in custody                                       | 378,055                                    | 250,291                                   |
| Securities held in custody deposited in other entity             | 563,509                                    | 557,493                                   |
| Issued securities held in custody                                | 16,152,628                                 | 10,636,123                                |
| <b>Subtotals</b>   | <b>17,094,192</b>                          | <b>11,443,907</b>                         |
| <b>Total</b>   | <b>18,323,564</b>                          | <b>11,656,726</b>                         |

**d) Guarantees**

Banco Santander Chile has a comprehensive officer fidelity insurance policy, No. 2700659, with the Chilena Consolidada de Seguros insurance company, for an amount of USD \$5,000,000, which jointly covers both the Bank and its affiliates for the period from July 1, 2012 to June 30, 2013.

**NOTE 19 - 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 and 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\$ 9,955.07 million and time deposits totaling UF 1,644,198.2617 as a guaranty of Private Investment Funds (P.I.F.) as of September 30, 2012

**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. 210107110, 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\$ 23,761 million to cover simultaneous transactions.

In addition, this line includes a guarantee given to CCLV Contraparte Central S.A. (formerly known as Cámara de Compensación) in cash, for a total Ch\$ 3,180 million and an additional guarantee to the Santiago Stock Exchange for Ch\$ 974 million as of September 30, 2012.

**Santander Corredora de Seguros Limitada**

**a) Insurance policies**

In accordance with Circular No.1,160 of the Chilean Securities and Insurance Supervisor, the Company has an insurance policy in connection with its obligations as an intermediary in insurance contracts.

The company purchased a guarantee policy (No.10022204), and professional liability policy (No.10022208) for its insurance brokers, from the Compañía de Seguros Generales Consorcio Nacional de Seguros S.A. The policies have UF 500 and UF 60,000 coverage, respectively, and are valid from April 15, 2012 through April 14, 2013.

**b) Contingent loans and liabilities**

To satisfy its client-s 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 September 30, 2012 there are trials for UF 23,681.94 corresponding to processes mainly due to leased assets. The estimated loss amount is registered under provisions.

**NOTE 20 – EQUITY**

**a) Capital**

As of September 30, 2012 and December 31, 2011 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.

|                             | <b>SHARES</b>                   |                                |
|-----------------------------|---------------------------------|--------------------------------|
|                             | <u>As of September 30, 2012</u> | <u>As of December 31, 2011</u> |
| Issued as of January 1      | 188,446,126,794                 | 188,446,126,794                |
| Issue of paid shares        | -                               | -                              |
| Issue of outstanding shares | -                               | -                              |
| Stock options exercised     | -                               | -                              |
| <b>Issued as of</b>         | <b>188,446,126,794</b>          | <b>188,446,126,794</b>         |

As of September 30, 2012 and December 31, 2011 no neither the Bank or any of its subsidiaries or associates held any of the issued shares.

As of September 30, 2012 shares held by shareholders were as follows:

| <u>Corporate Name or Shareholder's Name</u>        | <u>Shares</u>  | <u>ADRs (*)</u> | <u>Total</u>           | <u>% of Equity</u> |
|--|----------------|-----------------|------------------------|--------------------|
| 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                             | -              | 37,653,251,944  | 37,653,251,944         | 19.98              |
| Inversiones Antares S.A.                           | 170,363,545    | -               | 170,363,545            | 0.09               |
| MBI Arbitrage Fondo de Inversion                   | 190,332,902    | -               | 190,332,902            | 0.10               |
| Banks and stock brokers on behalf of third parties | 11,147,140,305 | -               | 11,147,140,305         | 5.92               |
| AFP on behalf of third parties                     | 6,123,701,404  | -               | 6,123,701,404          | 3.25               |
| Other minority holders                             | 3,697,389,574  | 2,870,945,852   | 6,568,335,426          | 3.48               |
| <b>Total</b>                                       |                |                 | <b>188,446,126,794</b> | <b>100.00</b>      |

As of December 31, 2011 the shareholder composition was as follows:

| <u>Corporate Name or Shareholder's Name</u>        | <u>Shares</u>  | <u>ADRs</u>    | <u>Total</u>           | <u>% of Equity</u> |
|--|----------------|----------------|------------------------|--------------------|
| 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               |
| <b>Total</b>                                       |                |                | <b>188,446,126,794</b> | <b>100.00</b>      |

(\*) American Depositary Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

**NOTE 20 – EQUITY, continued:**

**b) Dividends**

During the period ended on September 30, 2012 the dividends recognized as distributions to owners and the related amount of dividends per share is detailed in the Consolidated Interim Statements of Changes in Equity:

**c) As of September 30, diluted earnings and basic earnings per share were as follows:**

|  | As of September 30 |                 |
|--|--------------------|-----------------|
|  | 2012<br>MCh\$      | 2011<br>MCh\$   |
| <b>a) Basic earnings per share</b>             |                    |                 |
| Total income attributable to Bank shareholders | 274,565            | 332,963         |
| Weighted average number of outstanding shares  | 188,446,126,794    | 188,446,126,794 |
| Basic earnings per share (in pesos)            | 1,457              | 1,767           |
| <b>b) Diluted earnings per share</b>           |                    |                 |
| Total income attributable to Bank shareholders | 274,565            | 332,963         |
| Weighted average number of outstanding shares  | 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 |
| Diluted earnings per share (in pesos)          | 1,457              | 1,767           |

As of September 30, 2012 and 2011 the Bank did not have instruments that generated diluting effects on equity.

NOTE 20 – EQUITY, continued:

d) Other comprehensive income:

|   | <u>As of</u><br><u>September 30</u><br><u>2012</u><br><u>MCh\$</u> | <u>As of</u><br><u>December 31</u><br><u>2011</u><br><u>MCh\$</u> |
|---|--|---|
| <b>Available for sale investments</b>   |  |   |
| Balance as of January 1,  | 3,043  | (18,596)  |
| Gains (losses) on remeasuring available for sale investments, before tax  | (9,257)  | 18,676  |
| Reclassification adjustments on available for sale investments, before tax  | -  | -   |
| Realized (gains) losses   | 2,208  | 2,963   |
| <b>Subtotals</b>  | <b>(7,049)</b>   | <b>21,639</b>   |
| <b>Total other comprehensive income, before tax, available-for-sale investments</b>   | <b>(4,006)</b>   | <b>3,043</b>  |
| <b>Cash flow hedges</b>   |  |   |
| Balance as of January 1,  | 394  | 11,958  |
| Gains (losses) on remeasuring cash flow hedges, before tax  | 1,084  | (12,031)  |
| Reclassification adjustments on cash flow hedges, before tax  | 290  | 467   |
| Amounts removed from equity and included in carrying amount of non-financial asset (liability) which acquisition or incurrence was hedged as a highly probable transition | -  | -   |
| <b>Subtotals</b>  | <b>1,374</b>   | <b>(11,564)</b>   |
| <b>Total other comprehensive income, before tax, cash flow hedges</b>   | <b>1,768</b>   | <b>394</b>  |
| Other comprehensive income, before taxes  | (2,238)  | 3,437   |
| <b>Income taxes related to other comprehensive income components</b>  |  |   |
| Income tax relating to available for sale investments   | 792  | (562)   |
| Income tax relating to cash flow hedges   | (354)  | (72)  |
| <b>Total accumulative income tax related to other comprehensive income</b>  | <b>438</b>   | <b>(634)</b>  |
| <b>Other comprehensive income, net of tax</b>   | <b>(1,800)</b>   | <b>2,803</b>  |
| Attributable to:  |  |   |
| Bank shareholders   | (1,828)  | 2,832   |
| Non-controlling interest  | 28   | (29)  |

**NOTE 21 - 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. Starting on December 31, 2012 this will decrease linearly on the last day of each month, in twelve equal and successive installments.

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 2010, the SBIF changed existing regulation with the enforcement of Chapter B-3 from the Compendium of Accounting Standards, with changed the risk exposure of contingent allocations from 100% exposition to the following:

| <u>Type of contingent loan</u>              | <u>Exposition</u> |
|---|-------------------|
| 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%               |
| g) Other loan commitments                   |                   |
| - Higher Education Loans Law No. 20,027     | 15%               |
| - Others                                    | 100%              |
| h) Other contingent loans                   | 100%              |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 21 – 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 September 30  | As of December 31 | As of September 30   | As of December 31 |
|   | 2012<br>MCh\$       | 2011<br>MCh\$     | 2012<br>MCh\$        | 2011<br>MCh\$     |
| <b>Balance-sheet assets (net of allowances)</b> |                     |                   |                      |                   |
| Cash and deposits in banks                      | 1,585,078           | 2,793,701         | -                    | -                 |
| Cash items in process of collection             | 599,339             | 276,454           | 100,166              | 45,737            |
| Trading investments                             | 207,608             | 409,763           | 4,328                | 23,817            |
| Investments under repurchase agreements         | 152,022             | 12,928            | 31,904               | 12,928            |
| Financial derivative contracts (*)              | 927,384             | 1,158,023         | 779,592              | 807,233           |
| Interbank loans                                 | 110,244             | 87,541            | 22,049               | 17,508            |
| Loans and accounts receivable from customers    | 17,951,036          | 16,823,407        | 15,855,209           | 14,746,903        |
| Available for sale investments                  | 1,729,682           | 1,661,311         | 156,835              | 99,197            |
| Investments in other companies                  | 8,636               | 8,728             | 8,636                | 8,728             |
| Intangible assets                               | 75,098              | 80,739            | 75,098               | 80,739            |
| Property, plant, and equipment                  | 150,227             | 153,059           | 150,227              | 153,059           |
| Current taxes                                   | 1,279               | 37,253            | 128                  | 3,725             |
| Deferred taxes                                  | 181,789             | 147,754           | 18,179               | 14,775            |
| Other assets                                    | 711,815             | 546,470           | 408,850              | 426,822           |
| <b>Off-balance-sheet assets</b>                 |                     |                   |                      |                   |
| Contingent loans                                | 3,129,013           | 3,023,330         | 1,867,891            | 1,801,971         |
| <b>Total</b>                                    | <b>27,520,250</b>   | <b>27,220,461</b> | <b>19,479,092</b>    | <b>18,243,142</b> |

(\*) “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 close of each period are as follows:

|                      | As of September 30 |           | As of December 31 |       | Ratio |      |
|----------------------|--------------------|-----------|-------------------|-------|-------|------|
|                      | 2012               | 2011      | 2012              | 2011  | 2012  | 2011 |
|                      | MCh\$              | MCh\$     | %                 | %     | %     | %    |
| Basic capital        | 2,058,231          | 2,001,222 | 7.48              | 7.35  |       |      |
| Effective net equity | 2,700,881          | 2,687,393 | 13.87             | 14.73 |       |      |



BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 22 – NON-CONTROLLING INTEREST**

This item reflects the net amount of the subsidiaries' net equity attributable to equity instruments which do 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:

| For the 9-month period ended<br>as of September 30, 2012                | Non-<br>controlling<br>% | Equity<br>MCh\$ | Income<br>MCh\$ | Other comprehensive income  |                          |   |                                  |
|---|--------------------------|-----------------|-----------------|-----------------------------|--------------------------|---|----------------------------------|
|   |                          |                 |                 | AFS<br>investments<br>MCh\$ | Deferred<br>tax<br>MCh\$ | Total other<br>comprehensive<br>income<br>MCh\$ | Comprehensive<br>income<br>MCh\$ |
| <b>Subsidiaries:</b>  |                          |                 |                 |                             |                          |   |                                  |
| Santander Agente de Valores Limitada (former Santander S.A.)            | 0.97                     | 631             | 60              | 1                           | -                        | 1   | 61                               |
| Santander S.A. Sociedad Securitizadora                                  | 0.36                     | 3               | -               | -                           | -                        | -   | -                                |
| Santander S.A. Corredores de Bolsa                                      | 49.00                    | 25,108          | 1,880           | 67                          | (13)                     | 54  | 1,934                            |
| Santander Asset Management S.A. Administradora General de Fondos        | 0.02                     | 10              | 4               | -                           | -                        | -   | 4                                |
| Santander Corredora de Seguros Limitada (former Santander Leasing S.A.) | 0.24                     | 147             | 5               | -                           | -                        | -   | 5                                |
| <b>Subtotals</b>  |                          | <b>25,899</b>   | <b>1,949</b>    | <b>68</b>                   | <b>(13)</b>              | <b>55</b>                                       | <b>2,004</b>                     |
| <b>Special Purpose Entities:</b>  |                          |                 |                 |                             |                          |   |                                  |
| Bansa Santander S.A.  | 100.00                   | 2,170           | 1,141           | -                           | -                        | -   | 1,141                            |
| Santander Gestión de Recaudación y Cobranza Limitada                    | 100.00                   | 2,435           | 101             | -                           | -                        | -   | 101                              |
| Multinegocios S.A.  | 100.00                   | 185             | 35              | -                           | -                        | -   | 35                               |
| Servicios de Administración y Financieros Limitada                      | 100.00                   | 1,387           | 303             | -                           | -                        | -   | 303                              |
| Servicios de Cobranzas Fiscalex Limitada                                | 100.00                   | 191             | 39              | -                           | -                        | -   | 39                               |
| Multiservicios de Negocios Limitada.                                    | 100.00                   | 1,218           | 275             | -                           | -                        | -   | 275                              |
| <b>Subtotals</b>  |                          | <b>7,586</b>    | <b>1,894</b>    | <b>-</b>                    | <b>-</b>                 | <b>-</b>  | <b>1,894</b>                     |
| <b>Total</b>  |                          | <b>33,485</b>   | <b>3,843</b>    | <b>68</b>                   | <b>(13)</b>              | <b>55</b>                                       | <b>3,898</b>                     |

| For the 9-month period ended<br>as of September 30, 2011                | Non-<br>controlling<br>% | Equity<br>MCh\$ | Income<br>MCh\$ | Other comprehensive income  |                          |   |                                  |
|---|--------------------------|-----------------|-----------------|-----------------------------|--------------------------|---|----------------------------------|
|   |                          |                 |                 | AFS<br>investments<br>MCh\$ | Deferred<br>tax<br>MCh\$ | Total other<br>comprehensive<br>income<br>MCh\$ | Comprehensive<br>income<br>MCh\$ |
| <b>Subsidiaries:</b>  |                          |                 |                 |                             |                          |   |                                  |
| Santander Agente de Valores Limitada (former Santander S.A.)            | 0.97                     | 553             | 48              | 17                          | (3)                      | 14  | 62                               |
| Santander S.A. Sociedad Securitizadora                                  | 0.36                     | 3               | -               | -                           | -                        | -   | -                                |
| Santander S.A. Corredores de Bolsa                                      | 49.00                    | 26,322          | 2,974           | 272                         | (48)                     | 224   | 3,198                            |
| Santander Asset Management S.A. Administradora General de Fondos        | 0.02                     | 11              | 5               | -                           | -                        | -   | 5                                |
| Santander Corredora de Seguros Limitada (former Santander Leasing S.A.) | 0.24                     | 140             | 5               | -                           | -                        | -   | 5                                |
| <b>Subtotals</b>  |                          | <b>27,029</b>   | <b>3,032</b>    | <b>289</b>                  | <b>(51)</b>              | <b>238</b>                                      | <b>3,270</b>                     |
| <b>Special Purpose Entities:</b>  |                          |                 |                 |                             |                          |   |                                  |
| Bansa Santander S.A.  | 100.00                   | 1,436           | (206)           | -                           | -                        | -   | (206)                            |
| Santander Gestión de Recaudación y Cobranza Limitada                    | 100.00                   | 1,701           | (18)            | -                           | -                        | -   | (18)                             |
| Multinegocios S.A.  | 100.00                   | 142             | 9               | -                           | -                        | -   | 9                                |
| Servicios de Administración y Financieros Limitada                      | 100.00                   | 989             | 332             | -                           | -                        | -   | 332                              |
| Servicios de Cobranzas Fiscalex Limitada                                | 100.00                   | 139             | 23              | -                           | -                        | -   | 23                               |
| Multiservicios de Negocios Limitada.                                    | 100.00                   | 857             | 205             | -                           | -                        | -   | 205                              |
| <b>Subtotals</b>  |                          | <b>5,264</b>    | <b>345</b>      | <b>-</b>                    | <b>-</b>                 | <b>-</b>  | <b>345</b>                       |
| <b>Total</b>  |                          | <b>32,293</b>   | <b>3,377</b>    | <b>289</b>                  | <b>(51)</b>              | <b>238</b>                                      | <b>3,615</b>                     |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 22 - NON CONTROLLING INTEREST, continued:**

The non-controlling interest in equity and the affiliates' income as of September 30, 2011 is summarized as follows:

| For the quarter ended as of September 30, 2012                                  | Non-controlling % | Income MCh\$ | Other comprehensive income |                    |  | Comprehensive income MCh\$ |
|---|-------------------|--------------|----------------------------|--------------------|--|----------------------------|
|   |                   |              | AFS investments MCh\$      | Deferred tax MCh\$ | Total other comprehensive income MCh\$ |                            |
| <b>Subsidiaries:</b>  |                   |              |                            |                    |  |                            |
| Santander Agente de Valores Limitada (former Santander S.A.) Agente de Valores) | 0.97              | 18           | 2                          | -                  | 2                                      | 20                         |
| Santander S.A. Sociedad Securitizadora  | 0.36              | -            | -                          | -                  | -                                      | -                          |
| Santander S.A. Corredores de Bolsa  | 49.00             | 502          | (29)                       | 5                  | (24)                                   | 478                        |
| Santander Asset Management S.A. Administradora General de Fondos                | 0.02              | 1            | -                          | -                  | -                                      | 1                          |
| Santander Corredora de Seguros Limitada (former Santander Leasing S.A.)         | 0.24              | 1            | -                          | -                  | -                                      | 1                          |
| <b>Subtotals</b>  |                   | <b>522</b>   | <b>(27)</b>                | <b>5</b>           | <b>(22)</b>                            | <b>500</b>                 |
| <b>Special Purpose Entities:</b>  |                   |              |                            |                    |  |                            |
| Bansa Santander S.A.  | 100.00            | 1,219        | -                          | -                  | -                                      | 1,219                      |
| Santander Gestión de Recaudación y Cobranza Limitada                            | 100.00            | 236          | -                          | -                  | -                                      | 236                        |
| Multinegocios S.A.  | 100.00            | 23           | -                          | -                  | -                                      | 23                         |
| Servicios de Administración y Financieros Limitada                              | 100.00            | 114          | -                          | -                  | -                                      | 114                        |
| Servicios de Cobranzas Fiscalex Limitada  | 100.00            | 19           | -                          | -                  | -                                      | 19                         |
| Multiservicios de Negocios Limitada.  | 100.00            | 103          | -                          | -                  | -                                      | 103                        |
| <b>Subtotals</b>  |                   | <b>1,714</b> | <b>-</b>                   | <b>-</b>           | <b>-</b>                               | <b>1,714</b>               |
| <b>Total</b>  |                   | <b>2,236</b> | <b>(27)</b>                | <b>5</b>           | <b>(22)</b>                            | <b>2,214</b>               |

| For the quarter ended as of September 30, 2011                                  | Non-controlling share % | Income MCh\$ | Other comprehensive income |                    |  | Income MCh\$ |
|---|-------------------------|--------------|----------------------------|--------------------|--|--------------|
|   |                         |              | AFS Investments MCh\$      | Deferred tax MCh\$ | Total other comprehensive income MCh\$ |              |
| <b>Subsidiaries:</b>  |                         |              |                            |                    |  |              |
| Santander Agente de Valores Limitada (former Santander S.A.) Agente de Valores) | 0.97                    | 20           | 4                          | (1)                | 3                                      | 23           |
| Santander S.A. Sociedad Securitizadora  | 0.36                    | -            | -                          | -                  | -                                      | -            |
| Santander Investment S.A. Corredores de Bolsa                                   | 49.00                   | 832          | 32                         | (6)                | 26                                     | 858          |
| Santander Asset Management S.A. Administradora General de Fondos                | 0.02                    | 2            | -                          | -                  | -                                      | 2            |
| Santander Corredora de Seguros Limitada (former Santander Leasing S.A.)         | 0.24                    | 2            | -                          | -                  | -                                      | 2            |
| <b>Subtotals</b>  |                         | <b>856</b>   | <b>36</b>                  | <b>(7)</b>         | <b>29</b>                              | <b>885</b>   |
| <b>Special Purpose Entities:</b>  |                         |              |                            |                    |  |              |
| Bansa Santander S.A.  | 100.00                  | (20)         | -                          | -                  | -                                      | (20)         |
| Santander Gestión de Recaudación y Cobranza Limitada                            | 100.00                  | 76           | -                          | -                  | -                                      | 76           |
| Multinegocios S.A. (management of sales force)                                  | 100.00                  | 9            | -                          | -                  | -                                      | 9            |
| Servicios Administración y Financieros Limitada                                 | 100.00                  | 125          | -                          | -                  | -                                      | 125          |
| Servicios de Cobranzas Fiscalex Limitada  | 100.00                  | 6            | -                          | -                  | -                                      | 6            |
| Multiservicios de Negocios Limitada.  | 100.00                  | 71           | -                          | -                  | -                                      | 71           |
| <b>Subtotals</b>  |                         | <b>267</b>   | <b>-</b>                   | <b>-</b>           | <b>-</b>                               | <b>267</b>   |
| <b>Total</b>  |                         | <b>1,123</b> | <b>36</b>                  | <b>(7)</b>         | <b>29</b>                              | <b>1,151</b> |

**NOTE 23 - 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 reclassifications of products as a consequence of hedge accounting.

a) The composition of income from interest and adjustments, not including income from hedge accounting, for all periods presented is as follows:

| Items                  | For the quarter ending as of September 30 |                      |                          |                |                   |                      |                          |                |
|------------------------|---|----------------------|--------------------------|----------------|-------------------|----------------------|--------------------------|----------------|
|                        | 2012                                      |                      |                          |                | 2011              |                      |                          |                |
|                        | Interest<br>MCh\$                         | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$ |
| Repurchase agreements  | 1,810                                     | 2                    | -                        | 1,812          | 840               | (2)                  | -                        | 838            |
| Interbank loans        | 4   | -                    | -                        | 4              | 433               | -                    | -                        | 433            |
| Commercial loans       | 180,738                                   | (5,498)              | 913                      | 176,153        | 155,239           | 18,497               | 1,024                    | 174,760        |
| Mortgage loans         | 57,614                                    | (7,301)              | 2,709                    | 53,022         | 52,890            | 27,271               | 2,675                    | 82,836         |
| Consumer loans         | 153,963                                   | (99)                 | 695                      | 154,559        | 138,214           | 500                  | 777                      | 139,491        |
| Investment instruments | 19,292                                    | (207)                | -                        | 19,085         | 28,761            | 1,272                | -                        | 30,033         |
| Other interest income  | 5,469                                     | (3,046)              | -                        | 2,423          | (915)             | 513                  | -                        | (402)          |
| <b>Interest income</b> | <b>418,890</b>                            | <b>(16,149)</b>      | <b>4,317</b>             | <b>407,058</b> | <b>375,462</b>    | <b>48,051</b>        | <b>4,476</b>             | <b>427,989</b> |

  

| Items                  | For the 9-month period ending on September 30 |                      |                          |                  |                   |                      |                          |                  |
|------------------------|---|----------------------|--------------------------|------------------|-------------------|----------------------|--------------------------|------------------|
|                        | 2012  |                      |                          |                  | 2011              |                      |                          |                  |
|                        | Interest<br>MCh\$                             | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$   | Interest<br>MCh\$ | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$   |
| Repurchase agreements  | 3,280   | (10)                 | -                        | 3,270            | 3,364             | (6)                  | -                        | 3,358            |
| Interbank loans        | 746   | -                    | -                        | 746              | 2,265             | -                    | -                        | 2,265            |
| Commercial loans       | 519,880                                       | 45,584               | 3,677                    | 569,141          | 435,438           | 79,121               | 3,283                    | 517,842          |
| Mortgage loans         | 170,067                                       | 67,518               | 8,493                    | 246,078          | 150,344           | 120,054              | 7,717                    | 278,115          |
| Consumer loans         | 458,062                                       | 1,593                | 2,144                    | 461,799          | 398,396           | 2,052                | 2,216                    | 402,664          |
| Investment instruments | 70,787  | 1,084                | -                        | 71,871           | 62,062            | 6,820                | -                        | 68,882           |
| Other interest income  | 14,527  | (1,594)              | -                        | 12,933           | 11,076            | 1,846                | -                        | 12,922           |
| <b>Interest income</b> | <b>1,237,349</b>                              | <b>114,175</b>       | <b>14,314</b>            | <b>1,365,838</b> | <b>1,062,945</b>  | <b>209,887</b>       | <b>13,216</b>            | <b>1,286,048</b> |

**NOTE 23 - INTEREST INCOME AND EXPENSE, continued:**

b) As indicated in Note 1 i), suspended interests are recorded in suspense accounts (off-balance-sheet accounts) until they are effectively received.

The detail of income from suspended interest for all periods is presented as follows:

|                          | For the quarter ending as of September 30 |                      |                          |                |                   |                      |                       |                |
|--------------------------|---|----------------------|--------------------------|----------------|-------------------|----------------------|-----------------------|----------------|
|                          | 2012                                      |                      |                          |                | 2011              |                      |                       |                |
|                          | Interest<br>MCh\$                         | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | Adjustments<br>MCh\$ | Prepaid fees<br>MCh\$ | Total<br>MCh\$ |
| <b>Off balance sheet</b> |   |                      |                          |                |                   |                      |                       |                |
| Commercial loans         | 2,228                                     | (778)                | -                        | 1,450          | 1,101             | 376                  | -                     | 1,477          |
| Mortgage loans           | (17)                                      | (1,045)              | -                        | (1,062)        | 201               | 162                  | -                     | 363            |
| Consumer loans           | 4,112                                     | (149)                | -                        | 3,963          | 1,093             | 74                   | -                     | 1,167          |
|                          |   |                      | -                        |                |                   |                      |                       |                |
| <b>Total</b>             | <b>6,323</b>                              | <b>(1,972)</b>       | <b>-</b>                 | <b>4,351</b>   | <b>2,395</b>      | <b>612</b>           | <b>-</b>              | <b>3,007</b>   |

|                          | For the 9-month period ending on September 30 |                      |                          |                |                   |                      |                       |                |
|--------------------------|---|----------------------|--------------------------|----------------|-------------------|----------------------|-----------------------|----------------|
|                          | 2012  |                      |                          |                | 2011              |                      |                       |                |
|                          | Interest<br>MCh\$                             | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$ | Interest<br>MCh\$ | Adjustments<br>MCh\$ | Prepaid fees<br>MCh\$ | Total<br>MCh\$ |
| <b>Off balance sheet</b> |   |                      |                          |                |                   |                      |                       |                |
| Commercial loans         | 35,185  | 7,958                | -                        | 43,143         | 25,592            | 6,256                | -                     | 31,848         |
| Mortgage loans           | 4,839   | 7,417                | -                        | 12,256         | 4,048             | 5,906                | -                     | 9,954          |
| Consumer loans           | 27,878  | 1,191                | -                        | 29,069         | 18,581            | 1,043                | -                     | 19,624         |
|                          |   |                      | -                        |                |                   |                      |                       |                |
| <b>Total</b>             | <b>67,902</b>                                 | <b>16,566</b>        | <b>-</b>                 | <b>84,468</b>  | <b>48,221</b>     | <b>13,205</b>        | <b>-</b>              | <b>61,426</b>  |

c) The composition of expense from interest and adjustments, excluding expense from hedge accounting for all periods presented, is as follows:

|                               | For the quarter ending as of September 30 |                      |                          |                  |                   |                      |                          |                  |
|-------------------------------|---|----------------------|--------------------------|------------------|-------------------|----------------------|--------------------------|------------------|
|                               | 2012                                      |                      |                          |                  | 2011              |                      |                          |                  |
|                               | Interest<br>MCh\$                         | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$   | Interest<br>MCh\$ | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$   |
| <b>Items</b>                  |   |                      |                          |                  |                   |                      |                          |                  |
| Demand deposits               | (803)                                     | 39                   | -                        | (764)            | (425)             | (88)                 | -                        | (513)            |
| Repurchase agreements         | 380                                       | -                    | -                        | 380              | (1,973)           | (35)                 | -                        | (2,008)          |
| Time deposits and liabilities | (121,552)                                 | 3,242                | -                        | (118,310)        | (100,482)         | (12,924)             | -                        | (113,406)        |
| Interbank loans               | (6,425)                                   | 1                    | -                        | (6,424)          | (6,268)           | (6)                  | -                        | (6,274)          |
| Issued debt instruments       | (41,062)                                  | 4,236                | -                        | (36,826)         | (43,670)          | (13,811)             | -                        | (57,481)         |
| Other financial liabilities   | (1,238)                                   | 58                   | -                        | (1,180)          | (1,261)           | (214)                | -                        | (1,475)          |
| Other interest expense        | (600)                                     | 184                  | -                        | (416)            | (597)             | (1,031)              | -                        | (1,628)          |
|                               |   |                      | -                        |                  |                   |                      |                          |                  |
| <b>Interest expense total</b> | <b>(171,300)</b>                          | <b>7,760</b>         | <b>-</b>                 | <b>(163,540)</b> | <b>(154,676)</b>  | <b>(28,109)</b>      | <b>-</b>                 | <b>(182,785)</b> |

**NOTE 23 - INTEREST INCOME AND EXPENSE, continued:**

| Items                         | For the 9-month period ending on September 30 |                      |                       |                  |                   |                      |                          |                  |
|-------------------------------|---|----------------------|-----------------------|------------------|-------------------|----------------------|--------------------------|------------------|
|                               | 2012  |                      |                       |                  | 2011              |                      |                          |                  |
|                               | Interest<br>MCh\$                             | Adjustments<br>MCh\$ | Prepaid fees<br>MCh\$ | Total<br>MCh\$   | Interest<br>MCh\$ | Adjustments<br>MCh\$ | Prepaid<br>fees<br>MCh\$ | Total<br>MCh\$   |
| Demand deposits               | (2,083)                                       | (319)                | -                     | (2,402)          | (855)             | (421)                | -                        | (1,276)          |
| Repurchase agreements         | (9,796)                                       | 9                    | -                     | (9,787)          | (4,678)           | (205)                | -                        | (4,883)          |
| Time deposits and liabilities | (337,850)                                     | (26,911)             | -                     | (364,761)        | (249,497)         | (59,627)             | -                        | (309,124)        |
| Interbank loans               | (20,512)                                      | (9)                  | -                     | (20,521)         | (19,379)          | (31)                 | -                        | (19,410)         |
| Issued debt instruments       | (127,839)                                     | (34,948)             | -                     | (162,787)        | (127,148)         | (65,263)             | -                        | (192,411)        |
| Other financial liabilities   | (3,663)                                       | (491)                | -                     | (4,154)          | (3,767)           | (1,001)              | -                        | (4,768)          |
| Other interest expense        | (1,798)                                       | (2,054)              | -                     | (3,852)          | (1,788)           | (5,256)              | -                        | (7,044)          |
| <b>Interest expense total</b> | <b>(503,541)</b>                              | <b>(64,723)</b>      | <b>-</b>              | <b>(568,264)</b> | <b>(407,112)</b>  | <b>(131,804)</b>     | <b>-</b>                 | <b>(538,916)</b> |

d) The detail of income from suspended interest for all periods is presented as follows:

| Items                              | For the quarter ended<br>As of September 30 |                | For the 9-month period ended<br>As of September 30 |                |
|------------------------------------|---|----------------|--|----------------|
|                                    | 2012  | 2011           | 2012   | 2011           |
|                                    | MCh\$                                       | MCh\$          | MCh\$  | MCh\$          |
| Interest income                    | 407,058                                     | 427,989        | 1,365,838  | 1,286,048      |
| Interest expense                   | (163,540)                                   | (182,785)      | (568,264)  | (538,916)      |
| <b>Interest income</b>             | <b>243,518</b>                              | <b>245,204</b> | <b>797,574</b>                                     | <b>747,132</b> |
| Income from hedge accounting (net) | (4,787)                                     | (13,147)       | (37,831)   | (38,978)       |
| <b>Total net interest income</b>   | <b>238,731</b>                              | <b>232,057</b> | <b>759,743</b>                                     | <b>708,154</b> |

**NOTE 24 – 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:

|  | For the quarter ended |                 | For the 9-month period ended |                 |
|--|-----------------------|-----------------|------------------------------|-----------------|
|  | As of September 30    |                 | As of September 30           |                 |
|  | 2012                  | 2011            | 2012                         | 2011            |
|  | MCh\$                 | MCh\$           | MCh\$                        | MCh\$           |
| <b>Fee and commission income</b>                                     |                       |                 |                              |                 |
| Fees and commissions for lines of credits and overdrafts             | 2,228                 | 2,763           | 7,095                        | 8,862           |
| Fees and commissions for guarantees and letters of credit            | 7,223                 | 6,334           | 21,066                       | 17,849          |
| Fees and commissions for card services                               | 31,347                | 30,252          | 95,349                       | 90,974          |
| Fees and commissions for management of accounts                      | 7,144                 | 7,256           | 21,731                       | 21,361          |
| Fees and commissions for collections and payments                    | 14,819                | 14,683          | 47,070                       | 46,387          |
| Fees and commissions for intermediation and management of securities | 2,427                 | 2,759           | 8,921                        | 9,939           |
| Fees and commissions for investments in mutual funds or others       | 8,270                 | 8,796           | 25,367                       | 29,928          |
| Insurance brokerage fees   | 8,138                 | 7,955           | 24,339                       | 26,344          |
| Office banking   | 3,386                 | 2,912           | 9,921                        | 8,749           |
| Other fees earned  | 3,835                 | 3,941           | 9,833                        | 11,148          |
| <b>Total</b>   | <b>88,817</b>         | <b>87,651</b>   | <b>270,692</b>               | <b>271,541</b>  |
|  |                       |                 |                              |                 |
|  | For the quarter ended |                 | For the 9-month period ended |                 |
|  | As of September 30    |                 | As of September 30           |                 |
|  | 2012                  | 2011            | 2012                         | 2011            |
|  | MCh\$                 | MCh\$           | MCh\$                        | MCh\$           |
| <b>Fee and commission expense</b>                                    |                       |                 |                              |                 |
| Compensation for card operation                                      | (18,243)              | (15,868)        | (53,589)                     | (45,725)        |
| Fees and commissions for securities transactions                     | (74)                  | (290)           | (1,283)                      | (1,616)         |
| Office banking   | (5,939)               | (2,491)         | (8,678)                      | (6,866)         |
| Other fees   | 2,476                 | (3,011)         | (3,407)                      | (7,904)         |
| <b>Total</b>   | <b>(21,780)</b>       | <b>(21,660)</b> | <b>(66,957)</b>              | <b>(62,111)</b> |

The fees earned in transactions with letters of credit are recorded in the line item "Interest income" in the Consolidated Statement of Income.

**NOTE 25 - 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 September 30, 2012 and 2011, the detail of income from financial operations is as follows:

|   | <b>For the quarter ended</b> |                | <b>For the 9-month period ended</b> |                |
|---|------------------------------|----------------|-------------------------------------|----------------|
|   | <b>As of September 30</b>    |                | <b>As of September 30</b>           |                |
|   | <b>2012</b>                  | <b>2011</b>    | <b>2012</b>                         | <b>2011</b>    |
|   | <b>MCh\$</b>                 | <b>MCh\$</b>   | <b>MCh\$</b>                        | <b>MCh\$</b>   |
| <b>Net income from financial operations</b>           |                              |                |                                     |                |
| Trading derivatives                                   | (30,093)                     | 82,383         | (66,272)                            | 111,491        |
| Trading investments                                   | 9,592                        | 14,804         | 30,101                              | 31,545         |
| Sale of loans and accounts receivables from customers |                              |                |                                     |                |
| Current portfolio                                     | (12)                         | -              | 317                                 | -              |
| Written-off portfolio                                 | -                            | 2,469          | 2,607                               | 5,578          |
| Available for sale investments                        | 1,400                        | 633            | (498)                               | (1,991)        |
| Other income from financial operations                | (48)                         | 1,844          | 804                                 | 6,912          |
| <b>Total</b>  | <b>(19,161)</b>              | <b>102,133</b> | <b>(32,941)</b>                     | <b>153,535</b> |

**NOTE 26 – NET FOREIGN EXCHANGE PROFIT**

This item includes the income earned from foreign currency trading, differences arising from converting monetary items 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 September 30, 2012 and 2011, the detail of foreign exchange income is as follows:

|  | <b>For the quarter ended</b> |                 | <b>For the 9-month period ended</b> |                 |
|--|------------------------------|-----------------|-------------------------------------|-----------------|
|  | <b>As of September 30</b>    |                 | <b>As of September 30</b>           |                 |
|  | <b>2012</b>                  | <b>2011</b>     | <b>2012</b>                         | <b>2011</b>     |
|  | <b>MCh\$</b>                 | <b>MCh\$</b>    | <b>MCh\$</b>                        | <b>MCh\$</b>    |
| <b>Currency exchange differences</b>                   |                              |                 |                                     |                 |
| Net profit (loss) from currency exchange differences   | 134,614                      | (312,801)       | 275,152                             | (259,037)       |
| Hedging derivatives:                                   | (91,389)                     | 229,253         | (173,046)                           | 179,209         |
| Income from adjustable assets in foreign currency      | (5,577)                      | 5,412           | (6,635)                             | 5,403           |
| Income from adjustable liabilities in foreign currency | 735                          | (996)           | 1,635                               | (840)           |
| <b>Total</b>   | <b>38,383</b>                | <b>(79,132)</b> | <b>97,106</b>                       | <b>(75,265)</b> |

**NOTE 27 - PROVISION FOR LOAN LOSSES**

The 2012 and 2011 activity for provision for loan losses recorded on the Statement of Income is as follows:

| For the quarter ended<br>as of September 30, 2012 | Interbank<br>loans<br>MCh\$ | Loans and accounts receivable from customers |                            |                            | Contingent<br>loans<br>MCh\$ | Total<br>MCh\$ |
|---|-----------------------------|--|----------------------------|----------------------------|------------------------------|----------------|
|   |                             | Commercial<br>loans<br>MCh\$                 | Mortgage<br>loans<br>MCh\$ | Consumer<br>loans<br>MCh\$ |                              |                |
| <b>Allowances and charge-offs</b>                 |                             |  |                            |                            |                              |                |
| - Individual evaluations                          | -                           | (11,859)                                     | -                          | -                          | (239)                        | (12,098)       |
| - Group evaluations                               | -                           | (27,091)                                     | (6,099)                    | (106,015)                  | (1,836)                      | (141,041)      |
| <b>Total allowances and charge-offs</b>           | -                           | (38,950)                                     | (6,099)                    | (106,015)                  | (2,075)                      | (153,139)      |
| <b>Allowances released</b>                        |                             |  |                            |                            |                              |                |
| - Individual evaluations                          | 212                         | 2,837  | -                          | -                          | 1,073                        | 4,122          |
| - Group evaluations                               | -                           | 2,300  | 934                        | 14,938                     | 1,637                        | 19,809         |
| <b>Total released allowances</b>                  | 212                         | 5,137  | 934                        | 14,938                     | 2,710                        | 23,931         |
| <b>Recovery of loans previously charged off</b>   | -                           | 2,175  | 677                        | 6,897                      | -                            | 9,749          |
| <b>Net charge to income</b>                       | 212                         | (31,638)                                     | (4,488)                    | (84,180)                   | 635                          | (119,459)      |

| For the 9-month period ended<br>as of September 30, 2012 | Interbank<br>loans<br>MCh\$ | Loans and accounts receivable from customers |                            |                            | Contingent<br>loans<br>MCh\$ | Total<br>MCh\$ |
|--|-----------------------------|--|----------------------------|----------------------------|------------------------------|----------------|
|  |                             | Commercial<br>loans<br>MCh\$                 | Mortgage<br>loans<br>MCh\$ | Consumer<br>loans<br>MCh\$ |                              |                |
| <b>Allowances and charge-offs</b>                        |                             |  |                            |                            |                              |                |
| - Individual evaluations                                 | (277)                       | (42,195)                                     | -                          | -                          | (2,583)                      | (45,055)       |
| - Group evaluations                                      | -                           | (57,992)                                     | (16,758)                   | (241,319)                  | (3,693)                      | (319,762)      |
| <b>Total allowances and charge-offs</b>                  | (277)                       | (100,187)                                    | (16,758)                   | (241,319)                  | (6,276)                      | (364,817)      |
| <b>Allowances released</b>                               |                             |  |                            |                            |                              |                |
| - Individual evaluations                                 | 357                         | 14,454                                       | -                          | -                          | 1,593                        | 16,404         |
| - Group evaluations                                      | -                           | 14,753                                       | 5,548                      | 26,395                     | 3,162                        | 49,858         |
| <b>Total released allowances</b>                         | 357                         | 29,207                                       | 5,548                      | 26,395                     | 4,755                        | 66,262         |
| <b>Recovery of loans previously charged off</b>          | -                           | 5,999  | 1,545                      | 14,696                     | -                            | 22,240         |
| <b>Net charge to income</b>                              | 80                          | (64,981)                                     | (9,665)                    | (200,228)                  | (1,521)                      | (276,315)      |



BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 27 - PROVISION FOR LOAN LOSSES, continued:**

| For the quarter ended<br>as of September 30, 2011            | Interbank<br>loans<br>MCh\$ | Loans and accounts receivable from customers |                            |                            | Contingent<br>loans<br>MCh\$ | Total<br>MCh\$   |
|--|-----------------------------|--|----------------------------|----------------------------|------------------------------|------------------|
|  | MCh\$                       | Commercial<br>loans<br>MCh\$                 | Mortgage<br>loans<br>MCh\$ | Consumer<br>loans<br>MCh\$ | MCh\$                        | MCh\$            |
| <b>Allowances and charge-offs</b>                            |                             |  |                            |                            |                              |                  |
| - Individual evaluations                                     | (5)                         | (17,027)                                     | -                          | -                          | (408)                        | (17,440)         |
| - Group evaluations  | -                           | (18,950)                                     | (15,535)                   | (62,280)                   | (77)                         | (96,842)         |
| <b>Total allowances and charge-offs</b>                      | <b>(5)</b>                  | <b>(35,977)</b>                              | <b>(15,535)</b>            | <b>(62,280)</b>            | <b>(485)</b>                 | <b>(114,282)</b> |
| <b>Allowances released</b>                                   |                             |  |                            |                            |                              |                  |
| - Individual evaluations                                     | 37                          | 6,502  | -                          | -                          | 1,435                        | 7,974            |
| - Group evaluations  | -                           | 2,207  | 432                        | 2,182                      | 5,393                        | 10,214           |
| <b>Total released allowances</b>                             | <b>37</b>                   | <b>8,709</b>                                 | <b>432</b>                 | <b>2,182</b>               | <b>6,828</b>                 | <b>18,188</b>    |
| <b>Recovery of loans previously charged off</b>              | <b>-</b>                    | <b>1,815</b>                                 | <b>659</b>                 | <b>3,248</b>               | <b>-</b>                     | <b>5,722</b>     |
| <b>Net charge to income</b>                                  | <b>32</b>                   | <b>(25,453)</b>                              | <b>(14,444)</b>            | <b>(56,850)</b>            | <b>6,343</b>                 | <b>(90,372)</b>  |
| <b>For the 9-month period ended as of September 30, 2011</b> |                             |  |                            |                            |                              |                  |
|  | Interbank<br>loans<br>MCh\$ | Loans and accounts receivable from customers |                            |                            | Contingent<br>loans<br>MCh\$ | Total<br>MCh\$   |
|  | MCh\$                       | Commercial<br>loans<br>MCh\$                 | Mortgage<br>loans<br>MCh\$ | Consumer<br>loans<br>MCh\$ | MCh\$                        | MCh\$            |
| <b>Allowances and charge-offs</b>                            |                             |  |                            |                            |                              |                  |
| - Individual evaluations                                     | (574)                       | (40,056)                                     | -                          | -                          | (4,590)                      | (45,220)         |
| - Group evaluations  | -                           | (55,262)                                     | (30,667)                   | (158,272)                  | (232)                        | (244,433)        |
| <b>Total allowances and charge-offs</b>                      | <b>(574)</b>                | <b>(95,318)</b>                              | <b>(30,667)</b>            | <b>(158,272)</b>           | <b>(4,822)</b>               | <b>(289,653)</b> |
| <b>Allowances released</b>                                   |                             |  |                            |                            |                              |                  |
| - Individual evaluations                                     | 483                         | 29,958                                       | -                          | -                          | 3,251                        | 33,692           |
| - Group evaluations  | -                           | 4,939  | 4,633                      | 14,047                     | 20,403                       | 44,022           |
| <b>Total released allowances</b>                             | <b>483</b>                  | <b>34,897</b>                                | <b>4,633</b>               | <b>14,047</b>              | <b>23,654</b>                | <b>77,714</b>    |
| <b>Recovery of loans previously charged off</b>              | <b>-</b>                    | <b>5,376</b>                                 | <b>1,213</b>               | <b>9,430</b>               | <b>-</b>                     | <b>16,019</b>    |
| <b>Net charge to income</b>                                  | <b>(91)</b>                 | <b>(55,045)</b>                              | <b>(24,821)</b>            | <b>(134,795)</b>           | <b>18,832</b>                | <b>(195,920)</b> |

**NOTE 28 - PERSONNEL SALARIES AND EXPENSES**

As of September 30, 2012 and 2011 the composition of the item is as follows:

|                           | For the quarter ended<br>as of September 30 |               | For the 9-month period ending<br>as of September 30 |                |
|---------------------------|---|---------------|---|----------------|
|                           | 2012<br>MCh\$                               | 2011<br>MCh\$ | 2012<br>MCh\$                                       | 2011<br>MCh\$  |
| Personnel compensation    | 49,050                                      | 46,021        | 139,024   | 126,220        |
| Bonuses or gratifications | 15,774                                      | 15,937        | 50,211  | 47,150         |
| Stock-based benefits      | 494   | 599           | 1,424   | 1,755          |
| Seniority compensation:   | 2,180                                       | 2,158         | 6,673   | 7,608          |
| Pension plans             | (26)  | 285           | 467   | 1,151          |
| Training expenses         | 495   | 717           | 1,625   | 1,525          |
| Day care and kindergarten | 610   | 810           | 1,847   | 1,705          |
| Health funds              | 930   | 758           | 2,686   | 2,082          |
| Welfare fund              | 124   | 114           | 355   | 332            |
| Other personnel expenses  | 5,930                                       | 6,485         | 19,104  | 17,852         |
| <b>Total</b>              | <b>75,561</b>                               | <b>73,884</b> | <b>223,416</b>                                      | <b>207,380</b> |

**NOTE 29 - ADMINISTRATIVE EXPENSES**

As of September 30, 2012 and 2011 the composition of the item is as follows:

|   | <b>For the quarter ended<br/>as of September 30</b> |                       | <b>For the 9-month period ended<br/>as of September 30</b> |                       |
|---|---|-----------------------|--|-----------------------|
|   | <b>2012<br/>MCh\$</b>                               | <b>2011<br/>MCh\$</b> | <b>2012<br/>MCh\$</b>                                      | <b>2011<br/>MCh\$</b> |
| <b>General administrative expenses</b>                  | <b>29,718</b>                                       | <b>25,810</b>         | <b>83,934</b>  | <b>74,349</b>         |
| Maintenance and repair of property, plant and equipment | 3,320   | 3,160                 | 9,877  | 9,132                 |
| Office lease  | 5,903   | 5,687                 | 17,917   | 16,440                |
| Equipment lease   | 157   | 74                    | 334  | 135                   |
| Insurance payments                                      | 704   | 587                   | 1,829  | 1,721                 |
| Office supplies   | 1,733   | 1,419                 | 4,898  | 4,684                 |
| IT and communication expenses                           | 6,946   | 5,303                 | 18,964   | 15,813                |
| Lighting, heating, and other utilities                  | 1,144   | 1,283                 | 3,387  | 3,581                 |
| Security and valuables transport services               | 2,656   | 2,841                 | 8,667  | 8,494                 |
| Representation and personnel travel expenses            | 1,102   | 1,295                 | 3,627  | 3,309                 |
| Judicial and notarial expenses                          | 2,536   | 1,658                 | 5,297  | 4,717                 |
| Fees for technical reports                              | 1,160   | 736                   | 2,700  | 2,078                 |
| Fees for auditing the financial statements              | 644   | 977                   | 2,747  | 2,275                 |
| Other general administrative expenses                   | 1,713   | 790                   | 3,690  | 1,970                 |
| <b>Outsourced services</b>                              | <b>9,716</b>  | <b>8,676</b>          | <b>30,374</b>  | <b>29,006</b>         |
| Data processing   | 6,771   | 6,385                 | 19,950   | 19,558                |
| Other   | 2,945   | 2,291                 | 10,424   | 9,448                 |
| <b>Board expenses</b>                                   | <b>251</b>  | <b>268</b>            | <b>812</b>   | <b>771</b>            |
| <b>Marketing expenses</b>                               | <b>3,718</b>  | <b>3,760</b>          | <b>12,283</b>  | <b>10,822</b>         |
| <b>Taxes, payroll taxes, and contributions</b>          | <b>2,650</b>  | <b>2,527</b>          | <b>7,849</b>   | <b>7,130</b>          |
| Real state contributions                                | 364   | 440                   | 1,182  | 1,305                 |
| Patents   | 540   | 443                   | 1,485  | 1,271                 |
| Other taxes   | 2   | 16                    | 11   | 20                    |
| Contributions to SBIF                                   | 1,744   | 1,628                 | 5,171  | 4,534                 |
| <b>Total</b>  | <b>46,053</b>                                       | <b>41,041</b>         | <b>135,252</b>   | <b>122,078</b>        |

**NOTE 30 – DEPRECIATION, AMORTIZATION AND IMPAIRMENT**

a) Depreciation and amortization and impairment charges for the periods ended on September 2012 and 2011 are detailed below:

|  | For the quarter ended<br>as of September 30 |                 | For the 9-month period ended<br>as of September 30 |                 |
|--|---|-----------------|--|-----------------|
|  | 2012  | 2011            | 2012   | 2011            |
|  | MCh\$                                       | MCh\$           | MCh\$  | MCh\$           |
| <b>Depreciation and amortization</b>           |   |                 |  |                 |
| Depreciation of property, plant, and equipment | (5,040)                                     | (5,239)         | (15,228)   | (15,089)        |
| Amortizations of Intangible assets             | (9,011)                                     | (8,115)         | (25,093)   | (24,549)        |
| <b>Subtotals</b>                               | <b>(14,051)</b>                             | <b>(13,354)</b> | <b>(40,321)</b>                                    | <b>(39,638)</b> |
| Impairment of property, plant, and equipment   | -   | (77)            | (88)   | (109)           |
| <b>Total</b>                                   | <b>(14,051)</b>                             | <b>(13,431)</b> | <b>(40,409)</b>                                    | <b>(39,747)</b> |

b) The reconciliation between carrying values and balances as of December 31, 2011; January 1, 2011 and 2012 and the September 30, 2012 balances is as follows:

|   | Depreciation and amortization<br>2012         |                               |                  |
|---|---|-------------------------------|------------------|
|   | Property,<br>plant, and<br>equipment<br>MCh\$ | Intangible<br>assets<br>MCh\$ | Total<br>MCh\$   |
|   | <b>Balances as of January 1, 2012</b>         | <b>(84,230)</b>               | <b>(111,479)</b> |
| Depreciation and amortization charges in the period | (15,228)                                      | (25,093)                      | (40,321)         |
| Sales and disposals in the period                   | 162   | -                             | 162              |
| Other   | -   | -                             | -                |
| <b>Balances as of September 30, 2012</b>            | <b>(99,296)</b>                               | <b>(136,572)</b>              | <b>(235,868)</b> |

|   | Depreciation and amortization<br>2011         |                               |                  |
|---|---|-------------------------------|------------------|
|   | Property,<br>plant, and<br>equipment<br>MCh\$ | Intangible<br>assets<br>MCh\$ | Total<br>MCh\$   |
|   | <b>Balances as of January 1, 2011</b>         | <b>(64,376)</b>               | <b>(78,329)</b>  |
| Depreciation and amortization charges in the period | (20,373)                                      | (33,093)                      | (53,466)         |
| Sales and disposals in the period                   | 481   | -                             | 481              |
| Other   | 38  | (57)                          | (19)             |
| <b>Balances as of December 31, 2011</b>             | <b>(84,230)</b>                               | <b>(111,479)</b>              | <b>(195,709)</b> |

**NOTE 31 - OTHER OPERATING INCOME AND EXPENSES**

a) Other operating expenses are comprised of the following components:

|  | For the quarter ended<br>as of September 30 |               | For the 9-month period ended<br>As of September 30 |               |
|--|---|---------------|--|---------------|
|  | 2012<br>MCh\$                               | 2011<br>MCh\$ | 2012<br>MCh\$                                      | 2011<br>MCh\$ |
| <b>Income from assets received in lieu of payment</b>                      |   |               |  |               |
| Income from sale of assets received in lieu of payment                     | 615   | 882           | 2,145  | 2,636         |
| Recovery of charge-offs and income from assets received in lieu of payment | 1,149                                       | 1,908         | 5,614  | 4,018         |
| Other income   | 8   | -             | 8  | -             |
| <b>Subtotals</b>   | <b>1,772</b>                                | <b>2,790</b>  | <b>7,767</b>                                       | <b>6,654</b>  |
| <b>Income from sale of investments in other companies</b>                  |   |               |  |               |
| Gain on sale of investments in other companies (*)                         | 599   | -             | 599  | -             |
| <b>Subtotals</b>   | <b>599</b>                                  | <b>-</b>      | <b>599</b>   | <b>-</b>      |
| <b>Other income</b>  |   |               |  |               |
| Leases   | 53  | (568)         | 115  | 209           |
| Gain on sale of property, plant and equipment (**)                         | 5,637                                       | 21            | 6,208  | 830           |
| Recovery of provisions for contingencies                                   | -   | -             | -  | 5             |
| Compensation from insurance companies due to earthquake                    | -   | 199           | 241  | 315           |
| Dividends received from share in other companies                           | -   | -             | -  | 8             |
| Other  | 13  | (248)         | 198  | 32            |
| <b>Subtotals</b>   | <b>5,703</b>                                | <b>(596)</b>  | <b>6,762</b>                                       | <b>1,399</b>  |
| <b>Total</b>   | <b>8,074</b>                                | <b>2,194</b>  | <b>15,128</b>                                      | <b>8,053</b>  |

(\*) In the third quarter of 2012, income from selling shares belonging to Transbank S.A. was MCh\$ 599. (See Note 3).

(\*\*) In August 2012, Banco Santander Chile sold 2 offices. At the time of sale, their carrying value was MCh\$ 361, their selling price was MCh\$ 1,045, resulting in a MCh\$ 684 profit.

In September 2012, Banco Santander Chile sold 9 offices. At the time of sale, their carrying value was MCh\$ 4,578, their selling price was MCh\$ 9,485; resulting in a MCh\$ 4,907 profit.

**NOTE 31 - OTHER OPERATING INCOMES AND EXPENSES, continued:**

b) Other operating expenses are detailed as follows:

|   | For the quarter ended<br>as of September 30 |               | For the 9-month period ended<br>as of September 30 |               |
|---|---|---------------|--|---------------|
|   | 2012<br>MCh\$                               | 2011<br>MCh\$ | 2012<br>MCh\$                                      | 2011<br>MCh\$ |
| <b>Provisions and expenses for assets received in lieu of payment</b> |   |               |  |               |
| Charge-offs of assets received in lieu of payment                     | 1,745                                       | 1,787         | 6,250  | 7,118         |
| Provisions for assets received in lieu of payment                     | 620   | 858           | 3,586  | 2,135         |
| Expenses for maintenance of assets received in lieu of payment        | 542   | 703           | 1,884  | 2,138         |
| <b>Subtotals</b>  | <b>2,907</b>                                | <b>3,348</b>  | <b>11,720</b>                                      | <b>11,391</b> |
| <b>Credit card expenses</b>   |   |               |  |               |
| Credit card expenses  | 273   | 412           | 730  | 1,756         |
| Credit card memberships   | 1,363                                       | 1,096         | 3,842  | 3,063         |
| <b>Subtotals</b>  | <b>1,636</b>                                | <b>1,508</b>  | <b>4,572</b>                                       | <b>4,819</b>  |
| <b>Customer services</b>  | <b>2,173</b>                                | <b>2,411</b>  | <b>6,475</b>                                       | <b>6,998</b>  |
| <b>Other expenses</b>   |   |               |  |               |
| Operating charge-offs   | 2,020                                       | 2,223         | 4,954  | 5,525         |
| Life insurance and general product insurance policies                 | 1,884                                       | 2,032         | 5,195  | 5,154         |
| Additional tax on expenses paid overseas                              | 784   | 710           | 2,485  | 2,736         |
| Losses on sale of property, plant and equipment                       | 6   | -             | 20   | -             |
| Expenses for foreign trade operations                                 | 1   | -             | 1  | -             |
| Provisions for contingencies  | (431)                                       | (649)         | 3,661  | 2,644         |
| Earthquake expenses   | 94  | -             | 134  | -             |
| Other   | 1,934                                       | 573           | 5,620  | 2,302         |
| <b>Subtotals</b>  | <b>6,292</b>                                | <b>4,889</b>  | <b>22,070</b>                                      | <b>18,361</b> |
| <b>Total</b>  | <b>13,008</b>                               | <b>12,156</b> | <b>44,837</b>                                      | <b>41,569</b> |

**NOTE 32 - TRANSACTIONS WITH RELATED PARTIES:**

In addition to Affiliates and associated 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 Consolidated Interim 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.

**NOTE 32 - TRANSACTIONS WITH RELATED PARTIES, continued:**

**a) Loans to related parties:**

Below are loans and receivables, and contingent loans, corresponding to related entities:

|                                       | As of September 30, 2012              |                                  |                           |                | As of December 31, 2011               |                                  |                           |                |
|---------------------------------------|---------------------------------------|----------------------------------|---------------------------|----------------|---------------------------------------|----------------------------------|---------------------------|----------------|
|                                       | Companies<br>of the<br>Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ | Companies<br>of the<br>Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ |
|                                       | <b>Loans and accounts receivables</b> |                                  |                           |                |                                       |                                  |                           |                |
| Commercial loans                      | 44,435                                | 672                              | 2,976                     | 56,157         | 39,708                                | 663                              | 2,234                     | 62,512         |
| Mortgage loans                        | -                                     | -                                | 15,576                    | -              | -                                     | -                                | 15,657                    | -              |
| Consumer loans                        | -                                     | -                                | 1,491                     | -              | -                                     | -                                | 1,808                     | -              |
| <b>Loans and accounts receivables</b> | <b>44,435</b>                         | <b>672</b>                       | <b>20,043</b>             | <b>56,157</b>  | <b>39,708</b>                         | <b>663</b>                       | <b>19,699</b>             | <b>62,512</b>  |
| Provision for loan losses             | (105)                                 | (7)                              | (48)                      | (20)           | (54)                                  | (1)                              | (39)                      | (23)           |
| <b>Net loans</b>                      | <b>44,330</b>                         | <b>665</b>                       | <b>19,995</b>             | <b>56,137</b>  | <b>39,654</b>                         | <b>662</b>                       | <b>19,660</b>             | <b>62,489</b>  |
| Guarantees                            | 484                                   | -                                | 18,349                    | 1,406          | 25,311                                | -                                | 18,244                    | 1,241          |
| <b>Contingent loans</b>               |                                       |                                  |                           |                |                                       |                                  |                           |                |
| Personal guarantees                   | -                                     | -                                | -                         | -              | -                                     | -                                | -                         | -              |
| Letters of credit                     | 23,816                                | -                                | -                         | -              | 187                                   | -                                | -                         | -              |
| Guarantees                            | 22,923                                | -                                | -                         | 894            | 12,778                                | -                                | -                         | 569            |
| <b>Contingent loans</b>               | <b>46,739</b>                         | <b>-</b>                         | <b>-</b>                  | <b>894</b>     | <b>12,965</b>                         | <b>-</b>                         | <b>-</b>                  | <b>569</b>     |
| Provisions for contingent loans       | (22)                                  | -                                | -                         | (4)            | (63)                                  | -                                | -                         | (1)            |
| <b>Net contingent loans</b>           | <b>46,717</b>                         | <b>-</b>                         | <b>-</b>                  | <b>890</b>     | <b>12,902</b>                         | <b>-</b>                         | <b>-</b>                  | <b>568</b>     |

The activity of loans to related parties during the periods ended on September 30, 2012 and December, 2011 is shown below:

|                 | As of September 30<br>2012            |                                  |                           |                | As of December 31<br>2011             |                                  |                           |                |
|-----------------|---------------------------------------|----------------------------------|---------------------------|----------------|---------------------------------------|----------------------------------|---------------------------|----------------|
|                 | Companies<br>of the<br>Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ | Companies<br>of the<br>Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ |
|                 | Opening balances as of January 1,     | 52,673                           | 663                       | 19,698         | 63,081                                | 52,237                           | 670                       | 19,817         |
| New loans       | 61,790                                | 21                               | 4,579                     | 8,685          | 40,471                                | 24                               | 5,260                     | 62,528         |
| Payments        | (23,289)                              | (12)                             | (4,234)                   | (14,715)       | (40,035)                              | (31)                             | (5,379)                   | (13,546)       |
| <b>Balances</b> | <b>91,174</b>                         | <b>672</b>                       | <b>20,043</b>             | <b>57,051</b>  | <b>52,673</b>                         | <b>663</b>                       | <b>19,698</b>             | <b>63,081</b>  |



**NOTE 32 - TRANSACTIONS WITH RELATED PARTIES, continued:**

**b) Assets and liabilities with related parties**

|  | As of September 30                    |                                  |                           |                | As of December 31                     |                                  |                           |                |
|--|---------------------------------------|----------------------------------|---------------------------|----------------|---------------------------------------|----------------------------------|---------------------------|----------------|
|  | 2012                                  |                                  |                           |                | 2011                                  |                                  |                           |                |
|  | Companies<br>of the<br>Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ | Companies<br>of the<br>Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ |
| <b>Assets</b>                            |                                       |                                  |                           |                |                                       |                                  |                           |                |
| Cash and deposits in banks               | 24,277                                | -                                | -                         | -              | 178,567                               | -                                | -                         | -              |
| Trading investments                      | -                                     | -                                | -                         | -              | -                                     | -                                | -                         | -              |
| Investments under repurchase agreements  | -                                     | -                                | -                         | -              | -                                     | -                                | -                         | -              |
| Financial derivative contracts           | 573,612                               | -                                | -                         | -              | 506,880                               | -                                | -                         | -              |
| Available for sale investments           | -                                     | -                                | -                         | -              | -                                     | -                                | -                         | -              |
| Other assets                             | 9,219                                 | -                                | -                         | -              | 4,617                                 | -                                | -                         | -              |
| <b>Liabilities</b>                       |                                       |                                  |                           |                |                                       |                                  |                           |                |
| Deposits and other demand liabilities    | 37,235                                | 4,330                            | 1,611                     | 10,823         | 5,057                                 | 4,009                            | 1,425                     | 16,782         |
| Obligations under repurchase agreements  | 32,350                                | -                                | -                         | -              | 137,191                               | -                                | -                         | -              |
| Time deposits and other time liabilities | 15,645                                | 323                              | 3,768                     | 60,459         | 248,206                               | 368                              | 3,627                     | 41,732         |
| Financial derivative contracts           | 429,209                               | -                                | -                         | -              | 396,538                               | -                                | -                         | -              |
| Issued debt instruments                  | 37,325                                | -                                | -                         | -              | 1,683                                 | -                                | -                         | -              |
| Other financial liabilities              | 175,292                               | -                                | -                         | -              | 58,848                                | -                                | -                         | -              |
| Other liabilities                        | 1,804                                 | -                                | -                         | -              | 1,339                                 | -                                | -                         | -              |

**c) Income (expenses) recorded with related parties**

|   | For the quarter ending as of September 30 |                                  |                           |                |                                    |                                  |                           |                |
|---|---|----------------------------------|---------------------------|----------------|------------------------------------|----------------------------------|---------------------------|----------------|
|   | 2012                                      |                                  |                           |                | 2011                               |                                  |                           |                |
|   | Companies<br>of the Group<br>MCh\$        | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ | Companies<br>of the Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ |
| <b>Income (expense) recorded</b>                          |   |                                  |                           |                |                                    |                                  |                           |                |
| Income and expenses from interest                         | (738)                                     | 4                                | 30                        | (608)          | (7,796)                            | 11                               | 292                       | (444)          |
| Income and expenses from fees                             | (454)                                     | 12                               | 22                        | 44             | 19,028                             | 9                                | 28                        | 65             |
| Net income from financial and foreign exchange operations | (51,011)                                  | -                                | (1)                       | (1,267)        | 98,001                             | -                                | (5)                       | (5,957)        |
| Other operating revenues and expenses                     | 159                                       | -                                | -                         | -              | (1,706)                            | -                                | -                         | -              |
| Key personnel compensation and expenses                   | -   | -                                | (7,713)                   | -              | -                                  | -                                | (8,621)                   | -              |
| Administrative and other expenses                         | (5,905)                                   | (6,886)                          | -                         | -              | (5,320)                            | (7,183)                          | -                         | -              |
| <b>Total</b>  | <b>(57,949)</b>                           | <b>(6,870)</b>                   | <b>(7,661)</b>            | <b>(1,831)</b> | <b>102,207</b>                     | <b>(7,163)</b>                   | <b>(8,306)</b>            | <b>(6,336)</b> |

BANCO SANTANDER CHILE AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 As of September 30, 2012 and 2011 and December 31, 2011



**NOTE 32 - TRANSACTIONS WITH RELATED PARTIES, continued:**

|   | For the 9-month period ending on September 30 |                                  |                           |                |                                    |                                  |                           |                 |
|---|---|----------------------------------|---------------------------|----------------|------------------------------------|----------------------------------|---------------------------|-----------------|
|   | 2012  |                                  |                           |                | 2011                               |                                  |                           |                 |
|   | Companies<br>of the Group<br>MCh\$            | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$ | Companies<br>of the Group<br>MCh\$ | Associated<br>companies<br>MCh\$ | Key<br>personnel<br>MCh\$ | Other<br>MCh\$  |
| <b>Income (expense) recorded</b>                          |   |                                  |                           |                |                                    |                                  |                           |                 |
| Income and expenses from interest                         | (10,876)                                      | 39                               | 614                       | (1,793)        | (12,923)                           | 41                               | 953                       | (2,415)         |
| Income and expenses from fees                             | (916)   | 35                               | 84                        | 156            | 58,741                             | 30                               | 84                        | 155             |
| Net income from financial and foreign exchange operations | (221,669)                                     | -                                | 1                         | 276            | 96,187                             | -                                | (19)                      | (8,658)         |
| Other operating revenues and expenses                     | 476   | -                                | -                         | -              | (4,184)                            | -                                | -                         | -               |
| Key personnel compensation and expenses                   | -   | -                                | (24,016)                  | -              | -                                  | -                                | (25,213)                  | -               |
| Administrative and other expenses                         | (17,630)                                      | (19,789)                         | -                         | -              | (17,421)                           | (18,664)                         | -                         | -               |
| <b>Total</b>  | <b>(250,615)</b>                              | <b>(19,715)</b>                  | <b>(23,317)</b>           | <b>(1,361)</b> | <b>120,400</b>                     | <b>(18,593)</b>                  | <b>(24,195)</b>           | <b>(10,918)</b> |

(\*) Reflects derivative contracts that hedge Group positions in Chile

**NOTE 32 - 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 the executives holding Manager positions, shown in the “Personnel salaries and expenses” and/or “Administrative expenses” items of the Consolidated Statement of Income, corresponds to the following categories:

|                            | <b>For the quarter ended<br/>as of September 30</b> |              | <b>For the 9-month period ended<br/>as of September 30</b> |               |
|----------------------------|---|--------------|--|---------------|
|                            | <b>2012</b>   | <b>2011</b>  | <b>2012</b>  | <b>2011</b>   |
|                            | <b>MCh\$</b>  | <b>MCh\$</b> | <b>MCh\$</b>   | <b>MCh\$</b>  |
| Personnel compensation     | 4,301   | 4,182        | 12,592   | 12,005        |
| Board members compensation | 252   | 274          | 766  | 732           |
| Bonuses or gratifications  | 2,488   | 2,608        | 8,288  | 8,230         |
| Compensation in stock      | 426   | 449          | 1,229  | 1,215         |
| Training expenses          | 74  | 28           | 131  | 87            |
| Seniority compensation     | -   | 634          | 12   | 1,314         |
| Health funds               | 72  | 70           | 216  | 200           |
| Other personnel expenses   | 123   | 99           | 300  | 286           |
| Pension plans              | (24)  | 277          | 482  | 1,144         |
| <b>Total</b>               | <b>7,712</b>  | <b>8,621</b> | <b>24,016</b>  | <b>25,213</b> |

**e) Composition of key personnel**

As of September 30, 2012 and December 31, 2011 the composition of the Bank’s key personnel is as follows:

| <b>Position</b>            | <b>No. of executives</b>           |                                   |
|----------------------------|------------------------------------|-----------------------------------|
|                            | <b>As of September 30<br/>2012</b> | <b>As of December 30<br/>2011</b> |
| Director                   | 14                                 | 13                                |
| Division manager           | 19                                 | 18                                |
| Department manager         | 85                                 | 88                                |
| Manager                    | 63                                 | 62                                |
| <b>Total key personnel</b> | <b>181</b>                         | <b>181</b>                        |

**NOTE 33 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:**

Fair value is defined as the amount at which a financial instrument (asset or liability) could be delivered or settled, respectively, on a given date between two independent knowledgeable parties who act freely and prudently (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.

**Measurement of fair value and hierarchy**

IAS 39 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 significance 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 the quoted prices included in level 1 that are observable for assets or liabilities, either directly or indirectly; and

Level 3: inputs for the asset or the 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 of input that is significant to fair value the measurement in its entirety.

The best evidence of a financial instrument's fair value at the initial time 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 input (Level 2) and, in very specific cases, significant inputs not observable in market data (Level 3).

Financial instruments at fair value and determined by quotations published in active markets (Level 1) include:

- 1) Chilean Government and Department of Treasure bonds

Instruments which cannot be 100% observable in the market are valued according to other inputs observable in the market (Level 2). They include:

- 1) Mortgage bonds
- 2) Private paper
- 3) Deposits
- 4) Average Chamber Swaps (CMS)
- 5) FX Forward and Inflation
- 6) Cross Currency Swaps (CCS)
- 7) FX Options
- 8) Interest Rate Swap (IRS) FX

**NOTE 33 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:**

In limited occasions significant inputs not observable in market data are used (Level 3). To carry out 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 Certificates (current flow value)  |   | Valuated by using similar instrument—rices 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 September 30, 2012 and December 31, 2011:

| As of September 30,            | 2012<br>MCh\$    | Fair value measurement |                  | Level 3<br>MCh\$ |
|--------------------------------|------------------|------------------------|------------------|------------------|
|                                |                  | Level 1<br>MCh\$       | Level 2<br>MCh\$ |                  |
| <b>Assets</b>                  |                  |                        |                  |                  |
| Trading investments            | 207,608          | 204,821                | 2,787            | -                |
| Available for sale investments | 1,729,682        | 1,121,528              | 606,595          | 1,559            |
| Derivatives                    | 1,476,209        | -                      | 1,405,855        | 70,354           |
| <b>Total</b>                   | <b>3,413,499</b> | <b>1,326,349</b>       | <b>2,015,237</b> | <b>71,913</b>    |
| <b>Liabilities</b>             |                  |                        |                  |                  |
| Derivatives                    | 1,349,272        | -                      | 1,348,099        | 1,173            |
| <b>Total</b>                   | <b>1,349,272</b> | <b>-</b>               | <b>1,348,099</b> | <b>1,173</b>     |

| As of December 31,             | 2011<br>MCh\$    | Fair value measurement |                  | Level 3<br>MCh\$ |
|--------------------------------|------------------|------------------------|------------------|------------------|
|                                |                  | Level 1<br>MCh\$       | Level 2<br>MCh\$ |                  |
| <b>Assets</b>                  |                  |                        |                  |                  |
| Trading investments            | 409,763          | 409,763                | -                | -                |
| Available for sale investments | 1,661,311        | 1,305,876              | 353,466          | 1,969            |
| Derivatives                    | 1,612,869        | -                      | 1,525,748        | 87,121           |
| <b>Total</b>                   | <b>3,683,943</b> | <b>1,715,639</b>       | <b>1,879,214</b> | <b>89,090</b>    |
| <b>Liabilities</b>             |                  |                        |                  |                  |
| Derivatives                    | 1,292,148        | -                      | 1,290,779        | 1,369            |
| <b>Total</b>                   | <b>1,292,148</b> | <b>-</b>               | <b>1,290,779</b> | <b>1,369</b>     |

**NOTE 33 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:**

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 September 30, 2012 and 2011:

|   | <u>Assets</u><br><u>MCh\$</u> | <u>Liabilities</u><br><u>MCh\$</u> |
|---|-------------------------------|------------------------------------|
| <b>As of January 1, 2012</b>  | <b>89,090</b>                 | <b>(1,369)</b>                     |
| <b>Total realized and unrealized profits (losses):</b>  |                               |                                    |
| Included in statement of income   | (16,767)                      | 196                                |
| Included in comprehensive income  | (410)                         | -                                  |
| Purchases, issuances, and allocations (net)   | -                             | -                                  |
| <b>As of September 30, 2012</b>   | <b>71,913</b>                 | <b>(1,173)</b>                     |
| <b>Total profits or losses included in income for 2012 that are attributable to change in unrealized profits (losses) related to assets or liabilities as of September 30, 2012</b> | <b>(17,177)</b>               | <b>196</b>                         |
|   | <u>Assets</u><br><u>MCh\$</u> | <u>Liabilities</u><br><u>MCh\$</u> |
| <b>As of January 1, 2011</b>  | <b>104,308</b>                | <b>(5,422)</b>                     |
| <b>Total realized and unrealized profits (losses):</b>  |                               |                                    |
| Included in statement of income   | (12,374)                      | 4,049                              |
| Included in comprehensive income  | 20                            | -                                  |
| Purchases, issuances, and allocations (net)   | -                             | -                                  |
| <b>As of September 30, 2011</b>   | <b>91,954</b>                 | <b>(1,373)</b>                     |
| <b>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 September 30, 2011</b> | <b>(12,354)</b>               | <b>4,049</b>                       |

The realized and unrealized profits (losses) included in income for 2012 and 2011, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Statement of Income in the line item "Net income from financial operations".

The potential effect as of September 30, 2012 and 2011 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 main assumptions if other reasonably possible assumptions that are less or more favorable were used, it is not considered by the Bank to be significant.

**NOTE 34 – SUBSEQUENT EVENTS**

Between October 1, 2012 and the date on which these Consolidated Interim Financial Statements were issued (October 29, 2012), no other events have occurred which could significantly affect their interpretation.

**FELIPE CONTRERAS FAJARDO**  
**Accounting Manager**

**CLAUDIO MELANDRI HINOJOSA**  
**Chief Executive Officer**