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 x 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 x

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 x

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 x

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

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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, 2012 (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 2012" 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: September 25, 2013

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
as of June 30, 2013 and December 31, 2012 and for the three-month and the six-month periods ended June 30, 2013 and 2012

Banco Santander Chile and Subsidiaries

Santander

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Banco Santander Chile and Subsidiaries
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	NOTE	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
ASSETS			
Cash and deposits in banks	5	1,328,980	1,250,414
Cash items in process of collection	5	680,705	520,267
Trading investments	6	240,513	338,287
Investments under resale agreements		10,875	6,993
Financial derivative contracts	7	1,440,411	1,293,212
Interbank loans, net	8	122,970	90,527
Loans and accounts receivables from customers, net	9	19,207,367	18,325,957
Available for sale investments	11	1,525,596	1,826,158
Held to maturity investments		-	-
Investments in associates and other companies		8,036	7,614
Intangible assets	12	70,832	87,347
Property, plant, and equipment	13	161,120	162,214
Current taxes	14	970	10,227
Deferred taxes	14	177,002	186,407
Other assets	15	526,420	655,217
TOTAL ASSETS		**25,501,797**	**24,760,841**
LIABILITIES			
Deposits and other demand liabilities	16	5,188,708	4,970,019
Cash items in process of being cleared	5	555,909	284,953
Obligations under repurchase agreements		312,648	304,117
Time deposits and other time liabilities	16	9,426,328	9,112,213
Financial derivative contracts	7	1,235,224	1,146,161
Interbank borrowings		1,417,747	1,438,003
Issued debt instruments	17	4,675,684	4,571,289
Other financial liabilities	17	185,972	192,611
Current taxes	14	4,713	525
Deferred taxes	14	6,430	9,544
Provisions		138,900	221,089
Other liabilities	19	189,230	341,274
TOTAL LIABILITIES		**23,337,493**	**22,591,798**
EQUITY			
Attributable to the Bank's shareholders		**2,136,835**	**2,134,778**
Capital		891,303	891,303
Reserves		1,130,962	975,460
Valuation adjustments	21	(2,170)	(3,781)
Retained earnings		**116,740**	**271,796**
Retained earnings from prior years		-	-
Income for the period		166,771	388,282
Minus: Provision for mandatory dividends		(50,031)	(116,486)
Non-controlling interest	23	**27,469**	**34,265**
TOTAL EQUITY		**2,164,304**	**2,169,043**
TOTAL LIABILITIES AND EQUITY		**25,501,797**	**24,760,841**

Santander

Banco Santander Chile and Subsidiaries
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF INCOME FOR THE PERIOD

		For the three months ended June 30,		For the six months ended June 30,	
	NOTE	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
OPERATING INCOME					
Interest income	24	413,671	455,980	839,468	958,813
Interest expense	24	(165,004)	(201,040)	(344,320)	(437,801)
Net interest income		**248,667**	**254,940**	**495,148**	**521,012**
Fee and commission income	25	86,008	90,940	173,536	181,891
Fee and commission expense	25	(25,383)	(24,355)	(50,117)	(47,672)
Net fee and commission income		**60,625**	**66,585**	**123,419**	**134,219**
Net income (loss) from financial operations (net trading income)	26	15,039	20,416	(1,834)	(13,780)
Foreign exchange profit, net	27	18,214	5,224	57,349	58,723
Other operating income	32	7,188	3,072	11,757	7,054
Net operating profit before provision for loan losses		**349,733**	**350,237**	**685,839**	**707,228**
Provision for loan losses	28	(86,655)	(78,575)	(179,513)	(156,856)
NET OPERATING PROFIT		**263,078**	**271,662**	**506,326**	**550,372**
Personnel salaries and expenses	29	(79,794)	(78,254)	(151,327)	(147,654)
Administrative expenses	30	(49,244)	(45,115)	(97,276)	(89,199)
Depreciation and amortization	31	(15,261)	(14,198)	(30,914)	(26,270)
Impairment	31	(146)	(34)	(173)	(88)
Other operating expenses	32	(12,870)	(14,042)	(25,673)	(29,350)
Total operating expenses		**(157,315)**	**(151,643)**	**(305,363)**	**(292,561)**
OPERATING INCOME		**105,763**	**120,019**	**200,963**	**257,811**
Income from investments in associates and other companies		667	660	1,149	1,107
Income before tax		**106,430**	**120,679**	**202,112**	**258,918**
Income tax expense	14	(20,293)	(14,055)	(34,530)	(33,148)
NET INCOME		**86,137**	**106,624**	**167,582**	**225,770**
Attributable to:					
Bank shareholders (Equity holders of the Bank)		85,892	105,808	166,771	224,163
Non-controlling interest	23	245	816	811	1,607
Earnings per share attributable to Bank shareholders: (expressed in Chilean pesos)					
Basic earnings	21	0.456	0.561	0.885	1.190
Diluted earnings	21	0.456	0.561	0.885	1.190

Banco Santander Chile and Subsidiaries
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

		For the three months ended June 30,		For the six months ended June 30,	
	NOTE	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
CONSOLIDATED NET INCOME		**86,137**	**106,511**	**167,582**	**225,609**
OTHER COMPREHENSIVE INCOME					
Available for sale investments	11	6,816	18,819	9,606	(2,180)
Cash flow hedge	21	(8,094)	4,704	(7,586)	3,608
Other comprehensive income before income tax		**(1,278)**	**23,523**	**2,020**	**1,428**
Income tax related to other comprehensive income	14	256	(4,255)	(403)	(237)
Total other comprehensive income (loss)		**(1,022)**	**19,268**	**1,617**	**1,191**
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		**85,115**	**125,779**	**169,199**	**226,800**
Attributable to:					
Bank shareholders (Equity holders of the Bank)		84,874	124,851	168,382	225,116
Non-controlling interest	23	241	928	817	1,684

Santander

Banco Santander Chile and Subsidiaries

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD

For the six months ended June 30, 2013 and 2012

		RESERVES		ACCUMULATED OTHER COMPREHENSIVE INCOME			RETAINED EARNINGS					
	Capital MCh$	Reserves and other retained earnings MCh$	Effects of merger of companies under common control MCh$	Available for sale investments MCh$	Cash flow hedge MCh$	Income tax MCh$	Retained earnings from prior years MCh$	Income for the period MCh$	Provision for mandatory dividends MCh$	Total attributable to shareholders MCh$	Non-controlling interest MCh$	Total Equity MCh$
Shareholders Equity as of December 31, 2011	**891,303**	**803,651**	**(2,224)**	**3,077**	**394**	**(639)**	**-**	**435,084**	**(130,525)**	**2,000,121**	**33,801**	**2,033,922**
Distribution of income from prior year	-	-	-	-	-	-	435,084	(435,084)	-	-	-	-
Shareholders Equity as of January 01, 2012	**891,303**	**803,651**	**(2,224)**	**3,077**	**394**	**(639)**	**435,084**	**-**	**(130,525)**	**2,000,121**	**33,801**	**2,033,922**
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(261,051)	-	130,525	(130,526)	(4,210)	(134,736)
Other changes in equity	-	174,033	-	-	-	-	(174,033)	-	-	-	(3)	(3)
Provisions for mandatory dividends	-	-	-	-	-	-	-	-	(67,249)	(67,249)	-	(67,249)
Subtotals	-	-	-	-	-	-	**(435,084)**	-	**63,276**	**(197,775)**	**(4,213)**	**(201,988)**
Other comprehensive income	-	-	-	(2,276)	3,608	(218)	-	-	-	1,114	77	1,191
Income for the period	-	-	-	-	-	-	-	224,163	-	224,163	1,607	225,770
Subtotals	**-**	**-**	**-**	**(2,276)**	**3,608**	**(218)**	**-**	**224,163**	**-**	**225,277**	**1,684**	**226,961**
Shareholders Equity as of June 30, 2012	**891,303**	**977,684**	**(2,224)**	**801**	**4,002**	**(857)**	**-**	**224,163**	**(67,249)**	**2,027,623**	**31,272**	**2,058,895**
Shareholders Equity as of December 31, 2012	**891,303**	**977,684**	**(2,224)**	**(10,041)**	**5,315**	**945**	**-**	**388,282**	**(116,486)**	**2,134,778**	**34,265**	**2,169,043**
Distribution of income from previous period	-	-	-	-	-	-	388,282	(388,282)	-	-	-	-
Shareholders Equity as of January 01, 2013	**891,303**	**977,684**	**(2,224)**	**(10,041)**	**5,315**	**945**	**388,282**	**-**	**(116,486)**	**2,134,778**	**34,265**	**2,169,043**
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(232,780)	-	116,486	(116,294)	(7,599)	(123,893)
Other changes in equity	-	155,502	-	-	-	-	(155,502)	-	-	-	(14)	(14)
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(50,031)	(50,031)	-	(50,031)
Subtotals	-	**155,502**	-	-	-	-	**(388,282)**	-	**66,455**	**(166,325)**	**(7,613)**	**(173,938)**
Other comprehensive income	-	-	-	9,599	(7,586)	(402)	-	-	-	1,611	6	1,617
Income for the period	-	-	-	-	-	-	-	166,771	-	166,771	811	167,582
Subtotals	-	-	-	**9,599**	**(7,586)**	**(402)**	-	**166,771**	-	**168,382**	**817**	**169,199**
Shareholders Equity as of June 30, 2013	**891,303**	**1,133,186**	**(2,224)**	**(442)**	**(2,271)**	**543**	**-**	**166,771**	**(50,031)**	**2,136,835**	**27,469**	**2,164,304**

Period	Total attributable to Bank shareholders MCh$	Allocated to reserves MCh$	Allocated to dividends MCh$	Percentage distributed %	Number of Shares	Dividend per share (in pesos)
Year 2012 (Shareholders Meeting April 2013) (*)	387,967	155,187	232,780	60	188,446,126,794	1,235
Year 2011 (Shareholders Meeting April 2012) (*)	435,084	174,033	261,051	60	188,446,126,794	1,385

(*) For presentation purposes this amount has been adjusted to reflect the requirements established by IAS 19 – Revised to initial balances for the first application against reserves retrospectively, however for dividend calculation the adjustment has not been considered. The adjustment amounted Ch$315 million and Ch$1,101 million as of December 31, 2012 and 2011.

Banco Santander Chile and Subsidiaries
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIOD

	NOTE	For the six months ended June 30, 2013 MCh$	2012 MCh$
A - CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED INCOME BEFORE TAX		**202,112**	**258,717**
Debits (credits) to income that do not represent cash flows		**(420,897)**	**(450,048)**
Depreciation and amortization	31	30,914	26,270
Impairment of property, plant, and equipment	13	173	88
Provision for loan losses	28	204,421	169,347
Mark to market of trading investments		(7,411)	(5,605)
Income from investments in other companies		(1,149)	(1,107)
Net gain on sale of assets received in lieu of payment	32	(10,428)	(5,995)
Provisions for assets received in lieu of payment		1,300	2,966
Net gain on sale of property, plant and equipment	32	(174)	(571)
Charge off of assets received in lieu of payment	32	4,033	4,505
Net interest income	24	(495,148)	(521,012)
Net fee and commission income	25	(123,419)	(136,698)
Debits (credits) to income that do not represent cash flows		(29,896)	6,828
Changes in assets and liabilities due to deferred taxes	14	5,887	10,936
Increase/decrease in operating assets and liabilities		**484,632**	**(90,359)**
Increase of loans and accounts receivables from customers, net		(959,718)	(994,089)
(Increase) decrease in foreign investments		398,337	(94,263)
(Investments in) proceeds from maturity of resale agreements (assets)		(3,882)	8,172
(Increase) decrease of Interbank loans		32,444	(57,847)
(Increase) decrease of assets received or awarded in lieu of payment		(5,236)	22,500
Increase of debits in checking accounts		88,452	74,512
Increase of time deposits and other time liabilities		319,871	1,001,797
Increase of other demand liabilities or time obligations		130,238	136,274
Decrease of obligations with foreign banks		(20,161)	(211,985)
Decrease of obligations with Central Bank of Chile		(95)	(311)
Increase (decrease) due to repurchase agreements (liabilities)		8,531	(174,464)
(Decrease) increase of other financial liabilities		(6,639)	10,782
Net increase of other assets and liabilities		(207,159)	(162,611)
Redemption of letters of credit		(19,554)	(26,354)
Senior bond issuances		358,884	129,548
Redemption of senior bonds and payments of interest		(199,786)	(375,962)
Interest received		763,623	968,633
Interest paid		(284,278)	(449,091)
Dividends received from investments in other companies		1,871	810
Fees and commissions received	25	173,536	181,875
Fees and commissions paid	25	(50,117)	(45,177)
Income tax paid	14	(34,530)	(33,108)
Net cash flow provided by (used in) operating activities		**265,847**	**(281,690)**

Banco Santander Chile and Subsidiaries
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIOD

	NOTE	For the six months ended June 30, 2013 MCh$	2012 MCh$
B - CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of property, plant, and equipment	13	(10,013)	(8,893)
Sales of property, plant, and equipment		202	143
Purchases of intangible assets	12	(3,541)	(8,743)
Net cash flow used in investment activities		**(13,352)**	**(17,493)**
C - CASH FLOWS FROM FINANCING ACTIVITIES			
From shareholders' financing activities		**(271,711)**	**(279,861)**
Increase of other obligations		-	77
Redemption of subordinated bonds and payments of interest		(38,931)	(18,887)
Dividends paid		(232,780)	(261,051)
From non-controlling interest financing activities		**(7,603)**	**(4,210)**
Dividends and/or withdrawals paid		(7,603)	(4,210)
Net cash flow used in financing activities		**(279,314)**	**(284,071)**
D – NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**(26,819)**	**(583,255)**
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		**(5,135)**	**(7,587)**
F - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		**1,485,730**	**2,980,668**
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	**5**	**1,453,776**	**2,389,826**

Reconciliation of provisions for the Unaudited Consolidated Interim Statement of Cash Flows for the period	For the six months ended June 30, 2013 MCh$	2012 MCh$
Provisions for loan losses for cash flows purposes	204,421	169,347
Recovery of loans previously charged off	(24,908)	(12,491)
Provision for loan losses - net	**179,513**	**156,856**

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

Banco Santander Chile (formerly Banco Santiago) is a corporation (sociedad anónima bancaria) organized under the laws of the Republic of Chile, headquartered at Bandera #140, Santiago, which provides a broad range of general banking services to its customers, from individuals to major corporations. Banco Santander Chile and its subsidiaries (collectively referred to herein as the “Bank” or “Banco Santander Chile”) offer commercial and consumer banking services, as well as other services, including factoring, collection, leasing, securities and insurance brokerage, mutual and investment fund management, and investment banking.

A Special Meeting of Shareholders of Banco Santiago was held on July 18, 2002, the minutes of which were notarized as a public deed on July 19, 2002 at the Notarial Office of Santiago in the presence of the Notary Nancy de la Fuente Hernández, and it was agreed to merge Banco Santander Chile with Banco Santiago by merging the former into the latter, which acquired the former’s assets and liabilities. It was likewise agreed to dissolve Banco Santander Chile in advance and change the name of Banco Santiago to Banco Santander Chile. This change was authorized by Resolution No.79 of the Superintendency of Banks and Financial Institutions (SBIF), adopted on July 26, 2002, published in the Official Journal on August 1, 2002 and registered on page 19,992 under number 16,346 for the year 2002 in the Registry of Commerce of the Curator of Real Estate of Santiago.

In addition to the amendments to the bylaws discussed above, the bylaws have been amended on multiple occasions, the last time at the Special Shareholders Meeting of April 24, 2007, the minutes of which were notarized as a public deed on May 24, 2007 at the Notarial Office of Nancy de la Fuente Hernández. This amendment was approved pursuant to Resolution No.61 of June 6, 2007 of the Superintendency of Banks and Financial Institutions. An extract thereof and the resolution were published in the Official Journal of June 23, 2007 and registered in the Registry of Commerce for 2007 on page 24,064 under number 17,563 of the aforementioned Curator.

By means of this last amendment, Banco Santander Chile, pursuant to its bylaws and as approved by the Superintendency of Banks and Financial Institutions, may also use the names Banco Santander Santiago or Santander Santiago or Banco Santander or Santander.

Banco Santander Spain controls Banco Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones S.A. and Santander-Chile Holding S.A., which are controlled subsidiaries of Banco Santander Spain. As of December 31, 2013 Banco Santander Spain owns or controls directly and indirectly 99.5% of the Santander-Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones S.A. This gives Banco Santander Spain control over 67,18% of the Bank’s shares.

a) Basis of preparation

These Unaudited 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), the Chilean regulatory agency. The General Banking Law set out in its article 15 indicates that, that banks must apply accounting standards established by SBIF. In any other matter, the Bank must apply general accepted standards issued by the Colegio de Contadores de Chile A.G (Association of Chilean Accountants), which coincide with International Financial Reporting Standards (IFRS). In the event of discrepancies between the accounting principles and accounting standards issued by the SBIF (Compendium of Accounting Standards), the latter shall prevail.

For purposes of these financial statements we use certain terms and conventions. References to “US$”, “U.S. dollars” and “dollars” are to United States dollars, references to “EUR” are to European Economic Community Euro, references to “CNY” are to Chinese Yuan or renminbi , references to “CHF” are to Swiss franc, references to “Chilean pesos,” “pesos” or “Ch$” are to Chilean pesos, and references to “UF” are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The unaudited consolidated interim financial statements as of June 30, 2013 and December 31, 2012 and for the three-month and six-month periods ended June 30, 2013 and 2012, respectively, incorporate the financial statements of the Bank and its controlled entities (its subsidiaries). Control is achieved when the Bank meets the following requirements under IFRS 10. Specifically, the Bank controls an investee if and only if the Bank has all the following:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
ii. Exposure, or rights, to variable returns from its involvement with the investee; and
iii. The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous Shareholders' meetings.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are consolidated with those of the Bank. Accordingly, when necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies and 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 Unaudited Consolidated Interim Statement of Financial Position. Their share in the income for the period is presented under "Attributable to non-controlling interests" in the Unaudited Consolidated Interim Statement of Income.

The following companies are considered entities controlled by the Bank and are therefore within the scope of consolidation:

i. Entities controlled by the Bank through participation in equity

	Percent ownership share								
	As of June 30,			As of December 31,			As of June 30,		
	2013			2012			2012		
Subsidiaries	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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Entities controlled by the Bank through other considerations

- 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 properties leasing)

iii. Investments in associates

Associates are those entities over which the Bank exercises significant influence, usually because it holds 20% or more of the entity's voting power. Investments in associates are accounted for using the "equity method."

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

	Percent ownership share		
	As of June 30, 2013	As of December 31, 2012	As of June 30, 2012
Associates	%	%	%
Redbanc S.A.	33.43	33.43	33.43
Transbank S.A.	25.00	25.00	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.	14.14	14.14	11.52
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., Banco Santander Chile has a representative on the Board of Directors. According to this, the Bank has concluded that it exerts significant influence over those entities.

iv. Share or rights in other companies

The Bank and its subsidiaries have certain investments in share because they are required to obtain such right in order to operate their business. The ownership interest in these companies is less than 1%. These holdings are shown at purchase value.

c) Non-controlling interest

Non-controlling interest represents the portion of gains and losses and net assets not attributable, directly or indirectly, to the Bank. It is presented as "Attributable to non-controlling interest" separately in the Unaudited Consolidated Interim Statement of Income, and separately from shareholders' equity in the Unaudited Consolidated Interim Statement of Financial Position.

d) Operating segments

The Bank discloses separate information for each operating segment that:

i. has been identified as such;
ii. exceeds the quantitative thresholds required for a segment.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 policies of the International Financial Reporting Standards N°8 "Operating Segments" (IFRS 8) and the segments have similar economic characteristics and are similar in each of the following respects:

i. the nature of the products and services;
ii. the nature of the production processes;
iii. the type or class of customers that use their products and services;
iv. the methods used to distribute their products or services; and
v. if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

The Bank reports separately on each operating segment that exceeds any of the following quantitative thresholds:

i. Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined internal and external revenue of all operating segments.

ii. The absolute amount of its reported profit or loss is 10% or more of the greater in absolute amount of: (i) the combined reported profit of all the operating segments that did not report a loss and; (ii) the combined reported loss of all operating segments that reported a loss.

iii. Its assets represent 10% or more of the combined assets of all 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 would be useful to users of the financial statements.

Information about operating segments not separately reported (and not meeting the requirements to report separately) is aggregated and disclosed in the "Other segments" category.

According to the information presented, the Bank's segments were determined under the following definitions: An operating segment is a component of an entity:

i. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses from transactions with other components of the same entity);
ii. whose operating results are regularly reviewed by the entity's chief executive officer, who makes decisions about resources allocated to the segment and assess its performance; and
iii. for which discrete financial information is available.

e) Functional and presentation currency

According to International Accounting Standard No.21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21), the Chilean peso, which is the currency of the primary economic environment in which the Bank operates and the currency which influences its costs and revenues structure, has been defined as the Bank's functional and presentation currency.

Accordingly, all balances and transactions denominated in currencies other than the Chilean Peso are treated as "foreign currency."

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 rates used were Ch$508.15 and 501.05 per US$1 as of June 30, 2013 and 2012 respectively (Ch$478.85 per US$1 as of December 31, 2012).

The amounts of net foreign exchange profits and losses include recognition of the effects that exchange rate fluctuations have on assets and liabilities denominated in foreign currencies and the profits and losses on foreign exchange spot and forward transactions undertaken by the Bank.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A “Financial derivative” is a financial instrument whose value changes in response to the changes in an observable market variable (such as an interest rate, a foreign exchange rate, a financial instrument’s price, or a market index, including credit ratings), whose initial investment is very small compared with other financial instruments having a similar response to changes in market factors, and which is generally settled at a future date.

“Hybrid financial instruments” are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

ii. Classification of financial assets for measurement purposes

The financial assets are initially classified into the various categories used for management and measurement purposes.

Financial assets are included for measurement purposes in one of the following categories:

- Trading investments portfolio (at fair value through profit and loss): this category includes the financial assets acquired for the purpose of generating profits in the short term from fluctuations in their prices. This category includes the portfolio of trading investments and financial derivative contracts not designated as hedging instruments.

- Available for sale investments portfolio, includes debt instruments not classified as: “held-to-maturity investments,” “Credit investments (loans and accounts receivable from customers or interbank loans)” or “Financial assets at fair value through profit or loss.” Available for sale (AFS) investments are initially recorded at cost, which includes transaction costs that are directly attributable to the acquisition. 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 arising from changes in fair value are recorded as a debit or credit under the heading “Other comprehensive income” within equity. When these investments are disposed or become impaired, the cumulative gains or losses previously recognized in “Other comprehensive income” are transferred to the Unaudited 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, less any impairment losses established when their carrying amount exceeds the present value of estimated future cash flows, using the effective interest method.

- Credit investments (loans and accounts receivable from customers or interbank loans): this category includes financing granted to third parties, based on their nature, regardless of the class of borrower and the form of financing. Includes loans and accounts receivable from customers, interbank loans, and financial lease transactions in which the Bank acts as lessor. Loans and receivable shall be measured at amortized cost using the effective interest method.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Classification of financial assets for presentation purposes

Financial assets are classified by their nature into the following line items in the consolidated financial statements:

- Cash and deposits in banks: This line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions. Amounts invested or received as overnight deposits are included in this item.

- Cash items in process of collection: This item includes the values of executed transactions which 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 stand-alone 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 Unaudited 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.

  - 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 classified as available for sale.

iv. Classification of financial liabilities for measurement purposes

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

Financial liabilities are included, for measurement purposes, in one of the following categories:

- Financial liabilities held for trading (at fair value through profit or loss): financial liabilities issued to generate short-term profits from fluctuations in their prices, financial derivatives not deemed to qualify for hedge accounting and financial liabilities arising from firm commitment of financial assets purchased under repurchase agreements or borrowed ("short positions").

- Financial liabilities at amortized cost: financial liabilities, regardless of their class and maturity, not included in any of the aforementioned categories which arise from the borrowing activities of financial institutions.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

v. Classification of financial liabilities for presentation purposes

The financial liabilities are classified by their nature into the following line items in the Unaudited Consolidated Interim Statement of Financial Position:

- Deposits and other demand liabilities: this item includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations whose payment may be required during the period are deemed to be on-demand obligations. Operations which become callable the day after the closing date are not treated as on-demand obligations.

- Cash items in process of being cleared: this item includes the balances of asset purchases that are not settled on the same day and for sales of foreign currencies not delivered.

- Obligations under repurchase agreements: this item includes the balances of sales of financial instruments under repurchase and loan agreements. According to actual applicable regulation, the Bank does not record instruments acquired under repurchase agreements in 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 8.

  - 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.

- Debt instruments issued: This encompasses three items; Obligations under letters of credit, Subordinated bonds and Senior bonds placed in the local and foreign market.

- Other financial liabilities: This item includes credit obligations to persons other than domestic banks, foreign banks, or the Central Bank of Chile, for financing purposes or operations in the normal course of business.

h) Valuation of financial assets and liabilities and recognition of fair value changes

In general, financial assets and liabilities are initially recorded at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss includes transaction costs. Subsequently, and at the end of each reporting period, they are measured pursuant to the following criteria:

i. Valuation of financial assets

Financial assets are measured according to their fair value, gross of any transaction costs that may be incurred for their sale, except for loans and accounts receivable.

According to IFRS 13 *Fair Value Measurement* (effective date from January 1, 2013), “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 in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value an entity shall take into account thecharacteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. Even when there is no observable market to provide pricing information about the sale of an asset or the transfer of a liability at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset or owns the liability. That assumed transaction establishes a basis for estimating the price to sell the asset or to transfer the liability.

When using valuation techniques, the Bank shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs as available. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorised within the fair value hierarchy (ie Level 1, 2 or 3). IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

All derivatives are recorded in the Unaudited 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 on 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 Unaudited 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. Also, within the fair value of derivatives are included Credit Valuation Adjustment (CVA), all with the objective that the fair value of each instrument includes the credit risk of its counterparty.

“Loans and accounts receivable from customers” and “Held-to-maturity investments” are measured at amortized cost using the “effective interest method.” “Amortized cost” is the acquisition cost of a financial asset or liability, plus or minus, as appropriate, prepayments of principal and the cumulative amortization (recorded in the consolidated income statement) of the difference between the initial cost and the maturity amount as calculated under the effective interest rate method. For financial assets, amortized cost also includes any reductions for impairment or uncollectibility. For loans and accounts receivable designated as hedged items in fair value hedges, the changes in their fair value related to the risk or risks being hedged is recorded in “Net income from financial operations”.

The “effective interest rate” is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows over its remaining life. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, are a part of the financial return. For floating-rate financial instruments, the effective interest rate coincides with the rate of return prevailing until the next benchmark interest reset date.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying assets and are settled by delivery of those instruments are measured at acquisition cost, adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recorded represent, in all material respects, the Bank’s maximum exposure to credit risk at each reporting date. The Bank has also received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, equity instruments and personal securities, assets leased out under leasing and rental agreements, assets acquired under repurchase agreements, securities loans and derivatives.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Valuation of financial liabilities

In general, financial liabilities are measured at amortized cost, as defined above, except for those financial liabilities designated as hedged items or hedging instruments and financial liabilities held for trading, which are measured at fair value.

iii. Valuation techniques

Financial instruments at fair value, determined on the basis of price quotations in active markets, include government debt securities, private sector debt securities, equity shares, short positions, and fixed-income securities issued.

In cases where price quotations cannot be observed, 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 June 30, 2013 and 2012 and as of December, 2012 by the Bank's internal models to determine the fair value of the financial instruments are as follows:

i. In the valuation of financial instruments permitting static hedging (mainly "forwards" and "swaps"), the "present value" method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.

ii. In the valuation of financial instruments requiring dynamic hedging (mainly structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation indexes and market liquidity.

iii. In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

The fair value of the financial instruments arising from the aforementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, quoted market price of shares, volatility and prepayments, among others. 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 Unaudited Consolidated Interim Statement of Income, distinguishing between those arising from the accrual of interest, which are recorded under interest income or interest expense as appropriate, and those arising for other reasons, which are recorded at their net amount under "Net income from financial operations".

In the case of trading investments, the fair value adjustments, interest income, indexation adjustment and foreign exchange, are included in the Unaudited Consolidated Interim Statement of Income under "Net income from financial operations."

Adjustments due to changes in fair value from:

- "Available-for-sale instruments" are recorded and accumulated under the heading "Other comprehensive income" within Equity.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- When AFS instruments are disposed of or determined to be impaired, the cumulative gain or loss previously accumulated as "Other comprehensive income" is reclassified to the Unaudited 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, the gains or losses arising on both hedging instruments and the hedged items (attributable to the type of risk being hedged) are recorded directly in the Unaudited Consolidated Interim Statement of Income.

b. In fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments are recorded directly in the Unaudited Consolidated Interim Statement of Income, whereas gains or losses due to changes in fair value of the hedged item (attributable to the hedged risk) are recorded in the Unaudited Consolidated Interim Statement of Income as a charge or credit, as applicable, 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 under the heading "Cash flow hedge" within Equity component "Other comprehensive income", until the hedged transaction occurs, thereafter being recorded in the Unaudited Consolidated Interim Statement of Income, unless the hedged 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Unaudited Consolidated Interim Statement of Income under “Net income from financial operations”.

If a derivative designated as a hedging instrument no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a “trading derivative.” When “fair value hedging” is discontinued, the fair value adjustments to the carrying amount of the hedged item arising from the hedged risk are 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 “Other comprehensive income” (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 Unaudited Consolidated Interim Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recorded immediately in the Unaudited Consolidated Interim Statement of Income.

vi. Derivatives embedded in hybrid financial instruments

Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as “Other financial assets (liabilities) at fair value through profit or loss” or as “Trading investments portfolio”.

vii. Offsetting of financial instruments

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

viii. Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent and the manner in which the risks and rewards associated with the transferred assets are transferred to third parties:

i. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is derecognized from the Unaudited 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 of ownership associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements at a fixed price or at the sale price plus interest, securities lending agreements under which the borrower undertakes to return the same or similar assets, and other similar cases, the transferred financial asset is not derecognized from the Unaudited 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:

- An associated financial liability for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.
- Both the income from the transferred (but not removed) financial asset as well as any expenses incurred on the new financial liability.

iii. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership associated with the transferred financial asset—as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases—the following distinction is made:

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. If the transferor does not retain control of the transferred financial asset: the asset is removed from the Unaudited Consolidated Interim Statements of Financial Position and any rights or obligations retained or created in the transfer are recorded.

2. If the transferor retains control of the transferred financial asset: it continues to be recorded in the Unaudited Consolidated Interim 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 Unaudited 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 of ownership have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized from the Unaudited Consolidated Interim Statements of Financial Position when the obligations specified in the contract are discharged or cancelled or the contract has matured.

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 Unaudited Consolidated Interim Statement of Income unless they have been actually received.

This interest and these adjustments are generally referred to as “suspended” and are recorded in suspense accounts which are not part of the Unaudited Consolidated Interim Statements of Income. Instead, they are reported as part of the complementary information thereto and as memorandum accounts (Note 24). This interest is recognized as income, when collected.

The resumption of interest income recognition of previously impaired loans only occurs when such loans became current (i.e., payments were received such that the loans are contractually past-due for less than 90 days) or they are no longer classified under the C3, C4, C5, or C6 categories (for loans individually evaluated for impairment).

Dividends received from companies classified as “Investments in associates and 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 Unaudited 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 through profit or loss are recognized when they are earned or 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-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iv. Loan arrangement fees

Fees that arise as a result of the origination of a loan, mainly application and analysis-related fees, are deferred and charged to in the Unaudited Consolidated Interim Statement of Income over the term of the loan.

Regarding fees arising as a result of new products, the Bank immediately records within the Unaudited Consolidated Interim Statements of Income the portion that corresponds to direct costs related to loan origination.

j) Impairment

i. Financial assets:

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

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 have an impact on the estimated future cash flows of a financial asset or group of financial assets.

An impairment loss relating to financial assets recorded at amortized cost is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

Individually significant financial assets are individually tested to determine their impairment. The remaining financial assets are evaluated collectively in groups that share similar credit risk characteristics.

All impairment losses are recorded in Unaudited Consolidated Interim Statement of Income. Any cumulative loss relating to a financial asset available for sale previously recorded in equity is transferred to profit or loss upon the occurrence of an impairment loss.

The reversal of an impairment loss only occurs if it can be objectively related to an event occurring after the initial impairment loss was recorded. This reversal is always recorded through income.

ii. Non-financial assets:

The Bank's non-financial assets, excluding investment properties, are reviewed at reporting date to determine whether they show signs of impairment (i.e. its carrying amount exceeds its recoverable amount). If such evidence exists, the amount to be recovered from the assets is then estimated.

In connection with other assets, impairment losses recorded in prior periods are assessed at each reporting date to determine whether the loss has decreased 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 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:

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 for assets which are intended to be held for continuing own use and tangible assets acquired under finance leases) are accounted at acquisition cost less the related accumulated depreciation and, if applicable, any impairment losses (net carrying amount higher than recoverable amount).

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.

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

ITEM	Useful Life (Months)
Land	-
Paintings and works of art	-
Assets retired for disposal	-
Carpets and curtains	36
Computers and hardware	36
Vehicles	36
Computational systems and software	36
ATM’s	60
Machines and equipment in general	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Installations in general	120
Security systems (acquisitions up to October 2002)	120
Buildings	1,200

The consolidated entities assess at each reporting date whether there is any indication that the carrying amount of any of their tangible assets’ exceeds its recoverable amount. If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life, if the useful life needs to be revised.

Similarly, if there is an indication of a recovery in the value of a tangible asset, the consolidated entities record the reversal of the impairment loss recorded in prior periods and adjust the future depreciation charges accordingly. In no circumstance may the reversal of an impairment loss on an asset increase its carrying amount above the one it would have had if no impairment losses had been recorded in prior years.

The estimated useful lives of the items of property, plant and equipment held for own use are reviewed at least at the end of each reporting period to detect significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recorded in the Unaudited 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Assets leased out under operating leases

The criteria used to record the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives, and to record the impairment losses thereof, are consistent with those described in relation to property, plant and equipment held for own use.

l) Leasing

i. Finance leases

Finance leases are leases that substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessor of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the lessee's purchase option at the end of the lease term, is recognized as loans to third parties and is therefore included under "Loans and accounts receivable from customers" in the Unaudited Consolidated Interim Statements of Financial Position.

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

iii. Sale and leaseback transactions

For sale at fair value and operating leasebacks, the gain or loss generated is recorded at the time of sale. In the case of finance leasebacks, the gain or loss generated is amortized over the lease term.

m) Factored receivables

Factored receivables are valued at the amount disbursed by the Bank in exchange 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 Unaudited 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 assignee, the Bank assumes the risks of insolvency of the parties responsible for payment.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 in Central Bank of Chile, deposits in domestic banks and deposits in foreign banks.
ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.
iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
iv. Financing activities: Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

p) Allowance for loan losses

The Bank has established allowances to cover probable losses on loans and account receivables in accordance with instructions issued by Superintendency of Banks and Financial Institutions. These models and risk assessment have been approved by the 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 Bank performs an assessment of loans and account receivable from customers to determine their allowance for loan losses in accordance with:

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Individual assessment - When the Bank assess a debtor as individually significant, or when cannot be classified within a group of financial assets with similar credit risk characteristics, due to their size, complexity or level of exposure.

- Collective assessment – A group assessment is relevant for analyzing a large number of operations with small individual balances from individuals or small-size companies. The Bank group debtors with similar credit risk characteristics giving to each group a default probability and recovery rate based on a historical analysis.

The models used to determine credit risk allowances are described below:

I. Allowance for individual evaluations

An individual assessment of commercial debtors is necessary in accordance with the SBIF, in the case of companies which, due to their size, complexity or level of exposure, must be known and analyzed in detail.

The Bank assigns to each debtor, his contingent loans and loans a risk category, after assigning them to one of the following portfolio categories: Normal, Substandard and Impaired. The risk factors used are: industry or economic sector, owners or managers, financial situation and payment capacity, and payment behavior.

The portfolio categories and their definitions are as follows:

i. Normal Portfolio includes debtors with a payment capacity that allows them to comply with their obligations and commitments and there 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 deterioration of their payment capacity and about which are reasonable doubts about the reimbursement of the capital and interest within the contractual terms, showing low margin to fulfill their short-term financial obligations. The classifications assigned to this portfolio are categories from B1 to B4.

iii. Impaired Portfolio includes debtors and their loans from which payment is considered remote since they show a deteriorated or null payment capacity, with signs of a possible bankruptcy, who required a forced debt restructuring or 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 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Normal and Substandard Compliance Portfolio

As part of individual assessment, the Bank classifies debtors into the following categories, assigning them a probability of non-performance (PNP) and severity (SEV), which result in the expected loss percentages.

Type of Portfolio	Debtor's Category	Probability of Non-Performance (%)	Severity (%)	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

At the beginning, the Bank determines all credit exposure, which includes the accounting balances of loans and accounts receivable from customers plus contingent loans, minus any amount recovered through executing the guarantees. To the exposure amount thus determined is applied the respective expected loss percentages.

Impaired Portfolio

The provisions over impaired portfolio include determining, at first, the expected loss rate, deducting any amount recovered by guarantee execution and the present value of recoveries through collection actions, net of related expenses.

Once expected loss range is determined, the related allowance percentage is applied over the exposure amount, which include loans plus contingent loans related to a debtor.

The allowance percentages applied over exposure are 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%

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

II. Allowance for group evaluations

The collective evaluation is relevant to address a large number of smaller balance loans related to individuals and small-size companies.

Levels of required allowances have been established by the Bank, in accordance with loan losses methodology by classifying and grouping the loan portfolio based on similar credit risk characteristic indicative of debtor's ability to pay all amounts due according to the contractual terms. The Bank uses models based on debtors' characteristics, payment history, due and default loans, among others.

The Bank uses methodologies to establish credit risk, based on internal models to estimate the allowances for the group-evaluated portfolio, which include non-individually commercial significant loans, mortgage and consumer loans (including installment loans, credit cards and overdraft lines). These methodologies allow the Bank to independently identify the portfolio behavior and establish the provision required to cover losses arising during the year.

The customers are classified according to their internal and external characteristics, using customer-portfolio model to differentiate each portfolio's risk in an appropriate manner. This is known as the allocation profile method.

The allocation profile method is based on a statistical construction model that establishes a relation through logistic regression between variables such as default, payment behavior outside the Bank, socio-demographic data, among others, and a response variable which determines the client's risk, in this case is 90 or more delinquency days. Afterwards, common profiles are established and assigned a Probability of Non-Performance (PNP) and a recovery rate based on a historical analysis known as Severity (SEV).

Therefore, once the customers have been profiled and assigned a PNP and a SEV relating to the loan's profile, the exposure at default (EXP) is calculated. This exposure includes the book value of the loans and accounts receivable from the customer, plus contingent loans, minus any amount that can be recovered by executing guarantees (for credits other than consumer loans).

Changes in accounting estimates

In 2012, and as a response to the ongoing improvement and monitoring process of the allowance models, the Bank updated its allowance model for consumer loans. Until June 2012, estimated loss rates were established by the historical behavior of charge-offs net of recoveries for each risk profile. This methodology only considered historical debt data for each specific profile and did not include the use of any other statistical information. Since June 2012, loss rate has been estimated as the product of the Probability of Non-Performance (PNP) and Severity (SEV); established according to the historical behavior of the profiles and based on a historical analysis properly supported. These changes had an effect on Consolidated Statement of Income for MCh$ 24,756 in June 2012. The effect of these improvements was considered as a change of estimate according to International Accounting Standard No 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; therefore, the effect was reported on the Unaudited Consolidated Interim Financial Statements.

According to the Management, it is impracticable to determine the effects of these changes in accounting estimate for future periods.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

III. Additional provisions

According to 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 Standards, these provisions will be recorded in liabilities, similar to provisions for contingent loans. The Bank has not recorded provisions for this concept to date.

IV. Charge-offs

As a general rule, charge-offs should be done when the contract rights over cash flow expire. In the case of loans and account receivable from customers, even if the above does not happen, the Bank will charge-off these amounts in accordance with Title II of Chapter B-2 of the Compendium of Accounting Standards (SBIF).

These charge-offs refer to derecognition from Unaudited Consolidated Interim Statements of Financial Position of the corresponding loans operations, therefore, includes a no past due portion of a loan in the case of installments loans or leasing operations (no partial charge-offs exists).

Charge-offs are always recorded under provision for loan losses through the Unaudited Consolidated Interim Statement of Income for the period in accordance with Chapter B-1 of the Compendium of Accounting Standards (SBIF), no matter what causes the charge-off. Subsequent payments obtained from charge-off operations will be recognized at the Unaudited Consolidated Interim Statement of Income as recovery of loan previously charge-off.

Loan and accounts receivable charge-offs are recorded on overdue, past due, and current installments based on the past due deadlines presented below:

Type of loan	Term
Consumer loans with or without collateral	6 months
Other transactions without collateral	24 months
Business credits with collateral	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-mortgage leasing transactions	12 months
Mortgage leasing (household and business)	36 months

Any renegotiation of an already charged-off loan will not give rise to income—as long as the operation is still in an impaired status—and the effective payments received when removed from impaired status are accounted as recovery from loans previously charged off.

Renegotiated loans shall recognized as an asset if no longer impaired.

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 Unaudited Consolidated Interim Statement of Income as a reduction of provision for loan losses.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

q) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Unaudited 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 reliably 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 non-occurrence if one or more uncertain future events that are not wholly within control of the Bank.

The following are classified as contingent in the supplementary information:

i. Guarantees and bonds: Encompasses guarantees, bonds, standby letters of credit and guarantees of payment from buyers in factored receivables.

ii. Confirmed foreign letters of credit: Encompasses letters of credit confirmed by the Bank.

iii. Documentary letters of credit: Includes documentary letters of credit issued by the Bank, which have not yet been negotiated.

iv. Documented guarantees: Guarantees with promissory notes.

v. Interbank guarantee: Guarantees issued.

vi. Unrestricted credit lines: The unused amount of credit lines that allow customers to draw without prior approval by the Bank (for example, using credit cards or overdrafts in checking accounts).

vii. Other credit commitments: Amounts not yet lent under committed loans, which must be disbursed at an agreed future date when events contractually agreed upon with the customer occur, such as in the case of lines of credit linked to the progress of a construction or similar projects.

viii. Other contingent credits: Includes any other kind of commitment by the Bank which may exist and give rise to lending when certain future events occur. In general, this includes unusual transactions such as pledges made to secure the payment of loans among third parties or derivative contracts made by third parties that may result in a payment obligation and are not covered by deposits.

The consolidated interim, as well as 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 reporting period and are used to address the specific liabilities for which they were originally recognized. Partial or total reversals are recognized when such obligations cease to exist or are reduced.

Provisions are classified according to the obligation covered as follows:

- Provision for employee salaries and expenses.
- Provision for mandatory dividends
- Allowance for contingent credit risks
- Provisions for contingencies

r) Deferred income taxes and other deferred taxes

The Bank records, when appropriate, deferred tax assets and liabilities for the estimated future tax effects attributable to differences between the carrying amount of assets and liabilities and their tax bases. The measurement of deferred tax assets and liabilities is based on the tax rate, according to the applicable tax laws, using the tax rate that applies to the period when the deferred asset and liability is settled. The future effects of changes in tax legislation or tax rates are recorded in deferred taxes beginning on the date on which the law approving such changes is published.

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 policies require that assets or liabilities be recorded or disclosed at their fair values. The fair value is 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. When available, quoted market prices in active markets have been used as the basis for measurement. When quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of modeling and other valuation techniques.

The Bank has established allowances to cover incurred losses, therefore, to estimate the allowances, they must be regularly evaluated taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers' payment capacity. Increases in the allowances for loan losses are reflected as "Provision for loan losses" in the Unaudited Consolidated Interim Statement of Income. Loans are charged-off when management determines that a loan or a portion thereof is uncollectible. Charge-offs are recorded as a reduction of the provisions for loan losses.

The relevant estimates and assumptions are regularly reviewed by the Bank's Management to quantify certain assets, liabilities, revenues, expenses, and commitments. Revised accounting estimates are recorded in the period in which the estimate is revised and in any affected future period.

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

- Impairment losses of certain assets (Notes 7, 8, 9, and 31)
- The useful lives of tangible and intangible assets (Notes 12, 13, and 31)
- The fair value of assets and liabilities (Notes 6, 7, 11, and 34)
- Commitments and contingencies (Note 20)
- Current and deferred taxes (Note 14)

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 amount or fair value minus cost of sales.

As of June 30, 2013 and 2012 and December 31, 2012 the Bank has not classified any non-current assets as held for sale.

<u>Assets received or awarded in lieu of payment</u>

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognized at their fair value (as determined by an independent appraisal). A price is agreed upon by the parties through negotiation, or, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction. In the latter case, an independent appraisal is performed. Any excess of the fair value over the outstanding loan balance, less costs to sell of the collateral, is returned to the client.

These assets are subsequently adjusted to their net recoverable amount less cost to sale (assuming a forced sale). The difference between the fair value of the asset and the estimated net recoverable amount less costs to sell is charged to net income for the period, under "Other operating expenses". The result obtained in the sale of the asset is subsequently recorded under "Other operating income".

Independent appraisals are obtained at least every 18 months and fair values are adjusted accordingly. No adjustments have been made between appraisals considering the stability of the real estate market in Chile during past years and the expected stability of the real estate market in the coming years.

At least once a year, the Bank performs the necessary analysis to update these assets' costs to sell. According to the Bank's survey, as of June 30, 2013 the average cost to sell was estimated at 5.2% of the appraised value (5.5% as of June 30, 2012).

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 year.

Diluted earnings per share are determined in the same way as basic earnings per share, but the weighted average number of outstanding shares is adjusted to take into account the potential diluting effect of stock options, warrants, and convertible debt.

As of June 30, 2013 and 2012 and December 31, 2012 the Bank did not have any instruments that generated diluting effects.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Unaudited Consolidated Interim Statements of Financial Position 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 Unaudited Consolidated Interim Statements of Financial Position. Management fees are included in "Fee and commission income" in the Unaudited Consolidated Interim Statement of Income.

x) Provision for mandatory dividends

As of June 30, 2013 and 2012, and December 31, 2012 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy. Under Article No 79 of the Corporations Act, at least 30% of net income for the period should be distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded, as a deducting item, in the "Retained earnings – Provision for mandatory dividends" in the Unaudited Consolidated Interim Statement of Financial Position.

y) Employee benefits

i. Post-employment benefits – Defined benefit plan:

According to current collective bargaining and other labor agreements, the Bank has undertaken to supplement the benefits granted by the public systems corresponding to certain employees and to their beneficial right holders, for retirement, permanent disability or death, outstanding salaries and compensations, contributions to pension funds for active employees and post-employment social benefits.

Features of the Plan:

The main features of the Post-Employment Benefits Plan sponsored by Grupo Santander Chile Group are:

a. Aimed at the Group's management
b. The general requisite to apply is that the employee must be carrying out his duties when turning 60 years old.
c. The Bank will take on insurance (pension fund) on the employee's behalf, for which it will pay regularly the respective premium (contribution).
d. The Bank will be directly responsible for granting benefits.

"Plan assets" are defined as that will be used to settle the obligations and that meet the following requirements:

- They are not owned by the consolidated entities, but by a legally separate third party not related to the Bank.
- They are available only to pay or fund post-employment benefits and cannot be returned to the consolidated entities except when the assets remaining in the plan are sufficient to meet all the obligations of the plan and of the entity in relation to the benefits due to current or former employees or to reimburse employee benefits already paid by the Bank.

y) Employee benefits, continued

In accordance with IAS 19 - Revised, for defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations performed at the end of each reporting period. Remeasurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the Unaudited Consolidated Interim Statement of Financial Position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurement recorded in other comprehensive income is not recycled. However, the Bank may transfer those amounts recognized in other comprehensive income within equity. Past service cost is recognized in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit cost are split into three categories:

- service cost, past-service cost, gains and losses on curtailments and settlements;
- net-interest expense or income
- remeasurement

The Bank presents the first two components of defined benefit costs in the line “Personnel salaries and expense” in its Unaudited Consolidated Interim Statement of Income. Curtailments gains and losses are accounted for as past-service cost.

Remeasurements are recorded in other comprehensive income.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

ii. Severance provision:

Severance provision 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 Unaudited Consolidated Interim Statement of Income under the “Personnel salaries and expenses” item, as the relevant executives provide their services over the course of the period.

These benefits do not generate diluting effects, since they are based on shares of Banco Santander S.A. (the parent company of Banco Santander Chile, headquartered in Spain).

z) Reclassification of items.

Banco Santander Chile has reclassified some items in the Interim Financial Statements to provide relevant, reliable, comparable and understandable information.

These reclassifications, which did not affect the Bank’s results, have no significant or material impact on the current Unaudited Consolidated Interim Financial Statements.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

aa) Application of new and revised International Financial Reporting Standards

i. New and revised IFRS standards effective in current year

The following accounting pronouncements have been issued by SBIF and the IASB, which have been fully incorporated by the Bank and are detailed as follows:

1. Accounting Standards issued by the SBIF

Circular No. 3548 - On March 19, 2013 the SBIF issued this circular to match the name used in the instructions to the newest amendments to IAS 1 replacing "Statement of Income" and "Statement of comprehensive income" by "Statement of income for the period" and "Statement of comprehensive income for the period". Management has applied these changes in this financial statements.

2. New and revised IFRSs issued by the International Accounting Standards Board

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to c1arify certain transitional guidance on the first-time application of the standards.
In the current year, the Bank has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and e) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011).
IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be c1assified and accounted for. Under IFRS 11, there are only two types of joint arrangements - Joint operations and joint ventures.
The c1assification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The c1assífication of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from me sale of the output by me joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. *These amendments did not have a material impact on our consolidated financial statements.*

IFRS 13 Fair Value Measurement - The Bank has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities lo fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Bank has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements. *These amendments did not have a material impact on our consolidated financial statements.*

IAS 19 Employee Benefits (as revised in 2011) - In the current year, the Bank has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments far the first time.
IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefit. The most significant change relates to the accounting 1m changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the ¡interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset These changes have had an impact on the amounts recognized in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. Specific transitional provisions are applicable to firs-time application of IAS 19 (as revised in 2011). *The Bank has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see Note 2 "Accounting changes" for details).*

Amendments to IAS 1 Presentation of items of Other Comprehensive Income - The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently lo profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income. *These amendments did not have a material impact on our consolidated financial statements.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - The Bank has applied the amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. *These amendments did not have a material impact on our consolidated financial statements.*

IAS 27 (2011), Separate Financial Statements - IAS 27 Consolidated and Separated Financial Statements was modified by IFRS 10 but keeps the current guidelines for separate financial statements. *These amendments did not have a material impact on our consolidated financial statements.*

IAS 28 (2011) Investments in Associates and Joint Ventures - IAS 28 Investments in Associates was modified to comply with changes related to the issuance of IFRS 10 and IFRS 11. *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 June 30, 2013.

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 June 30, 2013. 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 regulations issued by the SBIF

As of June 30, 2013 there are no new accounting regulations issued by SBIF to be implemented.

2. New and revised IFRSs in issue but not yet effective issued by the International Accounting Standards Board

IFRS 9 Financial Instruments - IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Bank, pursuant to SBIF instructions, will not apply this regulation early. Moreover, it will not be applied until the SBIF establishes it is mandatory for all banks.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities - The amendments to IAS 32 c1arify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments c1arify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.
Management does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Bank's consolidated financial statements as the Bank does not have any financial assets and financial liabilities that qualify for offset. *Management expects this new standard to be adopted in the consolidated financial statements of the Bank for the period beginning in January 1, 2014.*

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities - The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a lair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. *Management is currently evaluating the possible impact this might have.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Amendment to IAS 36, Impairment of Asset Value - On May 29, 2013, IASB published “Information to be disclosed regarding the Recoverable Amount of Non-Financial Assets”. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant when compared to the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives; require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognized or reversed an impairment loss during the reporting period; require an entity to disclose additional information about the fair value less costs of disposal of an individual asset, including goodwill, or a cash-generating unit for which the entity has recognized or reversed an impairment loss during the reporting period, including: a) the level of the fair value hierarchy (from IFRS 13) within which the fair value measurement is categorized, b) the valuation techniques used to measure fair value less costs of disposal, c) key assumptions used in the measurement of fair value measurements categorized within 'Level 2' and 'Level 3' of the fair value hierarchy; require an entity to disclose the discount rate used, where an entity has recognized or reversed an impairment loss during the reporting period and recoverable amount is based on fair value less costs of disposal determined using a present value technique (this amendment originated in the 2010-2012 cycle of annual improvements in the exposure draft published in May 2012).

The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. *Management is currently assessing the potential impact of the adoption of these amendments.*

Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - On 27 June 2013 the International Accounting Standards Board (IASB) issued 'Novation of Derivatives and Continuation of Hedge Accounting'. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application being permitted. *Management is currently assessing the potential impact of the adoption of this regulation.*

NOTE 02
ACCOUNTING CHANGES

On June 16, 2011 the IASB published an amended to IAS 19 "Employee benefits", modifying the accounting for defined benefit plans and termination benefits (effective from January 1, 2013).

The most significant change requires the recognition of changes in defined benefit obligations and value of plan assets when they occur, and therefore eliminates the 'corridor approach' allowed under the previous version of IAS 19 and accelerates the recognition of past service costs. The amendments required must be applied retrospectively following IAS 8 "Accounting policies, changes in accounting estimates and errors".

The adjustments required by amendments to IAS 19 as of December 31, 2012 are as follows:

Consolidated Statement of Financial Position	Closing balance as of December 31, 2012	Adjustments	Adjusted balance as of December 31, 2012
	MCh$	MCh$	MCh$
Assets			
Deferred taxes	186,210	197	186,407
Other assets	656,200	(983)(*)	655,217
Total Assets	**842,410**	**(786)**	**841,624**
Liabilities			
Provisions	220,993	96	221,089
Total Liabilities	**220,993**	**96**	**221,089**
Equity			
Reserves	976,561	(1,101)(**)	975,460
Income for the year	387,967	315(***)	388,282
Minus: Provision for mandatory dividends	(116,390)	(96)	(116,486)
Total Equity	**1,248,138**	**(882)**	**1,247,256**

(*) Corresponds to decrease in pension plan, which was pending of deferral
(**) Corresponds to pension plans amount pending of deferral as of December 31, 2011 (net of income tax)
(***) Corresponds to pension plans amount pending of deferral as of December 31, 2012 (net of income tax)

The adjustments required by amendments to IAS 19 as of January 1, 2012 are as follows:

Consolidated Statement of Financial Position	Opening balance as of January 1, 2012	Adjustments	Adjusted balance as of January 1, 2012
	MCh$	MCh$	MCh$
Assets			
Deferred taxes	147,754	281	148,035
Other assets	546,470	(1,382)(*)	545,088
Total Assets	**694,224**	**(1,101)**	**693,123**
Equity			
Reserves	802,528	(1,101)(**)	801,427
Total Equity	**802,528**	**(1,101)**	**801,427**

(*) Corresponds to decrease in pension plan, which was pending of deferral
(**) Corresponds to pension plans amount pending of deferral as of December 31, 2011 (net of income tax)

NOTE 02
ACCOUNTING CHANGES, continued

The Bank has performed the necessary adjustments to present the comparative Consolidated Statement of Financial Position as of December 31, 2012, in accordance with amendment to IAS 19:

	Closing balance as of December 31, 2012	Adjustments	Adjusted balance as of December 31, 2012
	MCh$	MCh$	MCh$
Assets			
Cash and deposits in banks	1,250,414	-	1,250,414
Cash items in process of collection	520,267	-	520,267
Trading investments	338,287	-	338,287
Investments under resale agreements	6,993	-	6,993
Financial derivative contracts	1,293,212	-	1,293,212
Interbank loans, net	90,527	-	90,527
Loans and accounts receivables from customers, net	18,325,957	-	18,325,957
Available for sale investments	1,826,158	-	1,826,158
Held to maturity investments	-	-	-
Investments in associates and other companies	7,614	-	7,614
Intangible assets	87,347	-	87,347
Property, plant, and equipment	162,214	-	162,214
Current taxes	10,227	-	10,227
Deferred taxes	186,210	197	186,407
Other assets	656,200	(983)	655,217
TOTAL ASSETS	**24,761,627**	**(786)**	**24,760,841**
Liabilities			
Deposits and other demand liabilities	4,970,019	-	4,970,019
Cash items in process of being cleared	284,953	-	284,953
Obligations under repurchase agreements	304,117	-	304,117
Time deposits and other time liabilities	9,112,213	-	9,112,213
Financial derivative contracts	1,146,161	-	1,146,161
Interbank borrowings	1,438,003	-	1,438,003
Issued debt instruments	4,571,289	-	4,571,289
Other financial liabilities	192,611	-	192,611
Current taxes	525	-	525
Deferred taxes	9,544	-	9,544
Provisions	220,993	96	221,089
Other liabilities	341,274	-	341,274
TOTAL LIABILITIES	**22,591,702**	**96**	**22,591,798**
Equity			
Attributable to the Bank's shareholders	**2,135,660**	**(882)**	**2,134,778**
Capital	891,303	-	891,303
Reserves	976,561	(1,101)	975,460
Valuation adjustments	(3,781)	-	(3,781)
Retained earnings	**271,577**	**219**	**271,796**
Retained earnings from prior years	-	-	-
Income for the period	387,967	315	388,282
Minus: Provision for mandatory dividends	(116,390)	(96)	(116,486)
Non-controlling interest	**34,265**	-	**34,265**
TOTAL EQUITY	**2,169,925**	**(882)**	**2,169,043**
TOTAL LIABILITIES AND EQUITY	**24,761,627**	**(786)**	**24,760,841**

NOTE 02
ACCOUNTING CHANGES, continued

The Bank has performed the necessary adjustments to present the comparative Consolidated Interim Statements of Income for the six month and the three-month periods ended June 30, 2012 in accordance with amendments to IAS 19:

	Closing balance for the six months ended June 30, 2012	Adjustments	Adjusted balance for the six months ended June 30, 2012	Closing balance for the three months ended June 30, 2012	Adjustments	adjusted balance for the three months ended June 30, 2012
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
OPERATING INCOME						
Interest income	958,813	-	958,813	455,980	-	455,980
Interest expense	(437,801)	-	(437,801)	(201,040)	-	(201,040)
Net interest income	**521,012**	**-**	**521,012**	**254,940**	**-**	**254,940**
Fee and commission income	181,891	-	181,891	90,956	-	90,956
Fee and commission expense	(47,672)	-	(47,672)	(24,371)	-	(24,371)
Net fee and commission income	**134,219**	**-**	**134,219**	**66,585**	**-**	**66,585**
Net income from financial operations (net trading income)	(13,780)	-	(13,780)	20,416	-	20,416
Foreign exchange profit, net	58,723	-	58,723	5,224	-	5,224
Other operating income	7,054	-	7,054	3,072	-	3,072
Net operating profit before loan losses	**707,228**	**-**	**707,228**	**350,237**	**-**	**350,237**
Provisions for loan losses	(156,856)	-	(156,856)	(78,575)	-	(78,575)
NET OPERATING PROFIT	**550,372**	**-**	**550,372**	**271,662**	**-**	**271,662**
Personnel salaries and expenses	(147,855)	201	(147,654)	(78,395)	141	(78,254)
Administrative expenses	(89,199)	-	(89,199)	(45,115)	-	(45,115)
Depreciation and amortization	(26,270)	-	(26,270)	(14,198)	-	(14,198)
Impairment	(88)	-	(88)	(34)	-	(34)
Other operating expenses	(29,350)	-	(29,350)	(14,042)	-	(14,042)
Total operating expenses	**(292,762)**	**201**	**(292,561)**	**(151,784)**	**141**	**(151,643)**
OPERATING INCOME	**257,610**	**201**	**257,811**	**119,878**	**141**	**120,019**
Income from investments in associates and other companies	1,107	-	1,107	660	-	660
Income before tax	**258,717**	**201**	**258,918**	**120,538**	**141**	**120,679**
Income tax expense	(33,108)	(40)	(33,148)	(14,027)	(28)	(14,055)
NET INCOME FOR THE PERIOD	**225,609**	**161**	**225,770**	**106,511**	**113**	**106,624**

NOTE 03
SIGNIFICANT EVENTS

As of June 30, 2013, the following significant events have occurred and had an impact on the Bank's operations or the Unaudited Consolidated Interim Financial Statements:

a) The Board

A Shareholders' Meeting of Banco Santander Chile was held on April 29, 2013, chaired by Mr. Mauricio Larraín Garcés (Chairman), and attended by Jesús María Zabalza Lotina (First Vice President), Oscar von Chrismar Carvajal (Second Vice President), Víctor Arbulú Crousillat, Lisandro Serrano Spoerer, Marco Colodro Hadjes, Vittorio Corbo Lioi, Carlos Olivos Marchant, Roberto Méndez Torres, Lucía Santa Cruz Sutil, Roberto Zahler Mayanz, Raimundo Monge Zegers (Alternate Director) and Juan Pedro Santa María Perez (Alternate Director). Also, the CEO Claudio Melandri Hinojosa and CAO Felipe Contreras Fajardo attended the meeting.

Use of Profits and Distribution of Dividends

According to the information presented in aforementioned meeting, 2012 net income (designated in the financial statements as "Income attributable to equity holders of the Bank") amounted to Ch$ 387,967 million. The Board approved the distribution of 60% of such net income which divided by the amount of shares issued corresponds to a $ 1.235 dividend per share, which was payable starting on April 30, 2013. Also, it was approved that the remaining 40% of the profits be destined to increase the Bank's reserves.

b) Issuance of bonds during 2013

In 2013, the Bank issued senior bonds in the amount of CHF 150,000,000, UF 2,000,000 and USD 250,000,000. The placement detail is included in Note 17.

b.1) 2013 Senior Bonds

Series	Amount	Term	Issue rate	Issuance date	Maturity date
Floating rate bond	CHF 150,000,000	4 years	Libor (3 months) +100 bp	03-28-2013	03-28-2017
E9 Bond	UF 2,000,000	10 years	3.6 per annum simple	01-01-2013	12-25-2018
DN Bond	USD 250,000,000	5 years	Libor (3 months) +100 bp	06-07-2013	06-07-2018

b.2) 2013 Subordinated bonds

In the first semester of 2013, the Bank has not issued subordinated bonds.

b.3) Repurchase of Subordinated Bonds

The Bank has conducted the following repurchase of subordinated bonds during the first semester of 2013:

Date	Amount
05-22-2013	USD 45,556,000
06-26-2013	CLP 29,245,000,000

NOTE 03
SIGNIFICANT EVENTS, continued

c) Assignment of loans previously charged off

In 2013, Banco Santander Chile signed assignment agreements of loans previously charged off with "Matic Kart S.A." As of June 30, 2013 we have made portfolio sales to this institution for Ch$ 81 million. See details of these transactions in Note 10.

d) Sales of current loans

In 2013, Banco Santander Chile signed assignment agreements of current loans with "Matic Kart S.A." As of June 30, 2013 we have made portfolio sales to this institution for Ch$ 27 million. See details of these transactions in Note 10.

e) Purchase offer received by Santander Asset Management S.A., Administradora General de Fondos

On May 30, 2013, the Bank sent an official letter to SBIF, informing them of the purchase offer received from Banco Santander S.A. (headquarters in Spain, acting directly or indirectly), for the total issued shares of Santander Asset Management S.A., Administradora General de Fondos, as well as the approval of a service agreement as loan agent between this Bank and the aforementioned Fund Manager, for a 10 years period, extendable under certain conditions, up to 20 years, through which the quotas of funds managed by that entity will be distributed. This offer is being analyzed and reviewed, both internally as well as through the use of independent experts, to then be submitted to the approval of the corresponding entities and authorization of SBIF.

f) Option to Instrumentalize a Loan – La Polar S.A.

During June 2013, the Bank decided to accept the "Option to Instrumentalize a Loan" offered by the company La Polar S.A. and protocolized through the official letter submitted to SBIF on June 7, 2013. This exchange procedure offers creditors, both in Senior as well as in Junior debt, to choose the substitution of all their credit for F Series Bonds (senior) and G Series Bonds (junior). The book value of the loans the Bank held by that date amounted Ch$ 5,399 million. This operation generated a net effect to the Unaudited Consolidated Interim Statement of Income of Ch$ 97 million.

NOTE 04
BUSINESS SEGMENTS

The Bank manages and measures the performance of its operations by operating 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.

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.

In 2013 the Bank has performed an exhaustive review of their business segments as part of transformation process, which involves structural changes and redefining management strategies besides a customer's services restructuring, generating a massive segmentation of the client's database. For comparative puropose we have restated segments informations as of June 30, 2012.

The Bank has the following operating 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 brokerage.

b. Commercial banking
Serves individuals with monthly incomes over Ch$400,000. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, commercial loans, foreign exchange, mortgage loans, debit cards, checking accounts, savings products, mutual funds, and stock and insurance 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 brokerage.

Institutional

Serves institutions such as universities, government entities, local and regional governments. 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 brokerage.

Companies

The Companies segment is composed of Commercial Banking and Company Banking, where sub-segments of medium-sized companies (Companies), real estate companies (Real Estate) and large corporations are found:

a. Companies
Serves companies with annual sales exceeding Ch$1,200 million and up to Ch$10,000 million. This segment provides a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, savings products, mutual funds, and insurance brokerage.

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.

NOTE 04
BUSINESS SEGMENTS, continued

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.

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 manages the Bank's trading positions.

Corporate Activities ("Other")

This segment includes Financial Management, which develops global foreign exchange structural position functions, involving the parent company's structural interest risk and liquidity risk, mainly through bond issuances. 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 Chief Operating Decision Maker (CODM) bases his assessment on the segment's interest income, fee and commission income, and expenses.

NOTE 04
BUSINESS SEGMENTS, continued

Below are the tables showing the Bank's results by business segment, for the periods ending as of June 30, 2013 and 2012, and December 31, 2012 in addition to the corresponding balances of loans and accounts receivable from customers:

	For the three months ended June 30, 2013					
	Net interest income MCh$	**Net fee and commission income MCh$**	**ROF (1) MCh$**	**Provisions for loan losses MCh$**	**Support expenses (2) MCh$**	**Segment's net contribution MCh$**
Segments						
Individuals	**152,250**	**38,211**	**1,411**	**(55,616)**	**(93,853)**	**42,403**
Santander Banefe	23,561	6,995	-	(15,100)	(13,772)	1,684
Commercial Banking	128,689	31,216	1,411	(40,516)	(80,081)	40,719
Small and mid-sized companies (PYMEs)	**67,837**	**9,492**	**1,355**	**(21,223)**	**(19,698)**	**37,763**
Institutional	**7,999**	**660**	**199**	**(275)**	**(3,972)**	**4,611**
Companies	**40,530**	**6,677**	**3,512**	**(8,617)**	**(12,474)**	**29,628**
Companies	18,504	3,617	1,878	(4,651)	(6,547)	12,801
Large Corporations	15,656	2,194	1,590	(4,084)	(4,532)	10,824
Real estate	6,370	866	44	118	(1,395)	6,003
Commercial Banking	**268,616**	**55,040**	**6,477**	**(85,731)**	**(129,997)**	**114,405**
Global Banking and Markets	**12,327**	**3,855**	**14,224**	**(852)**	**(9,355)**	**20,199**
Corporate	14,511	3,586	79	(852)	(3,766)	13,558
Treasury	(2,184)	269	14,145	-	(5,589)	6,641
Other	**(32,276)**	**1,730**	**12,552**	**(72)**	**(5,093)**	**(23,159)**
Total	**248,667**	**60,625**	**33,253**	**(86,655)**	**(144,445)**	**111,445**
Other operating income						7,188
Other operating expenses						(12,870)
Income from investments in other companies						667
Income tax						(20,293)
Net income for the period						**86,137**

(1) Corresponds to the sum of the net income from financial operations and foreign exchange gain.
(2) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation, amortization, and impairment.

NOTE 04
BUSINESS SEGMENTS, continued

	For the three months ended June 30, 2012					
	Net interest income MCh$	Net fee and commission income MCh$	ROF (1) MCh$	Provisions for loan losses MCh$	Support expenses (2) MCh$	Segment's net contribution MCh$
Segments						
Individuals	**155,123**	**44,460**	**1,403**	**(54,589)**	**(87,245)**	**59,152**
Santander Banefe	31,506	9,121	35	(19,315)	(14,593)	6,754
Commercial Banking	123,617	35,339	1,368	(35,274)	(72,652)	52,398
Small and mid-sized companies (PYMEs)	**57,475**	**9,900**	**1,104**	**(16,523)**	**(19,279)**	**32,677**
Institutional	**7,651**	**661**	**121**	**(590)**	**(4,174)**	**3,669**
Companies	**38,057**	**6,499**	**2,879**	**(5,564)**	**(12,726)**	**29,145**
Companies	17,962	3,472	1,272	(4,592)	(6,824)	11,290
Large Corporations	14,678	2,020	1,422	(1,290)	(4,436)	12,394
Real estate	5,417	1,007	185	318	(1,466)	5,461
Commercial Banking	**258,306**	**61,520**	**5,507**	**(77,266)**	**(123,424)**	**124,643**
Global Banking and Markets	**13,014**	**4,648**	**16,189**	**(540)**	**(9,151)**	**24,160**
Corporate	14,984	4,345	160	(540)	(3,388)	15,561
Treasury	(1,970)	303	16,029	-	(5,763)	8,599
Other	**(16,380)**	**417**	**3,944**	**(769)**	**(5,026)**	**(17,814)**
Total	**254,940**	**66,585**	**25,640**	**(78,575)**	**(137,601)**	**130,989**
Other operating income						3,072
Other operating expenses						(14,042)
Income from investments in other companies						660
Income tax						(14,055)
Net income for the period						**106,624**

(1) Corresponds to the sum of the net income from financial operations and foreign exchange gain.
(2) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation, amortization, and impairment.

NOTE 04
BUSINESS SEGMENTS, continued

Segments information in accordance with the old segmentation basis is as follows:

	For the three months ended June 30, 2012					
	Net interest income MCh$	Net fee and commission income MCh$	ROF (1) MCh$	Provisions for loan losses MCh$	Support expenses (2) MCh$	Segment's net contribution MCh$
Segments						
Individuals	**152,585**	**44,466**	**1,401**	**(56,384)**	**(88,533)**	**53,535**
Santander Banefe	31,228	9,121	35	(21,475)	(16,120)	2,789
Commercial Banking	121,357	35,345	1,366	(34,909)	(72,413)	50,746
Small and mid-sized companies (PYMEs)	**56,795**	**9,900**	**1,107**	**(14,729)**	**(19,477)**	**33,596**
Institutional	**7,561**	**660**	**121**	**(590)**	**(3,342)**	**4,410**
Companies	**37,704**	**6,495**	**2,889**	**(5,564)**	**(12,675)**	**28,849**
Companies	17,859	3,467	1,275	(4,593)	(6,401)	11,607
Large Corporations	14,458	2,017	1,429	(1,290)	(4,733)	11,881
Real estate	5,387	1,011	185	319	(1,541)	5,361
Commercial Banking	**254,645**	**61,521**	**5,518**	**(77,267)**	**(124,027)**	**120,390**
Global Banking and Markets	**14,971**	**3,139**	**16,179**	**(540)**	**(8,856)**	**24,893**
Corporate	17,112	4,233	151	(540)	(3,450)	17,506
Treasury	(2,141)	(1,094)	16,028	-	(5,406)	7,387
Other	**(14,676)**	**3,347**	**3,943**	**(768)**	**(4,859)**	**(13,013)**
Total	**254,940**	**68,007**	**25,640**	**(78,575)**	**(137,742)**	**132,270**
Other operating income						3,072
Other operating expenses						(15,464)
Income from investments in other companies						660
Income tax						(14,027)
Net income for the period						**106,511**

NOTE 04
BUSINESS SEGMENTS, continued

	For the six months ended June 30, 2013						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	ROF (2)	Provisions for loan losses	Support expenses (3)	Segment's net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Segments							
Individuals	**9,887,878**	**304,855**	**76,922**	**2,789**	**(116,673)**	**(177,677)**	**90,216**
Santander Banefe	706,985	52,326	13,563	-	(31,896)	(24,264)	9,729
Commercial Banking	9,180,893	252,529	63,359	2,789	(84,777)	(153,413)	80,487
Small and mid-sized companies (PYMEs)	**3,066,396**	**128,309**	**19,433**	**2,111**	**(45,199)**	**(39,452)**	**65,202**
Institutional	**385,782**	**15,155**	**1,249**	**251**	**(222)**	**(8,058)**	**8,375**
Companies	**4,444,673**	**78,876**	**13,666**	**6,617**	**(13,536)**	**(25,683)**	**59,940**
Companies	1,697,555	36,826	7,232	3,563	(7,310)	(13,375)	26,936
Large Corporations	1,862,246	29,654	4,768	2,946	(6,003)	(9,535)	21,830
Real estate	884,872	12,396	1,666	108	(223)	(2,773)	11,174
Commercial Banking	**17,784,729**	**527,195**	**111,270**	**11,768**	**(175,630)**	**(250,870)**	**223,733**
Global Banking and Markets	**1,992,933**	**25,631**	**8,931**	**29,236**	**(3,927)**	**(18,775)**	**41,096**
Corporate	1,992,933	29,498	7,622	121	(3,927)	(9,764)	23,550
Treasury	-	(3,867)	1,309	29,115	-	(9,011)	17,546
Other	**117,750**	**(57,678)**	**3,218**	**14,511**	**44**	**(10,045)**	**(49,950)**
Total	**19,895,412**	**495,148**	**123,419**	**55,515**	**(179,513)**	**(279,690)**	**214,879**
Other operating income							11,757
Other operating expenses							(25,673)
Income from investments in other companies							1,149
Income tax							(34,530)
Net income for the period							**167,582**

(1) Corresponds to Loans and accounts receivable from customers plus the interbank loans balances, shown in a gross basis.
(2) Corresponds to the sum of the net income from financial operations and foreign exchange gain.
(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation, amortization, and impairment.

NOTE 04
BUSINESS SEGMENTS, continued

	As of December 31, 2012	For the six months ended June 30, 2012					
	Loans and accounts receivables from customers (1)	Net interest income	Net fee and commission income	ROF (2)	Provisions for loan losses	Support expenses (3)	Segment's net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Segments							
Individuals	**9,741,412**	**310,259**	**90,675**	**3,267**	**(115,194)**	**(167,478)**	**121,529**
Santander Banefe	799,818	63,000	17,871	39	(36,805)	(28,054)	16,051
Commercial Banking	8,941,594	247,259	72,804	3,228	(78,389)	(139,424)	105,478
Small and mid-sized companies (PYMEs)	**2,821,060**	**112,955**	**19,649**	**2,870**	**(32,857)**	**(37,251)**	**65,366**
Institutional	**355,518**	**15,188**	**1,214**	**358**	**(691)**	**(7,690)**	**8,379**
Companies	**4,058,693**	**74,513**	**13,183**	**5,806**	**(7,349)**	**(23,863)**	**62,290**
Companies	1,626,606	35,408	6,951	2,760	(8,250)	(12,767)	24,102
Large Corporations	1,661,837	28,685	4,508	2,810	(416)	(8,316)	27,271
Real estate	770,250	10,420	1,724	236	1,317	(2,780)	10,917
Commercial Banking	**16,976,683**	**512,915**	**124,721**	**12,301**	**(156,091)**	**(236,282)**	**257,564**
Global Banking and Markets	**1,863,595**	**23,956**	**9,605**	**35,864**	**(1)**	**(17,591)**	**51,833**
Corporate	1,863,595	27,948	8,261	385	(1)	(8,879)	27,714
Treasury	-	(3,992)	1,344	35,479	-	(8,712)	24,119
Other	**126,374**	**(15,859)**	**(107)**	**(3,222)**	**(764)**	**(9,338)**	**(29,290)**
Total	**18,966,652**	**521,012**	**134,219**	**44,943**	**(156,856)**	**(263,211)**	**280,107**
Other operating income							7,054
Other operating expenses							(29,350)
Income from investments in other companies							1,107
Income tax							(33,148)
Net income for the period							**225,770**

(1) Corresponds to Loans and accounts receivable from customers plus the interbank loans balances, shown in a gross basis.
(2) Corresponds to the sum of the net income from financial operations and foreign exchange gain.
(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation, amortization, and impairment.

NOTE 04
BUSINESS SEGMENTS, continued

Segments information in accordance with the old segmentation basis is as follows:

	As of December 31, 2012	For the six months ended June 30, 2012					
	Loans and accounts receivables from customers (1)	Net interest income	Net fee and commission income	ROF (2)	Provisions for loan losses	Support expenses (3)	Segment's net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Segments							
Individuals	**9,723,801**	**309,455**	**90,634**	**3,260**	**(117,950)**	**(169,543)**	**115,856**
Santander Banefe	799,412	63,056	17,870	38	(39,926)	(33,903)	7,135
Commercial Banking	8,924,389	246,399	72,764	3,222	(78,024)	(135,640)	108,721
Small and mid-sized companies (PYMEs)	**2,836,695**	**113,105**	**19,692**	**2,876**	**(30,101)**	**(37,590)**	**67,982**
Institutional	**356,465**	**15,193**	**1,213**	**358**	**(691)**	**(6,324)**	**9,749**
Companies	**4,072,191**	**74,473**	**13,178**	**5,829**	**(7,349)**	**(23,286)**	**62,845**
Companies	1,632,276	35,492	6,950	2,767	(8,250)	(11,965)	24,994
Large Corporations	1,668,828	28,531	4,497	2,825	(416)	(8,669)	26,768
Real estate	771,087	10,450	1,731	237	1,317	(2,652)	11,083
Commercial Banking	**16,989,152**	**512,226**	**124,717**	**12,323**	**(156,091)**	**(236,743)**	**256,432**
Global Banking and Markets	**1,858,116**	**27,926**	**7,450**	**35,841**	**(1)**	**(17,481)**	**53,735**
Corporate	1,858,116	32,388	9,194	364	(1)	(6,997)	34,948
Treasury	-	(4,462)	(1,744)	35,477	-	(10,484)	18,787
Other	**119,384**	**(19,140)**	**4,531**	**(3,221)**	**(764)**	**(9,188)**	**(27,782)**
Total	**18,966,652**	**521,012**	**136,698**	**44,943**	**(156,856)**	**(263,412)**	**282,385**
Other operating income							7,054
Other operating expenses							(31,829)
Income from investments in other companies							1,107
Income tax							(33,108)
Net income for the period							**225,609**

NOTE 05
CASH AND CASH EQUIVALENTS

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

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Cash and deposits in banks		
Cash	430,269	435,687
Deposits in the Central Bank of Chile	577,580	520,031
Deposits in domestic banks	2,818	4,057
Deposits in foreign banks	318,313	290,639
Subtotals – Cash and bank deposits	**1,328,980**	**1,250,414**
Cash in process of collection, net	124,796	235,314
Cash and cash equivalents	**1,453,776**	**1,485,728**

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 on a monthly basis.

b) Cash in process of collection and in process of being cleared:

Cash items in process of collection and in process of being cleared are transactions in which only settlement remains pending, which will increase assets or decrease liabilities funds in the Central Bank of Chile or in foreign banks, normally within the next 24 to 48 business hours from the end of each period. These transactions are presented according to the following detail:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Assets		
Documents held by other banks (documents to be cleared)	182,500	238,714
Funds receivable	498,205	281,553
Subtotals	**680,705**	**520,267**
Liabilities		
Funds payable	555,909	284,953
Subtotals	**555,909**	**284,953**
Cash in process of collection, net	**124,796**	**235,314**

NOTE 06
TRADING INVESTMENTS

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

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Chilean Central Bank and Government securities:		
Chilean Central Bank Bonds	222,005	267,008
Chilean Central Bank Notes	190	3,397
Other Chilean Central Bank and Government securities	17,126	48,160
Subtotals	**239,321**	**318,565**
Other Chilean securities:		
Time deposits in Chilean financial institutions	-	3,531
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institution bonds	-	-
Chilean corporate bonds	865	-
Other Chilean securities	-	-
Subtotals	**865**	**3,531**
Foreign financial securities:		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	297	-
Subtotals	**297**	-
Investments in mutual funds:		
Funds managed by related entities	30	16,191
Funds managed by others	-	-
Subtotals	**30**	**16,191**
Total	**240,513**	**338,287**

As of June 30, 2013 and December 31, 2012 there are no securities sold with repurchase agreement to clients and financial institutions.

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of June 30, 2013 and December 31, 2012 the Bank holds the following portfolio of derivative instruments:

	As of June 30, 2013					
	Notional amount				Fair value	
	Up to 3 months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	126,797	25,000	331,309	483,106	9,334	2,246
Cross currency swaps	-	-	683,022	683,022	22,794	1,659
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	**126,797**	**25,000**	**1,014,331**	**1,166,128**	**32,128**	**3,905**
Cash flow hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	32,117	1,426,625	570,093	2,028,835	65,096	9,685
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	**32,117**	**1,426,625**	**570,093**	**2,028,835**	**65,096**	**9,685**
Trading derivatives						
Currency forwards	17,309,903	9,029,294	1,119,593	27,458,790	298,985	305,961
Interest rate swaps	4,541,617	8,903,310	17,545,348	30,990,275	198,489	207,406
Cross currency swaps	849,034	4,602,380	12,842,889	18,294,303	838,017	700,556
Call currency options	449,741	66,438	1,016	517,195	5,123	5,893
Call interest rate options	4,257	4,405	10,077	18,739	-	-
Put currency options	441,557	61,956	-	503,513	2,231	1,598
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	267,499	-	-	267,499	342	220
Subtotals	**23,863,608**	**22,667,783**	**31,518,923**	**78,050,314**	**1,343,187**	**1,221,634**
Total	**24,022,522**	**24,119,408**	**33,103,347**	**81,245,277**	**1,440,411**	**1,235,224**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2012					
	Notional amount				Fair value	
	Up to 3 months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	95,200	397,092	395,471	887,763	12,647	4,054
Cross currency swaps	25,396	14,975	671,942	712,313	12,716	4,361
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	**120,596**	**412,067**	**1,067,413**	**1,600,076**	**25,363**	**8,415**
Cash flow hedge derivatives						
Currency forwards	13,704	-	-	13,704	-	298
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	268,693	666,668	689,045	1,624,406	1,851	52,589
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotals	**282,397**	**666,668**	**689,045**	**1,638,110**	**1,851**	**52,887**
Trading derivatives						
Currency forwards	17,560,012	7,109,216	563,301	25,232,529	159,624	187,304
Interest rate swaps	4,578,678	9,882,478	13,752,690	28,213,846	204,800	230,380
Cross currency swaps	1,126,961	3,215,654	11,639,636	15,982,251	899,174	665,100
Call currency options	413,452	8,032	-	421,484	567	1,485
Call interest rate options	3,917	14,458	12,481	30,856	24	20
Put currency options	402,234	1,928	-	404,162	1,777	516
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	19,415	-	-	19,415	32	54
Subtotals	**24,104,669**	**20,231,766**	**25,968,108**	**70,304,543**	**1,265,998**	**1,084,859**
Total	**24,507,662**	**21,310,501**	**27,724,566**	**73,542,729**	**1,293,212**	**1,146,161**

NOTE 07
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 June 30, 2013 and December 31, 2012 classified by term to maturity:

	As of June 30, 2013				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Corporate bonds	-	-	-	-	-
Senior bonds	-	321,476	-	554,895	876,371
Subordinated bonds	-	101,630	-	-	101,630
Short-term loans	25,000	-	-	-	25,000
Time deposits	126,797	-	-	27,423	154,220
Mortgage finance bonds	-	-	-	3,825	3,825
Yankee Bond	-	-	-	5,082	5,082
Total	**151,797**	**423,106**	**-**	**591,225**	**1,166,128**
Hedging instrument					
Cross currency swap	-	270,661	-	412,361	683,022
Interest rate swap	-	152,445	-	5,082	157,527
Call money swap	151,797	-	-	173,782	325,579
Total	**151,797**	**423,106**	**-**	**591,225**	**1,166,128**

	As of December 31, 2012				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Corporate bonds	10,295	-	-	-	10,295
Senior bonds	-	300,769	4,568	582,226	887,563
Subordinated bonds	-	143,655	-	-	143,655
Short-term loans	25,000	-	-	-	25,000
Time deposits	497,368	-	-	27,409	524,777
Mortgage finance bonds	-	-	-	3,995	3,995
Yankee Bond	-	-	-	4,791	4,791
Total	**532,663**	**444,424**	**4,568**	**618,421**	**1,600,076**
Hedging instrument					
Cross currency swap	40,371	300,769	4,568	366,605	712,313
Interest rate swap	39,295	143,655	-	28,731	211,681
Call money swap	452,997	-	-	223,085	676,082
Total	**532,663**	**444,424**	**4,568**	**618,421**	**1,600,076**

NOTE 07
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. To cover the inflation risk in some items, we use both forwards as well as currency swaps. Both the cash flows of the cross currency swaps as well as over forwards equal the cash flows of the hedged items, and modify uncertain cash flows.

Below is the nominal amount of the hedged items as of June 30, 2013 and December 31, 2012 and the period when the cash flows will be generated:

	As of June 30, 2013				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Interbank loans	887,230	50,815	-	-	938,045
Bonds	-	41,395	-	-	41,395
Time deposits and other time liabilities	-	-	-	-	-
Variable rate bonds	309,018	98,937	207,589	-	615,544
Available for sale investments (deposits)	262,494	11,328	-	28,265	302,087
Mortgage loans	-	131,764	-		131,764
Total	**1,458,742**	**334,239**	**207,589**	**28,265**	**2,028,835**
Hedging instrument					
Cross currency swap	1,458,742	334,239	207,589	28,265	2,028,835
Forward	-	-	-	-	-
Total	**1,458,742**	**334,239**	**207,589**	**28,265**	**2,028,835**

	As of December 31, 2012				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Interbank loans	754,673	165,204	-	-	919,877
Bonds	57,102	106,942	-	28,265	192,309
Time deposits and other time liabilities	51,008	-	-	-	51,008
Variable rate bonds	52,780	239,425	93,232	-	385,437
Available for sale investments (deposits)	33,502	11,328	-	-	44,830
Mortgage loans	-	44,649	-	-	44,649
Total	**949,065**	**567,548**	**93,232**	**28,265**	**1,638,110**
Hedging instrument					
Cross currency swap	935,361	567,548	93,232	28,265	1,624,406
Forward	13,704	-	-	-	13,704
Total	**949,065**	**567,548**	**93,232**	**28,265**	**1,638,110**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

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

b.1) Forecast cash flows of hedged items and its corresponding hedging instruments for interest rate risk:

	As of June 30, 2013				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	-	-	-	-	-
Outflows	(18,587)	(11,189)	(288)	-	(30,064)
Net flows	**(18,587)**	**(11,189)**	**(288)**	-	**(30,064)**
Hedging instrument					
Inflows	18,587	11,189	288	-	30,064
Outflows	(23,632)	(1,538)	8,581	-	(16,589)
Net flows	**(5,045)**	**9,651**	**8,869**	-	**13,475**

	As of December 31, 2012				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	-	-	-	-	-
Outflows	(13,675)	(6,515)	(577)	-	(20,767)
Net flows	**(13,675)**	**(6,515)**	**(577)**	-	**(20,767)**
Hedging instrument					
Inflows	13,675	6,515	577	-	20,767
Outflows	(32,129)	(9,782)	(845)	-	(42,756)
Net flows	**(18,454)**	**(3,267)**	**(268)**	-	**(21,989)**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b.2) Forecast cash flows of hedged items and its corresponding hedging instruments for inflation risk:

	As of June 30, 2013				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	88,894	49,231	-	-	138,125
Outflows	(656)	(2,086)	(3,432)	(4,013)	(10,187)
Net flows	**88,238**	**47,145**	**(3,432)**	**(4,013)**	**127,938**
Hedging instrument					
Inflows	656	2,086	3,432	4,013	10,187
Outflows	(88,894)	(49,231)	-	-	(138,125)
Net flows	**(88,238)**	**(47,145)**	**3,432**	**4,013**	**(127,938)**

	As of December 31, 2012				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	24,089	20,802	-	-	44,891
Outflows	(2,938)	(2,658)	(2,301)	(2,991)	(10,888)
Net flows	**21,151**	**18,144**	**(2,301)**	**(2,991)**	**34,003**
Hedging instrument					
Inflows	2,938	2,658	2,301	2,991	10,888
Outflows	(24,089)	(20,802)	-	-	(44,891)
Net flows	**(21,151)**	**(18,144)**	**2,301**	**2,991**	**(34,003)**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

c) The results generated by cash flow hedges whose effect was recorded in the Unaudited Consolidated Interim Statement of Changes in Equity for the period as of June 30, 2013 and 2012, is shown below:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Bonds	(1,518)	(4,809)	(1,074)	6,843
Interbank loans	(3,419)	7,587	(2,838)	(2,841)
Time deposits and other time liabilities	-	-	-	-
Variable rate bonds	(1,519)	-	2,473	-
Available for sale investments (deposits)	(1,134)	-	(894)	-
Mortgage loans	(504)	-	62	-
		-		
(Debits) credits	**(8,094)**	**2,778**	**(2,271)**	**4,002**

Since the variable flows for both the hedged element and the hedging element mirror each other, the hedges are nearly 100% effective. As of June 30, 2013 and 2012, Ch$1 million and Ch$144 million loss respectively, were recognized in profit and loss for the ineffective portions.

During the period, the Bank did not enter into in cash flow hedge accounting of forecasted transactions.

d) Below are the reclassification adjustments of cash flow hedges from other comprehensive income to profit and loss during the period:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Bond hedging derivatives	1	(138)	(35)	(791)
Interbank loans hedging derivatives	387	386	769	680
Cash flow hedge net income	**388**	**248**	**734**	**(111)**

e) Hedges of net investment hedges in foreign operations:

As of June 30, 2013 and 2012, the Bank does not present foreign net investment hedges in its hedge accounting portfolio.

NOTE 08
INTERBANK LOANS

a) The balances in the "Interbank loans" item are as follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Domestic interbank loans		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile	-	-
Non-transferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans - Domestic	113	27
Overdrafts in checking accounts	-	-
Non-transferable domestic bank loans	-	-
Other domestic bank loans	-	-
Provisions and impairment for domestic bank loans	-	-
Foreign interbank loans		
Interbank loans - Foreign	122,938	90,546
Overdrafts in checking accounts	-	-
Non-transferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Provisions and impairment for foreign bank loans	(81)	(46)
Total	**122,970**	**90,527**

b) The amount in each period for provisions and impairment of interbank loans, which are included in the "Provisions for loan losses" item, is shown below:

	As of June 30, 2013			As of December 31, 2012		
	Domestic banks MCh$	Foreign banks MCh$	Total MCh$	Domestic banks MCh$	Foreign banks MCh$	Total MCh$
As of January 1	**-**	**46**	**46**	**1**	**146**	**147**
Charge-offs	-	-	-	-	-	-
Provisions established	-	72	72	-	299	299
Provisions released	-	(37)	(37)	(1)	(399)	(400)
Total	**-**	**81**	**81**	**-**	**46**	**46**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivables from customers

As of June 30, 2013 and December 31, 2012 the composition of the loan portfolio is as follows:

	Assets before allowances				Allowances established			Total
As of June 30, 2013	Normal portfolio MCh$	Substandard portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	portfolio, net MCh$
Commercial loans								
Commercial loans	6,684,191	185,348	554,852	7,424,391	116,021	79,126	195,147	7,229,244
Foreign trade loans	1,637,419	47,930	20,256	1,705,605	28,648	493	29,141	1,676,464
Checking accounts debtors	221,384	3,567	10,872	235,823	2,954	4,672	7,626	228,197
Factoring transactions	341,526	1,535	3,489	346,550	4,039	669	4,708	341,842
Leasing transactions	1,206,371	70,264	39,753	1,316,388	12,628	4,953	17,581	1,298,807
Other loans and accounts receivavle	89,668	2,333	28,977	120,978	7,393	5,768	13,161	107,817
Subtotals	**10,180,559**	**310,977**	**658,199**	**11,149,735**	**171,683**	**95,681**	**267,364**	**10,882,371**
Mortgage loans								
Loans with mortgage finance bonds	78,754	-	2,683	81,437	-	467	467	80,970
Mortgage mutual loans	40,176	-	1,703	41,879	-	314	314	41,565
Other mortgage mutual loans	4,947,119	-	285,543	5,232,662	-	40,749	40,749	5,191,913
Leasing transactions	-	-	-	-	-	-	-	-
Subtotals	**5,066,049**	**-**	**289,929**	**5,355,978**	**-**	**41,530**	**41,530**	**5,314,448**
Consumer loans								
Installment consumer loans	1,671,705	-	312,987	1,984,692	-	215,952	215,952	1,768,740
Credit card balances	1,067,563	-	24,595	1,092,158	-	34,296	34,296	1,057,862
Leasing transactions	3,060	-	144	3,204	-	84	84	3,120
Other consumer loans	180,908	-	5,686	186,594	-	5,768	5,768	180,826
Subtotals	**2,923,236**	**-**	**343,412**	**3,266,648**	**-**	**256,100**	**256,100**	**3,010,548**
Total	**18,169,844**	**310,977**	**1,291,540**	**19,772,361**	**171,683**	**393,311**	**564,994**	**19,207,367**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS continued

	Assets before allowances				Allowances established			Total
As of December 31, 2012	Normal portfolio MCh$	Substandard portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	portfolio, net MCh$
Commercial loans								
Commercial loans	6,585,063	187,762	543,592	7,316,417	108,184	83,690	191,874	7,124,543
Foreign trade loans	1,220,303	28,085	22,035	1,270,423	26,306	921	27,227	1,243,196
Checking accounts debtors	191,714	3,692	9,949	205,355	1,709	2,519	4,228	201,127
Factoring transactions	317,837	869	3,536	322,242	3,538	784	4,322	317,920
Leasing transactions	1,168,825	66,724	42,006	1,277,555	14,985	5,987	20,972	1,256,583
Other loans and accounts receivavle	78,506	765	17,758	97,029	213	2,037	2,250	94,779
Subtotals	**9,562,248**	**287,897**	**638,876**	**10,489,021**	**154,935**	**95,938**	**250,873**	**10,238,148**
Mortgage loans								
Loans with mortgage finance bonds	88,643	-	3,561	92,204	-	493	493	91,711
Mortgage mutual loans	43,690	-	2,415	46,105	-	936	936	45,169
Other mortgage mutual loans	4,910,218	-	223,054	5,133,272	-	34,561	34,561	5,098,711
Leasing transactions	-	-	-	-	-	-	-	-
Subtotals	**5,042,551**	**-**	**229,030**	**5,271,581**	**-**	**35,990**	**35,990**	**5,235,591**
Consumer loans								
Installment consumer loans	1,502,346	-	355,311	1,857,657	-	218,474	218,474	1,639,183
Credit card balances	1,023,776	-	30,697	1,054,473	-	38,719	38,719	1,015,754
Leasing transactions	3,433	-	255	3,688	-	160	160	3,528
Other consumer loans	192,937	-	6,722	199,659	-	5,906	5,906	193,753
Subtotals	**2,722,492**	**-**	**392,985**	**3,115,477**	**-**	**263,259**	**263,259**	**2,852,218**
Total	**17,327,291**	**287,897**	**1,260,891**	**18,876,079**	**154,935**	**395,187**	**550,122**	**18,325,957**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS continued

b) Portfolio characteristics

As of June 30, 2013 and December, 31 2012, the portfolio before allowances has the following detail by customer's economic activity:

	Domestic loans (*)		Foreign Interbank loans (**)		Total loans		Distribution percentage	
	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$	As of June 30, 2013 %	As of December 31, 2012 %
Commercial loans								
Manufacturing	1,297,490	1,014,777	-	-	1,297,490	1,014,777	6.52	5.35
Mining	491,738	292,217	-	-	491,738	292,217	2.47	1.54
Electricity, gas, and water	276,156	337,269	-	-	276,156	337,269	1.39	1.78
Agriculture and livestock	810,213	770,558	-	-	810,213	770,558	4.07	4.06
Forest	144,260	120,002	-	-	144,260	120,002	0.73	0.63
Fishing	199,675	188,803	-	-	199,675	188,803	1.00	1.00
Transport	572,135	511,407	-	-	572,135	511,407	2.88	2.70
Communications	195,867	179,544	-	-	195,867	179,544	0.98	0.95
Construction	1,288,832	1,130,194	-	-	1,288,832	1,130,194	6.48	5.96
Commerce	2,355,274	2,396,428	122,938	90,546	2,478,212	2,486,974	12.46	13.11
Services	376,277	400,716	-	-	376,277	400,716	1.89	2.11
Other	3,141,931	3,147,133	-	-	3,141,931	3,147,133	15.79	16.59
Subtotals	**11,149,848**	**10,489,048**	**122,938**	**90,546**	**11,272,786**	**10,579,594**	**56.66**	**55.78**
Mortgage loans	**5,355,978**	**5,271,581**	**-**	**-**	**5,355,978**	**5,271,581**	**26.92**	**27.79**
Consumer loans	**3,266,648**	**3,115,477**	**-**	**-**	**3,266,648**	**3,115,477**	**16.42**	**16.43**
Total	**19,772,474**	**18,876,106**	**122,938**	**90,546**	**19,895,412**	**18,966,652**	**100.00**	**100.00**

(*) Includes domestic interbank loans for Ch$ 113 million as of June 30, 2013 (Ch$ 27 million as of December 31, 2012), see Note 8.

(**)Includes foreign interbank loans for Ch$ 122,938 million as of June 30, 2013 (Ch$ 90,546 million as of December 31, 2012), see Note 8.

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS continued

c) Impaired portfolio (*)

i) As of June 30, 2013 and December 31, 2012 the composition of the impaired loans portfolio is as follows:

	As of June 30, 2013				As of December 31, 2012			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Individual impaired portfolio	265,379	-	-	265,379	298,868	-	-	298,868
Non-performing loans	369,280	162,589	87,048	618,917	320,461	159,802	117,504	597,767
Other impaired portfolio	116,462	127,340	256,364	500,166	96,793	69,228	275,481	441,502
Total	**751,121**	**289,929**	**343,412**	**1,384,462**	**716,122**	**229,030**	**392,985**	**1,338,137**

(*) Impaired portfolio includes loans classified as substandard in groups B3 and B4, as well as the impaired portfolio.

ii) The impaired portfolio with or without guarantee as of June 30, 2013 and December 31, 2012 is as follows:

	As of June 30, 2013				As of December 31, 2012			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	375,724	271,287	47,569	694,580	377,169	208,616	51,549	637,334
Unsecured debt	375,397	18,642	295,843	689,882	338,953	20,414	341,436	700,803
Total	**751,121**	**289,929**	**343,412**	**1,384,462**	**716,122**	**229,030**	**392,985**	**1,338,137**

iii) The portfolio of non-performing loans as of June 30, 2013 and December 31, 2012 is as follows:

	As of June 30, 2013				As of December 31, 2012			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	167,195	142,518	7,904	317,617	154,675	143,814	8,293	306,782
Unsecured debt	202,085	20,071	79,144	301,300	165,786	15,988	109,211	290,985
Total	**369,280**	**162,589**	**87,048**	**618,917**	**320,461**	**159,802**	**117,504**	**597,767**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS continued

d) Allowances

The changes in the allowance balances during 2013 and 2012 are as follows:

	Commercial loans		Mortgage loans	Consumer loans	
Changes in allowances balance during 2013	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Balances as of December 31, 2012	**154,935**	**95,938**	**35,990**	**263,259**	**550,122**
Allowances established	34,296	16,039	14,511	90,151	154,997
Allowances released	(11,032)	(5,702)	(6,691)	(27,308)	(50,733)
Allowances removed due to loans charge-offs	(6,516)	(10,594)	(2,280)	(70,002)	(89,392)
Balances as of June 30, 2013	**171,683**	**95,681**	**41,530**	**256,100**	**564,994**

	Commercial loans		Mortgage loans	Consumer loans	
Changes in allowances balance during 2012	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Balances as of December 31, 2011	**147,917**	**97,115**	**35,633**	**243,022**	**523,687**
Allowances established	48,745	31,772	10,741	239,607	330,865
Allowances released	(20,716)	(16,624)	(7,449)	(38,471)	(83,260)
Allowances removed due to loans charge-offs	(21,011)	(16,325)	(2,935)	(180,899)	(221,170)
Balances as of December 31, 2012	**154,935**	**95,938**	**35,990**	**263,259**	**550,122**

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

i) Country risk to cover the risk taken when holding or committing 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 Compilation of Rules, issued by the SBIF. The balance of allowances as of June 30, 2013 and December 31, 2012 is Ch$ 349 million and Ch$ 88 million, respectively.

ii) According to Circular letter N°3489 issued by the SBIF on December 29, 2009 the Bank has established allowances related to the unused balances of lines of credit with free disposal. The balances of allowances as of June 30, 2013 and December 31, 2012 are Ch$ 16,999 million and Ch$ 17,850 million, respectively.

e) Allowances established on customer and interbank loans

	As of June 30, 2013	**As of December 31, 2012**
Allowances established - Customers loans	154,997	330,865
Allowances established - Interbank loans	72	299
Allowances established on customer and interbank loans	**155,069**	**331,164**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS continued

f) Current and overdue portfolio by their impaired and non-impaired status

	As of June 30, 2013											
	Non-impaired				Impaired				Portfolio total			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Non-impaired total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Impaired total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total portfolio MCh$
Current portfolio	10,120,236	4,755,039	2,730,583	17,605,858	245,050	93,669	171,323	510,042	10,365,286	4,848,708	2,901,906	18,115,900
Overdue for 1-29 days	199,582	195,186	124,300	519,068	62,524	34,338	49,657	146,519	262,106	229,524	173,957	665,587
Overdue for 30-89 days	78,797	115,824	68,353	262,974	91,221	24,190	44,680	160,091	170,018	140,014	113,033	423,065
Overdue for 90 days or more	-	-	-	-	352,326	137,732	77,752	567,810	352,325	137,732	77,752	567,809
Total portfolio before allowances	**10,398,615**	**5,066,049**	**2,923,236**	**18,387,900**	**751,121**	**289,929**	**343,412**	**1,384,462**	**11,149,735**	**5,355,978**	**3,266,648**	**19,772,361**
Overdue loans (less than 90 days) presented as portfolio percentage	2.68%	6.14%	4.25%	4.25%	20.47%	20.19%	27.47%	22.15%	3.88%	6.90%	8.79%	5.51%
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	46.91%	47.51%	22.64%	41.01%	3.16%	2.57%	2.38%	2.87%

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS continued

f) Current and overdue portfolio by their Impaired and non-impaired status, continued

	As of December 31, 2012											
	Non-impaired				Impaired				Portfolio total			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Non-impaired total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Impaired total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total portfolio MCh$
Current portfolio	9,500,231	4,725,955	2,511,869	16,738,055	273,481	43,502	160,480	477,463	9,773,712	4,769,457	2,672,349	17,215,518
Overdue for 1-29 days	195,667	202,142	132,475	530,284	63,868	18,391	60,055	142,314	259,535	220,533	192,530	672,598
Overdue for 30-89 days	77,001	114,454	78,148	269,603	75,659	34,240	68,316	178,215	152,660	148,694	146,464	447,818
Overdue for 90 days or more	-	-	-	-	303,114	132,897	104,134	540,145	303,114	132,897	104,134	540,145
Total portfolio before allowances	**9,772,899**	**5,042,551**	**2,722,492**	**17,537,942**	**716,122**	**229,030**	**392,985**	**1,338,137**	**10,489,021**	**5,271,581**	**3,115,477**	**18,876,079**
Overdue loans (less than 90 days) presented as portfolio percentage	2.79%	6.28%	7.74%	4.56%	19.48%	22.98%	32.67%	23.95%	3.93%	7.00%	10.88%	5.94%
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	42.33%	58.03%	26.50%	40.37%	2.89%	2.52%	3.34%	2.86%

NOTE 10
LOAN PURCHASES, SALES AND SUBSTITUTIONS

a) Sales of loans

As of June 30, 2013 the following loan sale transactions have been made:

	As of June 30, 2013					
	Book value MCh$	Selling price MCh$	Other income from financial operations MCh$	Allowances for loan losses MCh$	Adjustments MCh$	Profit (loss) MCh$
Charged-off(1)	-	81	81	-	(11)	70
Current loans (2)	113	27	(86)	38	-	(48)
Losses from charged-off loans sold in previous years (*)	-	-	-	-	(53)	(53)

(*) Differences in selling price of written-off portfolios from previous years Ch$53 million loss.

(1) Sale of previously charged-off loans

In 2013, Banco Santander Chile signed assignment agreements of loans previously charged off with “Matic Kart S.A.”. As of June 30, the following portfolio sales have been performed:

Date of contract	Nominal portfolio sale MCh$	Selling price MCh$	Adjustments MCh$	Profit MCh$
03-01-2013	2,035	81	(11)	70
Total	**2,035**	**81**	**(11)**	**70**

The portfolio sale’s result was Ch$ 70 million profit. This amount was recorded as income from sale of previously charged-off loans.

(2) Sales of current loans

In 2013, Banco Santander Chile signed assignment agreements of loans previously charged off with “Matic Kart S.A.”. As of June 30, the following portfolio sales have been performed:

Date of contract	Nominal portfolio sale MCh$	Selling price MCh$
03-01-2013	179	27
Total	**179**	**27**

Sales of current loans totaled Ch$ 109 million; this amount generated an income from sale of Ch$ 27 million approximately.

NOTE 10
PURCHASES AND SALES OF LOANS, continued

b) Purchase of portfolios

In 2012 and 2013, there was no purchase of loans.

NOTE 11
AVAILABLE FOR SALE INVESTMENTS

As of June 30, 2013 and December 31, 2012 the detail of instruments designated as available for sale instruments is as follows:

		As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Chilean Central Bank and Government securities			
Chilean Central Bank Bonds		462,720	712,278
Chilean Central Bank Notes		2,580	8,270
Other Chilean Central Bank and Government securities		103,877	296,010
	Subtotals	**569,177**	**1,016,558**
Other Chilean securities			
Time deposits in Chilean financial institutions		915,743	756,136
Mortgage finance bonds of Chilean financial institutions		35,403	37,319
Chilean financial institution bonds		-	-
Chilean corporate bonds		-	-
Other Chilean securities		-	321
	Subtotals	**951,146**	**793,776**
Foreign financial securities:			
Foreign Central Banks and Government securities		5,273	-
Other foreign financial securities		-	15,824
	Subtotals	**5,273**	**15,824**
Total		**1,525,596**	**1,826,158**

In the “Chilean Central Bank and Government securities” item are included securities sold with repurchase agreement to clients and financial institutions for Ch$92,774 million and Ch$156,340 million as of June 30, 2013 and December 31, 2012, respectively.

As of June 30, 2013 there are no “Other Chilean Securities” and as of December 31, 2012 are included instruments sold to customers and financial institutions under repurchase agreements totaling Ch$148,277 million.

As of June 30, 2013 available for sale investments included unrealized net losses of Ch$ 411 million, recorded as part of the “Accumulated other comprehensive income” in Equity, distributed between Ch$442 million loss attributable to Bank shareholders and Ch$ 31 million profit attributable to non-controlling interest.

As of December 31, 2012 available for sale investments included unrealized net losses of Ch$ 10,017 million, recorded as a part of the “Accumulated other comprehensive income” in Equity, distributed between Ch$10,041 million losses attributable to Bank shareholders and Ch$ 24 million profit attributable to non-controlling interest.

NOTE 12
INTANGIBLE ASSETS

a) As of June 30, 2013 and December 31, 2012 the composition of the item is as follows:

				As of June 30, 2013		
	Years of useful life	Average remaining useful life	Net opening balance January 1, 2013 MCh$	Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	2,621	9,517	(7,270)	2,247
Software development	3	2	84,726	228,024	(159,439)	68,585
Total			**87,347**	**237,541**	**(166,709)**	**70,832**

				As of December 31, 2012		
	Years of useful life	Average remaining useful life	Net opening balance January 1, 2012 MCh$	Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	2,496	9,329	(6,708)	2,621
Software development	3	2	78,243	224,671	(139,945)	84,726
Total			**80,739**	**234,000**	**(146,653)**	**87,347**

b) The activity in intangible assets during periods ended June 30, 2013 and December 31, 2012 is as follows:

b.1) Gross balance

Gross balances	Licenses MCh$	Software development MCh$	Total MCh$
Balances as of January 01, 2013	9,329	224,671	234,000
Acquisitions	188	3,353	3,541
Disposals	-	-	-
Other	-	-	-
Balances as of June 30, 2013	**9,517**	**228,024**	**237,541**
Balances as of January 01, 2012	8,085	184,133	192,218
Acquisitions	1,244	41,018	42,262
Disposals	-	(480)	(480)
Other	-	-	-
Balances as of December 31, 2012	**9,329**	**224,671**	**234,000**

NOTE 12
INTANGIBLE ASSETS continued

b.2) Accumulated amortization

Accumulated amortization	Licenses MCh$	Software development MCh$	Total MCh$
Balances as of January 01, 2013	**(6,708)**	**(139,945)**	**(146,653)**
Period's amortization	(562)	(19,494)	(20,056)
Other changes	-	-	-
Balances as of June 30, 2013	**(7,270)**	**(159,439)**	**(166,709)**
Balances as of January 01, 2012	**(5,589)**	**(105,890)**	**(111,479)**
Year's amortization	(1,119)	(34,055)	(35,174)
Other changes	-	-	-
Balances as of December 31, 2012	**(6,708)**	**(139,945)**	**(146,653)**

c) As of June 30, 2013 and December 31, 2012, the Bank does not have any restrictions on intangible assets. Additionally, intangible assets have not been pledged as security for liabilities. Also, the Bank has no debt regarding property, plant, and equipment on those dates.

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT

a) As of June 30, 2013 and December 31, 2012 the composition of the item is as follows:

		As of June 30, 2013		
	Net opening balance January 1, 2013 MCh$	Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	120,425	171,840	(52,019)	119,821
Equipment	28,625	70,664	(41,988)	28,676
Ceded under operating leases	3,935	4,477	(542)	3,935
Other	9,229	30,130	(21,442)	8,688
Total	**162,214**	**277,111**	**(115,991)**	**161,120**

		As of December 31, 2012		
	Net opening balance January 1, 2012 MCh$	Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	118,493	167,760	(47,335)	120,425
Equipment	22,570	66,170	(37,545)	28,625
Ceded under operating leases	4,071	4,477	(542)	3,935
Other	7,925	28,957	(19,728)	9,229
Total	**153,059**	**267,364**	**(105,150)**	**162,214**

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT; continued

b) The activity in property, plant, and equipment during 2013 and 2012 is as follows:

b.1) Gross balance

2013	Land and buildings MCh$	Equipment MCh$	Ceded under an operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 01, 2013	**167,760**	**66,170**	**4,477**	**28,957**	**267,364**
Additions	4,080	4,732	-	1,201	10,013
Disposals	-	(174)	-	(28)	(202)
Impairment due to damage (i)	-	(173)	-	-	(173)
Other	-	109	-	-	109
Balances as of June 30, 2013	**171,840**	**70,664**	**4,477**	**30,130**	**277,111**

(i) Banco Santander Chile recognized on its financial statements as of June 30, 2013 Ch$ 173 million impairment from damages to ATMs. Compensation received from insurance totaled Ch$ 466 million, which is presented in "Other operating income" (Note 32).

2012	Land and buildings MCh$	Equipment MCh$	Ceded under an operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 01, 2012	**156,950**	**51,781**	**4,477**	**24,081**	**237,289**
Additions	17,177	14,570	-	4,991	36,738
Disposals (i)	(6,367)	(91)	-	(115)	(6,573)
Impairment due to damage (ii)	-	(90)	-	-	(90)
Other	-	-	-	-	-
Balances as of December 31, 2012	**167,760**	**66,170**	**4,477**	**28,957**	**267,364**

(i) As stated in Note 32 "Other operating income and expenses", in 2012 Banco Santander Chile sold 17 branches which, at the time of sale, had a net book value of Ch$ 6,367 million.
(ii) Banco Santander Chile recognized on its financial statements as of December 31, 2012 a Ch$ 90 million impairment charge from damage to ATMs. Compensation received from insurance totaled Ch$ 262 million, which is presented in the "other operating income" line (Note 32).

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT; continued

b.2) Accumulated depreciation

2013	Land and buildings MCh$	Equipment MCh$	Ceded under an operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 01, 2013	**(47,335)**	**(37,545)**	**(542)**	**(19,728)**	**(105,150)**
Depreciation charges in the period	(4,684)	(4,448)	-	(1,726)	(10,858)
Sales and disposals in the period	-	5	-	12	17
Other	-	-	-	-	-
Balances as of June 30, 2013	**(52,019)**	**(41,988)**	**(542)**	**(21,442)**	**(115,991)**

2012	Land and buildings MCh$	Equipment MCh$	Ceded under an operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 01, 2012	**(38,457)**	**(29,211)**	**(406)**	**(16,156)**	**(84,230)**
Depreciation charges in the period	(9,100)	(8,351)	(136)	(3,608)	(21,195)
Sales and disposals in the period	222	17	-	36	275
Other	-	-	-	-	-
Balances as of December 31, 2012	**(47,335)**	**(37,545)**	**(542)**	**(19,728)**	**(105,150)**

c) Operational leases – Lessor

As of June 30, 2013 and December 31, 2012, the future minimum lease inflows under non-cancellable operating leases are a follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Due within 1 year	628	626
Due after 1 year but within 2 years	863	1,163
Due after 2 years but within 3 years	349	502
Due after 3 years but within 4 years	277	294
Due after 4 years but within 5 years	259	258
Due after 5 years	2,028	2,148
Total	**4,404**	**4,991**

NOTE 13
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:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Due within 1 year	16,547	16,266
Due after 1 year but within 2 years	15,118	14,845
Due after 2 years but within 3 years	12,952	12,960
Due after 3 years but within 4 years	12,048	11,443
Due after 4 years but within 5 years	11,043	10,465
Due after 5 years	59,304	63,035
Total	**127,012**	**129,014**

e) As of June 30, 2013 and December 31, 2012, the Bank has not entered into financial leases which cannot be unilaterally rescinded.

f) As of June 30, 2013 and December 31, 2012, the Bank does not have any restriction over 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 on those dates.

NOTE 14
CURRENT AND DEFERRED TAXES

a) Current taxes

At the end of each reporting period in 2013 and 2012 the Bank recognizes an income tax provision, which was determined based on the currently applicable tax legislation. This provision is recorded net of recoverable taxes, as shown below:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Summary of current tax liabilities (assets)		
Current tax (assets)	(970)	(10,227)
Current tax liabilities	4,713	525
Total tax payable (recoverable)	**3,743**	**(9,702)**
(Assets) liabilities current taxes detail (net)		
Income tax, tax rate 20%	40,622	83,381
Minus:		
Provisional monthly payments (PPM)	(33,511)	(84,940)
Credit for training expenses	(692)	(1,505)
Land taxes leasing	(1,407)	(2,939)
Grant credits	(374)	(2,534)
Other	(895)	(1,165)
Total tax payable (recoverable)	**3,743**	**(9,702)**

b) Effect on income

The effect of tax expense on income during the periods from January 1 and June 30, 2013 and 2012 is comprised of the following items:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Income tax expense				
Current tax	27,827	17,942	40,622	9,793
Credits (debits) for deferred taxes				
Origination and reversal of temporary differences	(7,652)	(3,907)	(5,887)	23,313
Subtotals	**20,175**	**14,035**	**34,735**	**33,106**
Tax for rejected expenses (Article No 21)	98	(52)	(176)	(42)
Other	20	72	(29)	84
Net charges for income tax expense	**20,293**	**14,055**	**34,530**	**33,148**

NOTE 14
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 June 30, 2013 and 2012, is as follows:

	As of June 30,			
	2013		2012	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Income tax using statutory rate	20.00	40,422	18.50	47,863
Permanent differences	(1.71)	(3,456)	(2.78)	(7,201)
35% single penalty tax	0.09	176	(0.02)	(42)
Real estate taxes	(2.72)	(5,500)	(2.63)	(6,824)
Other	1.42	2,888	(0.27)	(648)
Effective rates and expenses for income tax	**17.08**	**34,530**	**12.80**	**33,148**

Law No. 20,455 from 2010 increased the statutory tax rate to be applied during 2011 and 2012, to 20% and 18.5% respectively. 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. This generated a benefit for Ch$ 16,221 million, corresponding to the adjustment of temporary differences.

d) Effect of deferred taxes on comprehensive income

Below is a summary of the separate effect of deferred tax on Equity, showing the asset and liability balances, as of June 30, 2013 and December 31, 2012, which includes of the following items:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Deferred tax assets		
Available for sale investments	82	2,004
Cash flow hedges	454	389
Total deferred tax assets affecting accumulated other comprehensive income	**536**	**2,393**
Deferred tax liabilities		
Available for sale investments	—	(1)
Cash flow hedges	—	(1,452)
Total deferred tax liabilities affecting accumulated other comprehensive income	**—**	**(1,453)**
Net deferred tax balances in equity	**536**	**940**
Deferred taxes in equity attributable to Bank shareholders	543	945
Deferred tax in equity attributable to non-controlling interests	(7)	(5)

NOTE 14
CURRENT AND DEFERRED TAXES continued

e) Effect of deferred taxes on income

In 2013 and 2012, the Bank has recorded deferred tax assets and liabilities in its financial statements.

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Deferred tax assets		
Interest and adjustments	6,814	7,854
Non-recurring charge-offs	12,823	12,046
Assets received in lieu of payment	635	1,265
Exchange rate adjustments	1,756	43
Property, plant and equipment	2,183	3,654
Allowance for loan losses	85,971	96,071
Provision for expenses	17,937	17,903
Derivatives	7	54
Leased assets	41,708	39,168
Subsidiaries tax losses	5,607	5,232
Other	1,025	724
Total deferred tax assets	**176,466**	**184,014**
Deferred tax liabilities		
Valuation of investments	(5,904)	(6,555)
Depreciation	(292)	(261)
Other	(234)	(1,275)
Total deferred tax liabilities	**(6,430)**	**(8,091)**

f) Summary of deferred tax assets and liabilities

The summary of deferred taxes is presented below, with their cumulative effect both on equity and income:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Deferred tax assets		
Recognized through other comprehensive income	536	2,393
Recognized through profit or loss	176,466	184,014
Total deferred tax assets	**177,002**	**186,407**
Deferred tax liabilities		
Recognized through other comprehensive income	—	(1,453)
Recognized through profit or loss	(6,430)	(8,091)
Total deferred tax liabilities	**(6,430)**	**(9,544)**

NOTE 15
OTHER ASSETS

Other assets item is as follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Assets for leasing (*)	**27,342**	**42,891**
Assets received or awarded in lieu of payment (**)		
Assets received in lieu of payment	12,449	15,058
Assets awarded at judicial sale	7,346	9,974
Allowances for assets received in lieu of payment or awarded	(1,373)	(3,091)
Subtotals	**18,422**	**21,941**
Other assets		
Guarantee deposits	68,563	256,854
Gold investments	366	464
VAT credit	7,514	10,337
Income tax recoverable	45,586	28,274
Prepaid expenses	37,703	50,870
Assets recovered from leasing for sale	1,587	3,335
Pension plan assets	1,972	1,989
Accounts and notes receivable	139,994	82,378
Notes receivable through brokerage and simultaneous transactions	118,558	89,314
Other receivable assets	28,785	29,883
Other assets	30,028	36,687
Subtotals	**480,656**	**590,385**
Total	**526,420**	**655,217**

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

(**) Assets received in lieu of payment correspond to assets received as payment of overdue debts. The assets acquired must at no time exceed, in the aggregate, are assets that have been 20% of the Bank’s effective equity. These assets currently represent 0.50% as of June 30, 2013 (0.55% as of December 31, 2012) of the Bank’s effective equity.

NOTE 16
TIME DEPOSITS AND OTHER TIME LIABILITIES:

As of June 30, 2013 and December 31, 2012 the composition of the item is as follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Deposits and other demand liabilities		
Checking accounts	4,094,595	4,006,143
Other deposits and demand accounts	451,089	455,315
Other demand liabilities	643,024	508,561
Total	**5,188,708**	**4,970,019**
Time deposits and other time liabilities		
Time deposits	9,322,497	9,008,902
Time savings account	102,006	101,702
Other time liabilities	1,825	1,609
Total	**9,426,328**	**9,112,213**

NOTE 17
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of June 30, 2013 and December 31, 2012 the composition of the item is as follows:

		As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Other financial liabilities			
Obligations to public sector		95,035	96,185
Other domestic obligations		88,348	93,653
Foreign obligations		2,589	2,773
	Subtotals	**185,972**	**192,611**
Issued debt instruments			
Mortgage finance bonds		112,313	128,086
Senior bonds		3,876,312	3,717,213
Subordinated bonds		687,059	725,990
	Subtotals	**4,675,684**	**4,571,289**
Total		**4,861,656**	**4,763,900**

Debts classified as current are either demand obligations or will mature in one year or less. All other debts are classified as non-current. The Bank's debts, both current and non-current, are summarized below:

	As of June 30, 2013		
	Non-current MCh$	Current MCh$	Total MCh$
Mortgage finance bonds	7,226	105,087	112,313
Senior bonds	803,082	3,073,230	3,876,312
Subordinated bonds	16,233	670,826	687,059
Issued debt instruments	**826,541**	**3,849,143**	**4,675,684**
Other financial liabilities	**96,504**	**89,468**	**185,972**
Total	**923,045**	**3,938,611**	**4,861,656**

NOTE 17
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

	As of December 31, 2012		
	Non-current MCh$	Current MCh$	Total MCh$
Mortgage finance bonds	6,863	121,223	128,086
Senior bonds	534,852	3,182,361	3,717,213
Subordinated bonds	16,037	709,953	725,990
Issued debt instruments	**557,752**	**4,013,537**	**4,571,289**
Other financial liabilities	**101,335**	**91,276**	**192,611**
Total	**659,087**	**4,104,813**	**4,763,900**

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their main amounts are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. Loans are indexed to UF and create a yearly interest rate of 6.00% as of June 30, 2013 (5.95% as of December 31, 2012).

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Due within 1 year	7,226	6,863
Due after 1 year but within 2 years	8,777	7,595
Due after 2 years but within 3 years	10,459	14,752
Due after 3 years but within 4 years	9,812	11,026
Due after 4 years but within 5 years	15,076	11,923
Due after 5 years	60,963	75,927
Total mortgage bonds	**112,313**	**128,086**

b) Senior bonds

The following table shows senior bonds by currency:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Santander bonds in UF	2,028,276	2,025,105
Santander bonds in USD	1,350,186	1,269,454
Santander bonds in CHF	174,164	90,249
Santander bonds in Ch$	283,273	293,933
Santander bonds in CNY	40,413	38,472
Total senior bonds	**3,876,312**	**3,717,213**

NOTE 17
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of senior bonds:

During the first half of 2013 the Bank placed bonds for UF 6,192,000; CLP 16,250,000,000; CHF 150,000,000 and USD 250,000,000; detailed as follows:

Series		Amount	Term	Issuance rate	Issuance date		Issued amount	Maturity date
E1	UF	2,742,000	5 years	3.5% per annum simple	02-01-2011	UF	4,000,000	02-01-2016
E3	UF	2,100,000	8.5 years	3.5% per annum simple	01-01-2011	UF	4,000,000	07-01-2019
E6	UF	1,350,000	10 years	3.5% per annum simple	04-01-2012	UF	4,000,000	04-01-2022
Total UF	UF	**6,192,000**						
E4	CLP	7,500,000,000	5 years	6.75% per annum simple	06-01-2012	CLP	7,500,000,000	06-01-2016
E8	CLP	8,750,000,000	10 years	6.6% per annum simple	11-01-2012	CLP	25,000,000,000	11-01-2022
Total CLP	CLP	**16,250,000,000**						
CHF floating bond	**CHF**	150,000,000	4 years	Libor (3 months) + 100 bp	03-28-2013	CHF	150,000,000	03-28-2017
Total CHF	**CHF**	**150,000,000**						
DN Current Bonds	USD	250,000,000	5 years	Libor (3 months) + 100 bp	06-07-2013	USD	250,000,000	06-07-2018
Total DN Current Bonds	USD	**250,000,000**						

NOTE 17
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

In 2012, the Bank placed bonds for UF 698,000; USD 1,085,990,000; CLP 55,600,000,000; and CNY 500,000,000 detailed as follows:

Series		Amount	Term	Issuance rate	Issuance date		Issued amount	Maturity date
FD	UF	50,000	5 years	3.00% per annum simple	08-01-2010	UF	3,000,000	08-01-2015
E1	UF	362,000	5 years	3.00% per annum simple	02-01-2012	UF	4,000,000	02-01-2016
E3	UF	6,000	8.5 years	3.50% per annum simple	01-01-2012	UF	4,000,000	07-01-2019
E6	UF	280,000	10 years	3.50% per annum simple	04-01-2013	UF	4,000,000	04-01-2022
Total UF	UF	**698,000**						
E4	CLP	5,600,000,000	5 years	6.75% per annum simple	06-01-2012	CLP	50,000,000,000	06-01-2016
E5	CLP	25,000,000,000	10 years	6.30% per annum simple	12-01-2012	CLP	25,000,000,000	12-01-2021
E7	CLP	25,000,000,000	5 years	6.75% per annum simple	03-01-2013	CLP	25,000,000,000	03-01-2017
CLP Total	CLP	**55,600,000,000**						
Senior bonds	USD	250,000,000	2 years	Libor (3 months) + 200 bp	02-14-2013	USD	250,000,000	02-14-2014
Zero-coupon bond	USD	85,990,000	1 year	Libor (3 months) + 100 bp	08-29-2013	USD	85,990,000	08-30-2013
Senior bonds	USD	750,000,000	10 years	3.875% per annum simple	09-20-2013	USD	750,000,000	09-20-2022
USD Total	USD	**1,085,990,000**						
CNY Bond	CNY	500,000,000	2 years	3.75% per annum simple	11-26-2013	CNY	500,000,000	11-26-2014
CNY Total	CNY	**500,000,000**						

During the first semester of 2012, 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.

ii. Nominal bonds to be placed:

As of June 30, 2013 the balance for each bond series to be placed is as follows:

Series		Amount	Term	Issuance rate	Issuance date	Maturity date
FD	UF	110,000	5 years	3.00% per annum simple	08-01-2010	08-01-2015
E2	UF	952,000	7.5 years	3.50% per annum simple	01-01-2012	07-01-2018
E3	UF	144,000	8.5 years	3.50% per annum simple	01-01-2012	07-01-2019
E6	UF	2,370,000	10 years	3.50% per annum simple	04-01-2012	04-01-2022
E9	UF	2,000,000	10 years	3.60 % per annum simple	01-01-2013	12-25-2018
Total	UF	**5,576,000**				
E8	CLP	16,250,000,000	10 years	6.6% per annum simple	11-01-2012	11-01-2022
Total	CLP	**16,250,000,000**				

NOTE 17
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

The maturities of senior bonds are as follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Due within 1 year	803,082	534,852
Due after 1 year but within 2 years	452,230	600,723
Due after 2 years but within 3 years	958,230	643,791
Due after 3 years but within 4 years	176,244	610,817
Due after 4 years but within 5 years	344,461	323,474
Due after 5 years	1,142,065	1,003,556
Total senior bonds	**3,876,312**	**3,717,213**

c) Subordinated bonds

The following table shows senior bonds by currency:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Subordinated bonds denominated in USD	139,062	174,285
Subordinated bonds denominated in UF	547,997	551,705
Total subordinated bonds	**687,059**	**725,990**

i. Placement of subordinated bonds

As of June 30, 2013 and December 31, 2012 the Bank has not issued any subordinated bonds.

NOTE 17
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

The maturities of subordinated bonds, is as follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Due within 1 year	16,233	16,037
Due after 1 year but within 2 years	147,932	182,844
Due after 2 years but within 3 years	8,232	9,535
Due after 3 years but within 4 years	2,358	5,760
Due after 4 years but within 5 years	—	—
Due after 5 years	512,304	511,814
Total subordinated bonds	**687,059**	**725,990**

d) Other financial liabilities

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

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Non-current portion:		
Due after 1 year but within 2 years	3,590	3,897
Due after 2 years but within 3 years	2,989	2,501
Due after 3 years but within 4 years	3,123	3,090
Due after 4 years but within 5 years	2,956	2,937
Due after 5 years	76,810	78,851
Non-current portion subtotals	**89,468**	**91,276**
Current portion:		
Amounts due to credit card operators	65,433	70,410
Acceptance of letters of credit	1,582	1,683
Other long-term financial obligations, short-term portion	29,489	29,242
Current portion subtotals	**96,504**	**101,335**
Total other financial liabilities	**185,972**	**192,611**

NOTE 18
MATURITY OF ASSETS AND LIABILITIES

As of June 30, 2013 and December 31, 2012 the detail of maturities of assets and liabilities is as follows:

As of June 30, 2013	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal Up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,328,980	—	—	—	1,328,980	—	—	—	1,328,980
Cash items in process of collection	680,705	—	—	—	680,705	—	—	—	680,705
Trading investments	—	67,355	57,826	60,176	185,357	26,257	28,899	55,156	240,513
Investments under resale agreements	—	10,875	—	—	10,875	—	—	—	10,875
Financial derivative contracts	—	127,971	106,033	379,377	613,381	449,336	377,694	827,030	1,440,411
Interbank loans (*)	22,128	—	100,923	—	123,051	—	—	—	123,051
Loans and accounts receivables from customers (**)	725,921	2,085,483	1,824,935	3,243,872	7,880,211	5,926,299	5,965,851	11,892,150	19,772,361
Available for sale investments	—	147,638	231,888	616,030	995,556	276,538	253,502	530,040	1,525,596
Held to maturity investments	—	—	—	—	—	—	—	—	
Total assets	**2,757,734**	**2,439,322**	**2,321,605**	**4,299,455**	**11,818,116**	**6,678,430**	**6,625,946**	**13,304,376**	**25,122,492**
Liabilities									
Deposits and other demand liabilities	5,188,708	—	—	—	5,188,708	—	—	—	5,188,708
Cash items in process of being cleared	555,909	—	—	—	555,909	—	—	—	555,909
Obligations under repurchase agreements	3,019	273,162	21,155	15,312	312,648	—	—	—	312,648
Time deposits and other time liabilities	100,333	5,017,989	2,670,913	1,515,853	9,305,088	68,653	52,587	121,240	9,426,328
Financial derivative contracts	—	135,437	110,134	293,272	538,843	412,794	283,587	696,381	1,235,224
Interbank borrowings	8,353	64,762	357,780	936,033	1,366,928	50,819	—	50,819	1,417,747
Issued debt instruments	—	5,054	190,161	631,326	826,541	2,133,811	1,715,332	3,849,143	4,675,684
Other financial liabilities	65,433	410	707	29,954	96,504	12,658	76,810	89,468	185,972
Total liabilities	**5,921,755**	**5,496,814**	**3,350,850**	**3,421,750**	**18,191,169**	**2,678,735**	**2,128,316**	**4,807,051**	**22,998,220**

(*) Interbank loans are presented on a gross basis. The amount of allowance is Ch$ 81 million.

(**) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to type of loan are detailed as follows: Commercial loans Ch$ 267,364 million; Mortgage loans Ch$ 41,530 million; and Consumer loans Ch$ 256,100 million.

NOTE 18
MATURITY OF ASSETS AND LIABILITIES, continued

As of December 31, 2012	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal Up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,250,414	—	—	—	1,250,414	—	—	—	1,250,414
Cash items in process of collection	520,267	—	—	—	520,267	—	—	—	520,267
Trading investments	—	19,565	2,597	237,726	259,888	58,138	20,261	78,399	338,287
Investments under resale agreements	—	6,993	—	—	6,993	—	—	—	6,993
Financial derivative contracts	—	58,311	77,728	216,832	352,871	571,315	369,026	940,341	1,293,212
Interbank loans (*)	60,654	—	29,919	—	90,573	—	—	—	90,573
Loans and accounts receivables from customers (**)	1,123,417	1,156,145	1,736,942	2,995,860	7,012,364	5,925,100	5,938,615	11,863,715	18,876,079
Available for sale investments	—	112,173	234,566	519,181	865,920	506,152	454,086	960,238	1,826,158
Held to maturity investments	—	—	—	—	—	—	—	—	—
Total assets	**2,954,752**	**1,353,187**	**2,081,752**	**3,969,599**	**10,359,290**	**7,060,705**	**6,781,988**	**13,842,693**	**24,201,983**
Liabilities									
Deposits and other demand liabilities	4,970,019	—	—	—	4,970,019	—	—	—	4,970,019
Cash items in process of being cleared	284,953	—	—	—	284,953	—	—	—	284,953
Obligations under repurchase agreements	—	275,303	25,534	3,280	304,117	—	—	—	304,117
Time deposits and other time liabilities	65,854	4,981,947	2,278,958	1,600,701	8,927,460	133,760	50,993	184,753	9,112,213
Financial derivative contracts	—	71,445	80,484	208,473	360,402	503,036	282,723	785,759	1,146,161
Interbank borrowings	5,820	82,965	185,730	998,877	1,273,392	164,611	—	164,611	1,438,003
Issued debt instruments	—	10,855	168,817	378,080	557,752	2,422,240	1,591,297	4,013,537	4,571,289
Other financial liabilities	70,136	718	733	29,748	101,335	12,425	78,851	91,276	192,611
Total liabilities	**5,396,782**	**5,423,233**	**2,740,256**	**3,219,159**	**16,779,430**	**3,236,072**	**2,003,864**	**5,239,936**	**22,019,366**

(*) Interbank loans are presented on a gross basis. The amount of allowances is Ch$ 46 million.

(**) Loans and accounts receivables from customers are presented on a gross basis. Allowances amounts according to type of loan are detailed as follows: Commercial loans Ch$ 250,873 million, Mortgage loans Ch$ 35,990 million and Consumer loans Ch$ 263,259 million.

NOTE 19
OTHER LIABILITIES

The other liabilities item is as follows:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Accounts and notes payable	98,635	89,034
Unearned income	366	426
Guarantees received (threshold)	1,329	179,820
Notes payable through brokerage and simultaneous transactions	13,506	—
Other payable obligations	58,112	59,824
Other liabilities	17,282	12,170
Total	**189,230**	**341,274**

NOTE 20
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 June 30, 2013, the Banks and its subsidiaries have Provisions for this item for Ch$ 1,291 million (Ch$ 428 million as of December 31, 2012) which are under “Contingency Provisions” in the Unaudited Consolidated Interim Statements of Financial Position. In addition, there are other lawsuits for UF 27,042.79, mainly the litigation between Santander Corredores de Seguros Limitada for leasing assets.

b) Contingent loans

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

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Letters of credit issued	225,732	199,420
Foreign letters of credit confirmed	91,781	113,878
Guarantees	1,149,672	1,046,114
Personal guarantees	148,508	139,059
Subtotals	**1,615,693**	**1,498,471**
Available on demand credit lines	5,176,567	4,933,335
Other irrevocable credit commitments	53,656	63,828
Total	**6,845,916**	**6,495,634**

c) Held securities

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

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Third party operations		
Collections	333,427	287,128
Assets from third parties managed by the Bank and its affiliates	884,194	821,080
Subtotals	**1,217,621**	**1,108,208**
Custody of securities		
Securities held in custody	269,171	227,554
Securities held in custody deposited in other entity	554,143	573,129
Issued securities held in custody	15,363,397	14,931,587
Subtotals	**16,186,711**	**15,732,270**
Total	**17,404,332**	**16,840,478**

(1) In 2013, portfolios managed by private banking were classified as third party resources managed by the Bank and its subsidiaries so, at the end of June 2013, the balance was Ch$ 884,159 million (Ch$ 821,045 million as of December 31, 2012).

d) Guarantees

Banco Santander Chile has a comprehensive officer fidelity insurance policy, No. 2700659, with Chilena Consolidada S.A. Insurance Company, for an amount of USD $5,000,000, which jointly covers both the Bank and its affiliates for the period from July 1, 2012 to June 30, 2013. At the issuance date of this financial statement, the Bank has renewed this policy (No. 2823611) which cover from July 1, 2013 to June 30, 2014 for an amount of USD$ 5,000,000.

NOTE 20
CONTINGENCIES AND COMMITMENTS, continued

e) Contingent loans and liabilities

To satisfy its clients' needs, the Bank took on several contingent loans and liabilities, yet these were not recognized, as per accounting standards, in the Unaudited Consolidated Interim Statements of Financial Position; these contain loan risks and they are, therefore, part of the Bank-s global risk.

Santander Asset Management S.A. Administradora General de Fondos

i) 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.

ii) In addition to these guarantees for creating mutual funds, there are other guarantees for a guaranteed return on certain mutual funds, totaling Ch$349.65 million and time deposits for UF 1,484,551.8566 and Ch$6,451 million as a guaranty of Private Investment Funds (P.I.F.), as of June 30, 2013.

Santander Agente de Valores Limitada

i) 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.212114948, underwritten by the Compañía de Seguros de Crédito Continental S.A., which matures on December 19, 2013.

Santander S.A. Corredores de Bolsa

i) The Company has given guarantees to the Bolsa de Comercio de Santiago for a current value of Ch$ 22,166 million to cover simultaneous transactions.

ii) In addition, the company has issued a guarantee to CCLV Contraparte Central S.A. (formerly known as Cámara de Compensación) in cash, for a total Ch$ 3,180 million and an additional guaranteed entered at the Electronical Stock Market for Ch$ 981 million as of June 30, 2013.

iii) As of June 30, 2013, the following legal situations are in process:

- Complaint procedures before the 27th Civil Court of Santiago, labeled "Nahum con Santander Investment S.A. Corredores de Bolsa" predecessor of Santander S.A. Corredores de Bolsa, File No. 16.703-2010 for Ch$ 200 million. Regarding its current state, the ruling granted the appeal and it is currently pending the review of the Court of Appeals. There are no provisions recorded since they are not considered necessary given that the cause is in its preliminary stages.

- Case of "Inverfam S.A. vs. Santander Investment S.A. Corredores de Bolsa" predecessor of Santander S.A. Corredores de Bolsa, followed in Santiago First Civil Court, File No. 32.543-2011; a claim for indemnity damages from the loss of some securities destined to Optimal Funds which were affected by the Madoff case, that amount to Ch$ 107 million, approximately. We are currently waiting for a conciliation meeting.

- Case of "Bilbao vs. Santander Investment S.A. Corredores de Bolsa", predecessor to Santander S.A. Corredores de Bolsa, followed in Santiago 20th Civil Court, File No. 15549-2012. As of June 30, the period to show proofs has expired and probatory diligences are pending.

Santander Corredora de Seguros Limitada

i) 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.

ii) The company purchased a guarantee policy (No.10023615), covering UF 500 and professional liability policy (No.10023624) for its insurance brokers, covering UF 60,000; from the Seguros Generales Consorcio Nacional de Seguros S.A. The policies are valid from April 14, 2013 through April 15, 2014.

iii) There are lawsuits for UF 27,042.79; which corresponds mainly to goods given in leasing. Our lawyers have estimated a loss of Ch$51.3 million. The estimated loss amount was recorded as provisions.

NOTE 21
EQUITY

a) Capital

As of June 30, 2013 and December 31, 2012 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 of restrictions.

The activity with respect to shares during 2013 and 2012 was as follows:

	SHARES	
	As of June 30, 2013	**As of December 31, 2012**
Issued as of January 1	188,446,126,794	188,446,126,794
Issue of paid shares	-	-
Issue of outstanding shares	-	-
Stock options exercised	-	-
Issued as period end	**188,446,126,794**	**188,446,126,794**

As of June 30, 2013 and December 31, 2012 the Bank does not have any of its own shares in treasury, nor do any of the consolidated companies.

As of June 30, 2013 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs	Total	% of Equity holding
Teatinos Siglo XXI Inversiones S.A.	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	-	29,538,475,271	29,538,475,271	15.68
Banks and stock brokers on behalf of third parties	13,271,233,267	-	13,271,233,267	7.04
AFP on behalf of third parties	10,820,779,403	-	10,820,779,403	5.74
Other minority holders	3,774,722,586	4,447,914,999	8,222,637,585	4.36
Total			**188,446,126,794**	**100.00**

NOTE 21
EQUITY, continued

As of December 31, 2012 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs	Total	% of Equity holding
Teatinos Siglo XXI Inversiones S.A.	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	-	35,111,060,871	35,111,060,871	18.63
BNP Paribas Arbitrage	173,328,889	-	173,328,889	0.09
MBI Arbitrage Fondo de Inversion	495,766,248	-	495,766,248	0.26
Banks and stock brokers on behalf of third parties	12,473,837,817	-	12,473,837,817	6.62
AFP on behalf of third parties	6,346,809,483	-	6,346,809,483	3.37
Other minority holders	3,839,358,209	3,412,964,009	7,252,322,218	3.85
Total			**188,446,126,794**	**100.00**

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

b) Dividends

The distribution of dividends is detailed in the chart of the Unaudited Consolidated Interim Statements of Changes in Equity.

c) As of June 30, 2013 and 2012 diluted earnings and basic earnings per share were as follows:

	As of June 30,	
	2013 MCh$	2012 MCh$
a) Basic earnings per share		
Total attributable to Bank shareholders	166,771	224,002
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch$)	0.885	1.189
b) Diluted earnings per share		
Total attributable to Bank shareholders	166,771	224,002
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Assumed conversion of convertible debt	-	-
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch$)	0.885	1.189

As of June 30, 2013 and 2012 there are no potential shares with dilutive effect.

NOTE 21
EQUITY, continued

d) Other comprehensive income of available for sale investments and cash flow hedges:

	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$
Available for sale investments		
As of January 1,	(10,017)	3,043
Gain (losses) on remeasuring available for sale investments, before tax	4,683	(15,131)
Reclassification adjustments on available for sale investments, before tax	-	-
Realized losses	4,923	2,071
Subtotals	9,606	(13,060)
Total	**(411)**	**(10,017)**
Cash flow hedges		
As of January 1,	5,315	394
Gains (losses) on remeasuring cash flow hedges, before tax	(8,320)	4,326
Reclassification adjustments on cash flow hedges, before tax	734	595
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		-
Subtotals	(7,586)	4,921
Total	**(2,271)**	**5,315**
Other comprehensive income, before taxes	(2,682)	(4,702)
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	82	2,003
Income tax relating to cash flow hedges	454	(1,063)
Total	**536**	**940**
Other comprehensive income, net of tax	**(2,146)**	**(3,762)**
Attributable to:		
Bank shareholders (Equity holders of the Bank)	(2,170)	(3,781)
Non-controlling interest	24	19

NOTE 22
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.

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:

Type of contingent loan	Exposure
a) Pledges and other commercial commitments	100%
b) Foreign letters of credit confirmed	20%
c) Letters of credit issued	20%
d) Guarantees	50%
e) Interbank guarantee letters	100%
f) Available lines of credit	50%
h) Other loan commitments	
- Higher Education Loans Law No. 20,027	15%
- Other	100%
h) Other contingent loans	100%

NOTE 22
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 June 30, 2013 MCh$	As of December 31, 2012 MCh$	As of June 30, 2013 MCh$	As of December 31 2012 MCh$
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	1,328,980	1,250,414	-	-
Cash items in process of collection	680,705	520,267	105,523	75,429
Trading investments	240,513	338,287	2,905	21,713
Investments under resale agreements	10,875	6,993	10,875	6,993
Financial derivative contracts (*)	1,000,717	937,291	807,831	830,133
Interbank loans, net	122,970	90,527	24,594	18,105
Loans and accounts receivables from customers, net	19,207,367	18,325,957	17,083,419	16,205,004
Available for sale investments	1,525,596	1,826,158	201,937	200,285
Investments in associates and other companies	8,036	7,614	8,036	7,614
Intangible assets	70,832	87,347	70,832	87,347
Property, plant, and equipment	161,120	162,214	161,120	162,214
Current taxes	970	10,227	97	1,023
Deferred taxes	177,002	186,407	17,700	18,640
Other assets	526,420	655,217	474,130	402,547
Off-balance-sheet assets				
Contingent loans	3,381,282	3,201,028	1,990,978	1,903,368
Total	**28,443,385**	**27,605,948**	**20,959,977**	**19,940,415**

(*) "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:

			Ratio	
	As of June 30, 2013 MCh$	As of December 31, 2012 MCh$	As of June 30, 2013 %	As of December 31, 2012 %
Basic capital (*)	2,136,835	2,134,778	7.51	7.73
Effective net equity (*)	2,697,882	2,734,215	12.87	13.72

(*) Basic capital and effective net equity has been adjusted due to initial recognition of IAS 19 Revised, as stated in Note 2.

NOTE 23
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 and the entities controlled through other considerations is summarized as follows:

				Other comprehensive income			
For the six months ended June 30, 2013	**Non-controlling %**	**Equity MCh$**	**Income MCh$**	**Available for sale investments MCh$**	**Deferred tax MCh$**	**Total other comprehensive income MCh$**	**Comprehensive income MCh$**
Subsidiaries:							
Santander Agente de Valores Limitada	0.97	701	46	2	-	2	48
Santander S.A. Sociedad Securitizadora	0.36	3	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	19,113	1,063	5	(1)	4	1,067
Santander Asset Management S.A. Administradora General de Fondos	0.02	4	2	-	-	-	2
Santander Corredora de Seguros Limitada	0.24	147	2	-	-	-	2
Subtotals		**19,968**	**1,113**	**7**	**(1)**	**6**	**1,119**
Entities controlled through other considerations:							
Bansa Santander S.A.	100.00	2,503	375	-	-	-	375
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	1,275	(1,230)	-	-	-	(1,230)
Multinegocios S.A.	100.00	362	119	-	-	-	119
Servicios Administrativos y Financieros Limitada	100.00	1,541	130	-	-	-	130
Servicios de Cobranzas Fiscalex Limitada	100.00	341	125	-	-	-	125
Multiservicios de Negocios Limitada	100.00	1,479	179	-	-	-	179
Subtotals		**7,501**	**(302)**	**-**	**-**	**-**	**(302)**
Total		**27,469**	**811**	**7**	**(1)**	**6**	**817**

NOTE 23
NON CONTROLLING INTEREST, continued

For the six months ended June 30, 2012	Non-controlling %	Equity MCh$	Income MCh$	Other comprehensive income: Available for sale investments MCh$	Deferred tax MCh$	Total other comprehensive income MCh$	Comprehensive income MCh$
Subsidiaries:							
Santander Agente de Valores Limitada	0.97	610	42	(1)	-	(1)	41
Santander S. A. Sociedad Securitizadora	0.36	3	-	-	-	-	-
Santander S. A. Corredores de Bolsa	49.00	24,631	1,378	97	(19)	78	1,456
Santander Asset Management S.A. Administradora General de Fondos	0.02	9	3	-	-	-	3
Santander Corredora de Seguros Limitada	0.24	147	4	-	-	-	4
Subtotals		**25,400**	**1,427**	**96**	**(19)**	**77**	**1,504**
Entities controlled through other considerations:							
Bansa Santander S. A.	100.00	951	(78)	-	-	-	(78)
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	2,198	(135)	-	-	-	(135)
Multinegocios S. A.	100.00	162	12	-	-	-	12
Servicios Administrativos y Financieros Limitada	100.00	1,273	189	-	-	-	189
Servicios de Cobranzas Fiscalex Limitada	100.00	172	20	-	-	-	20
Multiservicios de Negocios Limitada	100.00	1,116	172	-	-	-	172
Subtotals		**5,872**	**180**	**-**	**-**	**-**	**180**
Total		**31,272**	**1,607**	**96**	**(19)**	**77**	**1,684**

NOTE 23
NON CONTROLLING INTERESTS, continued

The non-controlling interest in equity and the subsidiaries and entities controlled through other considerations income as of June 30, 2012 is summarized as follows:

			Other comprehensive income			
For the three months ended June 30, 2013	**Non-controlling %**	**Income MCh$**	**Available for sale investments MCh$**	**Deferred tax MCh$**	**Total other comprehensive income MCh$**	**Comprehensive income MCh$**
Subsidiaries:						
Santander Agente de Valores Limitada	0.97	25	2	-	2	27
Santander S.A. Sociedad Securitizadora	0.36	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	565	(8)	2	(6)	559
Santander Asset Management S.A. Administradora General de Fondos	0.02	1	-	-	-	1
Santander Corredora de Seguros Limitada	0.24	1	-	-	-	1
Subtotals		**592**	**(6)**	**2**	**(4)**	**588**
Entities controlled through other considerations:						
Bansa Santander S.A.	100.00	53	-	-	-	53
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	(723)	-	-	-	(723)
Multinegocios S.A.	100.00	64	-	-	-	64
Servicios Administrativos y Financieros Limitada	100.00	68	-	-	-	68
Servicios de Cobranzas Fiscalex Limitada	100.00	101	-	-	-	101
Multiservicios de Negocios Limitada	100.00	90	-	-	-	90
Subtotals		**(347)**	-	-	-	**(347)**
Total		**245**	**(6)**	**2**	**(4)**	**241**

			Other comprehensive income			
For the three months ended June 30, 2012	**Non-controlling %**	**Income MCh$**	**Available for sale investments MCh$**	**Deferred tax MCh$**	**Total other comprehensive income MCh$**	**Comprehensive income MCh$**
Subsidiaries:						
Santander Agente de Valores Limitada	0.97	21	-	-	-	21
Santander S.A. Sociedad Securitizadora	0.36	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	548	138	(26)	112	660
Santander Asset Management S.A. Administradora General de Fondos	0.02	1	-	-	-	1
Santander Corredora de Seguros Limitada	0.24	1	-	-	-	1
Subtotals		**571**	**138**	**(26)**	**112**	**683**
Entities controlled through other considerations:						
Bansa Santander S.A.	100.00	6	-	-	-	6
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	30	-	-	-	30
Multinegocios S.A.	100.00	8	-	-	-	8
Servicios Administrativos y Financieros Limitada	100.00	99	-	-	-	99
Servicios de Cobranzas Fiscalex Limitada	100.00	10	-	-	-	10
Multiservicios de Negocios Limitada	100.00	92	-	-	-	92
Subtotals		**245**	-	-	-	**245**
Total		**816**	**138**	**(26)**	**112**	**928**

NOTE 24
INTEREST INCOME AND EXPENSES

This item refers to interest earned in the period from 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 effects arising from as a consequence of hedge accounting.

a) For the three month and six month periods ended June 30, 2013 and 2012, composition of income from interest and inflation adjustments, not including income from hedge accounting, is as follows:

	For the three months ended June 30,							
	2013				2012			
Items	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$
Repurchase agreements	606	-	-	606	690	(8)	-	682
Interbank loans	142	-	-	142	217	-	-	217
Commercial loans	181,762	(2,080)	1,297	180,979	174,296	15,030	1,576	190,902
Mortgage loans	57,785	(3,249)	3,107	57,643	56,642	21,617	2,887	81,146
Consumer loans	153,688	50	802	154,540	153,763	567	751	155,081
Investment instruments	18,881	(422)	-	18,459	19,109	(211)	-	18,898
Other interest income	925	(744)	-	181	7,833	1,115	-	8,948
Interest income	**413,789**	**(6,445)**	**5,206**	**412,550**	**412,550**	**38,110**	**5,214**	**455,874**

	For the six months ended June 30,							
	2013				2012			
Items	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$
Repurchase agreements	817	-	-	817	1,470	(12)	-	1,458
Interbank loans	153	-	-	153	742	-	-	742
Commercial loans	359,980	2,633	2,466	365,079	339,142	51,082	2,764	392,988
Mortgage loans	114,564	3,514	5,982	124,060	112,453	74,819	5,784	193,056
Consumer loans	304,405	255	1,448	306,108	304,099	1,692	1,449	307,240
Investment instruments	41,440	(354)	-	41,086	51,495	1,291	-	52,786
Other interest income	1,937	(1,277)	-	660	9,058	1,452	-	10,510
Interest income	**823,296**	**4,771**	**9,896**	**837,963**	**818,459**	**130,324**	**9,997**	**958,780**

b) As stated in letter i) of Note 01, suspended interests and adjustments corresponding to operations with default equal or greater than 90 days, are recorded in off-balance sheet accounts (out of the Unaudited Consolidated Interim Statement of Financial Position), as long as these are not effectively collected.

NOTE 24
INTEREST INCOME AND EXPENSE, continued

For the three month and six month periods ended June 30, 2013 and 2012 composition of suspended interest and adjustments income, is as follows:

	For the three months ended June 30,					
	2013			2012		
Off balance sheet	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Commercial loans	(40)	(777)	(817)	(27)	(296)	(323)
Mortgage loans	(86)	(1,213)	(1,299)	(76)	(566)	(642)
Consumer loans	(1,756)	(128)	(1,884)	(355)	(42)	(397)
Total	**(1,882)**	**(2,118)**	**(4,000)**	**(458)**	**(904)**	**(1,362)**

	For the six months ended June 30,					
	2013			2012		
Off balance sheet	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Commercial loans	17,415	2,788	20,203	16,134	3,725	19,859
Mortgage loans	4,120	3,194	7,314	4,218	5,495	9,713
Consumer loans	5,846	703	6,549	7,573	916	8,489
Total	**27,381**	**6,685**	**34,066**	**27,925**	**10,136**	**38,061**

c) For the three month and six month periods ended June 30, 2013 and 2012, the composition of interest and adjustments expense, excluding expense from hedge accounting, is as follows:

	For the three months ended June 30,					
	2013			2012		
Items	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Demand deposits	(925)	22	(903)	(594)	(103)	(697)
Repurchase agreements	(2,615)	-	(2,615)	(4,553)	-	(4,553)
Time deposits and liabilities	(107,593)	148	(107,445)	(112,526)	(8,472)	(120,998)
Interbank loans	(5,300)	-	(5,300)	(6,691)	(2)	(6,693)
Issued debt instruments	(42,580)	1,905	(40,675)	(42,906)	(10,990)	(53,896)
Other financial liabilities	(1,185)	24	(1,161)	(1,203)	(156)	(1,359)
Other interest expense	(590)	(109)	(699)	(583)	(784)	(1,367)
Interest expense total	**(160,788)**	**1,990**	**(158,798)**	**(169,056)**	**(20,507)**	**(189,563)**

	For the six months ended June 30,					
	2013			2012		
Items	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	Interest **MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Demand deposits	(2,436)	(11)	(2,447)	(1,280)	(358)	(1,638)
Repurchase agreements	(4,991)	-	(4,991)	(10,176)	9	(10,167)
Time deposits and liabilities	(217,944)	(1,011)	(218,955)	(216,298)	(30,153)	(246,451)
Interbank loans	(11,184)	-	(11,184)	(14,087)	(10)	(14,097)
Issued debt instruments	(83,938)	(1,236)	(85,174)	(86,777)	(39,184)	(125,961)
Other financial liabilities	(2,368)	(18)	(2,386)	(2,425)	(549)	(2,974)
Other interest expense	(1,165)	(125)	(1,290)	(1,198)	(2,238)	(3,436)
Interest expense total	**(324,026)**	**(2,401)**	**(326,427)**	**(332,241)**	**(72,483)**	**(404,724)**

NOTE 24
INTEREST INCOME AND EXPENSE, continued

d) For the three month and six month periods ended June 30, 2013 and 2012, the composition of net interest income is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
Items	**2013 MCh$**	**2012 MCh$**	**2013 MCh$**	**2012 MCh$**
Interest income	412,550	455,874	837,963	958,780
Interest expense	(158,798)	(189,563)	(326,427)	(404,724)
Net interest income	**253,752**	**266,311**	**511,536**	**554,056**
Loss from hedge accounting (net)	(5,085)	(11,371)	(16,388)	(33,044)
Total net interest income	**248,667**	**254,940**	**495,148**	**521,012**

NOTE 25
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 three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Fee and commission income				
Fees and commissions for lines of credits and overdrafts	1,728	2,418	3,719	4,867
Fees and commissions for guarantees and letters of credit	7,624	6,909	15,032	13,844
Fees and commissions for card services	31,207	31,587	63,857	64,002
Fees and commissions for management of accounts	6,948	7,350	14,076	14,588
Fees and commissions for collections and payments	11,479	16,449	22,804	32,256
Fees and commissions for intermediation and management of securities	2,799	3,139	5,786	6,494
Fees and commissions for investments in mutual funds or others	8,540	8,488	16,930	17,097
Insurance brokerage fees	9,623	8,015	15,369	17,275
Office banking	3,850	3,455	7,339	6,535
Other fees earned	2,210	3,130	8,624	4,933
Total	**86,008**	**90,940**	**173,536**	**181,891**

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Fee and commission expense				
Compensation for card operation	(21,431)	(19,370)	(42,434)	(37,825)
Fees and commissions for securities transactions	(1,152)	164	(2,343)	(1,209)
Office banking and other fees	(2,800)	(5,149)	(5,340)	(8,638)
Total	**(25,383)**	**(24,355)**	**(50,117)**	**(47,672)**
Net fees and commissions income	**60,625**	**66,585**	**123,419**	**134,219**

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

NOTE 26
OTHER 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.

For the three month and six month periods ended June 30, 2013 and 2012, detail of income (loss) from financial operations is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Net income from financial operations				
Trading derivatives	(825)	13,830	(27,970)	(36,179)
Trading investments	7,531	7,262	16,772	20,509
Sale of loans and accounts receivables from customers				
Current portfolio (Note 10)	152	(178)	70	329
Charged-off portfolio (Note 10)	(196)	-	(139)	2,607
Available for sale investments	5,361	(839)	6,434	(1,898)
Other income from financial operations (*)	3,016	341	2,999	852
Total	**15,039**	**20,416**	**(1,834)**	**(13,780)**

NOTE 27
NET FOREIGN EXCHANGE INCOME

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.

For the three month and six month periods ended June 30, 2013 and 2012, detail of foreign exchange income is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Currency exchange differences				
Net profit (loss) from currency exchange differences	(135,872)	(63,782)	(71,954)	140,538
Hedging derivatives:	149,037	66,383	125,267	(81,657)
Income from adjustable assets in foreign currency	5,761	2,231	4,642	(1,058)
Income from adjustable liabilities in foreign currency	(712)	392	(606)	900
Total	**18,214**	**5,224**	**57,349**	**58,723**

NOTE 28
PROVISION FOR LOAN LOSSES

a) The 2013 and 2012 activity in provision for loan losses recorded on the Unaudited Consolidated Interim Statement of Income is as follows:

		Loans and accounts receivables from customers						
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Total
For the three months ended	individual	Individual	Group	Group	Group	Individual	Group	
June 30, 2013	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Charged-off loans, net of provisions:	-	**(1,385)**	**(14,958)**	**(5,825)**	**(27,685)**	-	-	**(49,853)**
Provisions established	(22)	(21,385)	(6,180)	(8,564)	(50,221)	(546)	(1,056)	(87,974)
Total provisions and charge-offs	**(22)**	**(22,770)**	**(21,138)**	**(14,389)**	**(77,906)**	**(546)**	**(1,056)**	**(137,827)**
Provisions released	21	5,631	3,893	4,433	20,733	994	1,110	36,815
Recovery of loans previously charged off	-	1,190	2,163	930	10,074	-	-	14,357
Net charge to income	**(1)**	**(15,949)**	**(15,082)**	**(9,026)**	**(47,099)**	**448**	**54**	**(86,655)**

		Loans and accounts receivables from customers						
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Total
For the six months ended	individual	Individual	Group	Group	Group	Individual	Group	
June 30, 2013	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Charged-off loans, net of provisions	-	**(2,452)**	**(28,438)**	**(10,023)**	**(59,839)**	-	-	**(100,752)**
Provisions established	(72)	(34,296)	(16,039)	(14,511)	(90,151)	(2,425)	(1,394)	(158,888)
Total provisions and charge-offs	**(72)**	**(36,748)**	**(44,477)**	**(24,534)**	**(149,990)**	**(2,425)**	**(1,394)**	**(259,640)**
Provisions released	37	11,031	5,914	6,691	27,308	1,324	2,914	55,219
Recovery of loans previously charged off	-	1,739	4,233	1,896	17,040	-	-	24,908
Net charge to income	**(35)**	**(23,978)**	**(34,330)**	**(15,947)**	**(105,642)**	**(1,101)**	**1,520**	**(179,513)**

		Loans and accounts receivables from customers						
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		
For the three months ended	individual	Individual	Group	Group	Group	Individual	Group	Total
June 30, 2012	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Charged-off loans, net of provisions	-	**(1,262)**	**(12,373)**	**(2,488)**	**(14,653)**	-	-	**(30,776)**
Provisions established	(15)	(13,322)	(2,248)	(3,323)	(53,772)	(1,764)	(1,381)	(75,825)
Total provisions and charge-offs	**(15)**	**(14,584)**	**(14,621)**	**(5,811)**	**(68,425)**	**(1,764)**	**(1,381)**	**(106,601)**
Provisions released	144	2,900	5,939	2,697	8,292	11	500	20,483
Recovery of loans previously charged off	-	622	1,523	427	4,971	-	-	7,543
Net charge to income	**129**	**(11,062)**	**(7,159)**	**(2,687)**	**(55,162)**	**(1,753)**	**(881)**	**(78,575)**

		Loans and accounts receivables from customers						
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		
For the six months ended	individual	Individual	Group	Group	Group	Individual	Group	Total
June 30, 2012	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Charged-off loans, net of provisions	-	**(6,832)**	**(18,564)**	**(4,530)**	**(20,701)**	-	-	**(50,627)**
Provisions established	(277)	(23,504)	(12,337)	(6,129)	(114,603)	(2,344)	(1,857)	(161,051)
Total provisions and charge-offs	**(277)**	**(30,336)**	**(30,901)**	**(10,659)**	**(135,304)**	**(2,344)**	**(1,857)**	**(211,678)**
Provisions released	145	11,617	12,453	4,614	11,457	520	1,525	42,331
Recovery of loans previously charged off	-	1,109	2,715	868	7,799	-	-	12,491
Net charge to income	**(132)**	**(17,610)**	**(15,733)**	**(5,177)**	**(116,048)**	**(1,824)**	**(332)**	**(156,856)**

NOTE 28
PROVISION FOR LOAN LOSSES, continued

Charged-off loans, net of provisions:

	Loans and accounts receivables from customers				
	Commercial loans		Mortgage loans	Consumer loans	
As of June 30, 2013	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Charged-off loans	8,968	39,032	12,303	129,841	190,144
Provisions used	(6,516)	(10,594)	(2,280)	(70,002)	(89,392)
Charged-off loans, net of provisions	**2,452**	**28,438**	**10,023**	**59,839**	**100,752**

	Loans and accounts receivables from customers				
	Commercial loans		Mortgage loans	Consumer loans	
As of June 30, 2012	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Charged-off loans	19,650	26,734	5,450	120,577	172,411
Provisions used	(12,818)	(8,170)	(920)	(99,876)	(121,784)
Charged-off loans, net of provisions	**6,832**	**18,564**	**4,530**	**20,701**	**50,627**

NOTE 29
PERSONNEL SALARIES AND EXPENSES

a) Composition of personnel salaries and expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Personnel compensation	50,974	49,294	94,860	89,974
Bonuses or gratifications	16,517	16,544	32,939	34,426
Stock-based benefits	327	481	381	930
Seniority compensation	2,552	2,572	4,915	4,493
Pension plans	(129)	77	33	292
Training expenses	602	663	1,145	1,130
Day care and kindergarten	696	635	1,351	1,237
Health funds	922	892	1,722	1,755
Welfare fund	20	116	39	231
Other personnel expenses	7,313	6,980	13,942	13,186
Total	**79,794**	**78,254**	**151,327**	**147,654**

NOTE 30
ADMINISTRATIVE EXPENSES

As of June 30, 2013 and 2012 composition of the item is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
General administrative expenses	**30,181**	**28,510**	**59,311**	**54,075**
Maintenance and repair of property, plant and equipment	3,760	3,285	7,846	6,557
Office lease	4,595	7,567	9,476	12,014
Equipment lease	83	62	108	177
Insurance payments	792	511	1,603	1,125
Office supplies	1,192	1,632	2,092	3,165
IT and communication expenses	7,121	6,312	13,605	12,018
Lighting, heating, and other utilities	1,030	1,135	2,000	2,243
Security and valuables transport services	4,586	2,969	8,674	6,011
Representation and personnel travel expenses	1,227	1,313	2,522	2,525
Judicial and notarial expenses	2,933	1,522	5,458	2,761
Fees for technical reports	882	758	1,814	1,540
Fees for audits to financial statements	696	618	1,330	2,104
Other general administrative expenses	1,284	826	2,783	1,835
Outsourced services	**12,570**	**9,089**	**25,359**	**20,666**
Data processing	6,387	6,639	13,111	13,179
Products sale	3,452	3,040	6,533	5,918
Other	2,731	(590)	5,715	1,569
Board expenses	**272**	**322**	**544**	**703**
Marketing expenses	**3,772**	**4,664**	**7,005**	**8,565**
Taxes, payroll taxes, and contributions	**2,449**	**2,530**	**5,057**	**5,190**
Real estate taxes	229	372	601	818
Patents	468	464	945	945
Other taxes	3	2	4	9
Contributions to SBIF	1,749	1,692	3,507	3,418
Total	**49,244**	**45,115**	**97,276**	**89,199**

NOTE 31
DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) The values of depreciation, amortization and impairment charges during the June 2013 and 2012 periods are detailed below:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Depreciation and amortization				
Depreciation of property, plant, and equipment	(5,533)	(5,057)	(10,858)	(10,188)
Amortizations of intangible assets	(9,728)	(9,141)	(20,056)	(16,082)
Total depreciation and amortization	**(15,261)**	**(14,198)**	**(30,914)**	**(26,270)**
Impairment of property, plant, and equipment	(146)	(34)	(173)	(88)
Total	**(15,407)**	**(14,232)**	**(31,087)**	**(26,358)**

As of June 30, 2013 property, plant, and equipment impairment totals Ch$ 173 million, mainly due to damages to ATMs (Ch$ 88 million as of June 30, 2012).

b) The reconciliation between the book values and balances as of June 30, 2013 and 2012 is as follows:

	Depreciation and amortization 2013		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 01, 2013	**(105,150)**	**(146,653)**	**(251,803)**
Depreciation and amortization charges in the period	(10,858)	(20,056)	(30,914)
Sales and disposals in the period	17	-	17
Other	-	-	-
Balances as of June 30, 2013	**(115,991)**	**(166,709)**	**(282,700)**

	Depreciation and amortization 2012		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 01, 2012	**(84,230)**	**(111,479)**	**(195,709)**
Depreciation and amortization charges in the period	(10,188)	(16,082)	(26,270)
Sales and disposals in the period	21	-	21
Other	-	-	-
Balances as of June 30, 2012	**(94,397)**	**(127,561)**	**(221,958)**

NOTE 32
OTHER OPERATING INCOME AND EXPENSES

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Income from assets received in lieu of payment				
Income from sale of assets received in lieu of payment	1,831	1,029	3,375	1,530
Recovery of charge-offs and income from assets received in lieu of payment	4,340	1,667	7,053	4,465
Subtotals	**6,171**	**2,696**	**10,428**	**5,995**
Income from sale of investments in other companies				
Gain on sale of investments in other companies	-	-	-	-
Subtotals	-	-	-	-
Other income				
Leases	33	43	59	62
Income from sale of property, plant and equipment	65	90	174	571
Recovery of provisions for contingencies	-	-	-	-
Compensation from insurance companies due to damages	393	108	466	241
Other	526	135	630	185
Subtotals	**1,017**	**376**	**1,329**	**1,059**
Total	**7,188**	**3,072**	**11,757**	**7,054**

NOTE 32
OTHER OPERATING INCOMES AND EXPENSES, continued

b) Other operating expenses are detailed as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Provisions and expenses for assets received in lieu of payment				
Charge-offs of assets received in lieu of payment	2,264	1,986	4,033	4,505
Provisions for assets received in lieu of payment	501	1,842	1,300	2,966
Expenses for maintenance of assets received in lieu of payment	616	644	1,213	1,342
Subtotals	**3,381**	**4,472**	**6,546**	**8,813**
Credit card memberships	**612**	**285**	**1,076**	**457**
Customer services	**3,547**	**2,061**	**5,556**	**4,302**
Other expenses				
Operating charge-offs	1,936	985	3,163	2,934
Life insurance and general product insurance policies	1,861	1,643	3,565	3,311
Additional tax on expenses paid overseas	750	775	1,440	1,701
Provisions for contingencies	(1,219)	2,098	525	4,092
Other	2,002	1,723	3,802	3,740
Subtotals	**5,330**	**7,224**	**12,495**	**15,778**
Total	**12,870**	**14,042**	**25,673**	**29,350**

NOTE 33
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 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 33
TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties:

	As of June 30, 2013				As of December 31, 2012			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Loans and accounts receivables								
Commercial loans	50,021	645	3,503	50,776	46,790	668	2,910	57,723
Mortgage loans	-	-	14,661	-	-	-	15,089	-
Consumer loans	-	-	1,584	-	-	-	1,513	-
Loans and accounts receivables	**50,021**	**645**	**19,748**	**50,776**	**46,790**	**668**	**19,512**	**57,723**
Allowance for loan losses	(344)	(3)	(41)	(14)	(329)	(3)	(39)	(9)
Net loans	**49,677**	**642**	**19,707**	**50,762**	**46,461**	**665**	**19,473**	**57,714**
Guarantees	-	-	-	-	9	-	17,909	1,349
Contingent loans								
Personal guarantees	-	-	-	-	-	-	-	-
Letters of credit	30,239	-	-	99	25,697	-	-	-
Guarantees	110,600	-	-	1,618	34,897	-	-	1,443
Contingent loans	**140,839**	**-**	**-**	**1,717**	**60,594**	**-**	**-**	**1,443**
Allowance for contingent loans	(20)	-	-	-	(15)	-	-	(2)
Net contingent loans	**140,819**	**-**	**-**	**1,717**	**60,579**	**-**	**-**	**1,441**

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

The activity of loans to related parties during the years 2013 and 2012 is shown below:

	As of June 30, 2013				As of December 31, 2012			
	Companies of the group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Opening balances as of January 1,	107,384	668	19,512	59,166	52,673	663	19,698	63,081
Loans granted	97,145	363	2,848	3,418	78,586	21	6,132	10,927
Loans payments	(13,669)	(386)	(2,612)	(10,091)	(23,875)	(16)	(6,318)	(14,842)
Total	**190,860**	**645**	**19,748**	**52,493**	**107,384**	**668**	**19,512**	**59,166**

NOTE 33
TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of June 30, 2013				As of December 31, 2012			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Assets								
Cash and deposits in banks	8,062	-	-	-	5,357	-	-	-
Trading investments	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-
Financial derivative contracts	708,535	-	-	-	526,734	-	-	-
Available for sale investments	-	-	-	-	-	-	-	-
Other assets	4,313	-	-	-	4,339	-	-	-
Liabilities								
Deposits and other demand liabilities	31,820	5,369	2,142	6,428	65,386	2,563	2,286	17,211
Obligations under repurchase agreements	53,527	-	-	-	92,862	-	-	-
Time deposits and other time liabilities	199,882	359	3,911	67,475	97,449	373	2,842	39,193
Financial derivative contracts	690,029	-	-	-	387,903	-	-	-
Issued debt instruments	50,542	-	-	-	67,368	-	-	-
Other financial liabilities	26,686	-	-	-	103,207	-	-	-
Other liabilities	572	-	-	-	1,241	-	-	-

NOTE 33
TRANSACTIONS WITH RELATED PARTIES, continued

c) Income (expenses) recorded due to transactions with related parties

	For the three months ended June 30, 2013				For the three months ended June 30, 2012			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Income (expense) recorded								
Income and expenses from interest and inflation adjustments	(2,159)	23	164	(418)	(5,705)	22	239	(636)
Income and expenses from fees and services	-	21	27	46	(461)	14	32	79
Net income from financial operations and foreign exchange transactions (*)	(77,697)	-	123	729	(115,883)	-	2	(1,788)
Other operating revenues and expenses	178	-	-	-	160	-	-	-
Key personnel compensation and expenses	-	-	(7,864)	-	-	-	(7,538)	-
Administrative and other expenses	(6,417)	(7,855)	-	-	(5,938)	(6,619)	-	-
Total	**(86,095)**	**(7,811)**	**(7,550)**	**357**	**(127,827)**	**(6,583)**	**(7,265)**	**(2,345)**

	For the six months ended June 30, 2013				For the six months ended June 30, 2012			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Income (expense) recorded								
Income and expenses from interest and inflation adjustments	(4,399)	35	353	(1,200)	(10,138)	35	584	(1,185)
Income and expenses from fees and services	-	36	65	99	(462)	23	62	112
Net income from financial operations and foreign exchange transactions (*)	26,996	-	121	1,390	(170,658)	-	2	1,543
Other operating revenues and expenses	353	-	-	-	317	-	-	-
Key personnel compensation and expenses	-	-	(15,592)	-	-	-	(16,302)	-
Administrative and other expenses	(13,622)	(14,596)	-	-	(11,725)	(12,903)	-	-
Total	**9,328**	**(14,525)**	**(15,053)**	**289**	**(192,666)**	**(12,845)**	**(15,654)**	**470**

(*) It corresponds to derivative contracts used to financially cover exchange risk of assets and liabilities that cover positions of the Bank and its subsidiaries.

NOTE 33
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 Unaudited Consolidated Interim Statement of Income, corresponds to the following categories:

	For the three months ended June 30,		For the six months ended June 30,	
	2013 MCh$	2012 MCh$	2013 MCh$	2012 MCh$
Personnel compensation	4,239	4,229	8,556	8,290
Board members' salaries and expenses	271	251	539	513
Bonuses or gratifications	2,913	2,931	5,646	5,800
Compensation in stock	325	415	379	803
Training expenses	19	41	30	57
Seniority compensation	8	12	11	12
Health funds	72	73	145	143
Other personnel expenses	146	98	253	177
Pension plans	(129)	234	33	507
Total	**7,864**	**8,284**	**15,592**	**16,302**

e) Composition of key personnel

As of June 30, 2013 and December 31, 2012 the composition of the Bank's key personnel is as follows:

Position	No. of executives	
	As of June 30, 2013	As of December 31, 2012
Director	13	13
Division manager	19	19
Department manager	82	85
Manager	61	63
Total key personnel	**175**	**180**

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is understood as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability.
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 fair 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;
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 entirely 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:

- Chilean Government and Department of Treasure bonds

In the case instruments that cannot be totally observed in the market, price is established based on other observable prices (level 2).

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

The following financial instruments are classified under Level 2:

Type of financial instrument	Model used in valuation	Description
ž Mortgage and private bonds	Present Value Model	IRR are provided by Riskamerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given nemotechnic, the reported rate is the weighted average by the amount of observed rates. In case there are no valid transactions for a given nemotechnic on valuation day, the reported rate is IRR base from a reference structure, plus a spread model based on historical spread for the same item or similar ones.
ž Time deposits	Present Value Model	IRR are provided by Riskamerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given nemotechnic, the reported rate is the weighted average by the amount of observed rates. In case there are no valid transactions for a given nemotechnic on valuation day, the reported rate is IRR base from a reference structure, plus a spread model based on issuer curves.
ž Constant Maturity Swaps (CMS), FX and Inflation Forward (Fwd) , Cross Currency Swaps (CCS), Interest Rate Swap (IRS)	Present Value Model	IRR are provided by ICAP, GFI, Tradition, and Bloomberg according to this criterion: With published market prices, a valuation curve is created by the *bootstrapping* method and is then used to value different derivative instruments.
ž FX Options	Black-Scholes	Formula adjusted by volatility smile Prices (volatility) are provided by BGC Partners, according to the following criterion: With published market prices, a volatility surface is created by interpolation and then these volatilities are used to value options.

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 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 Browning motion for FX. There is no observable input of implicit volatility.
ž CCS (special contracts)	Implicit Forward Rate Agreement (FRA)	Start Fwd unsupported by MUREX (platform) due to the UF forward estimate.
ž Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate) TAB,	Other	Validation obtained by using the interest curve and interpolating at flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.
ž Bonds (in our case, low liquidity bonds)	Present Value Model	Valuated by using similar instrument prices plus a charge/off rate by liquidity.

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

The following table presents the assets and liabilities that are measured at fair value on a recurrent basis, as of June 30, 2013 and December 31, 2012:

As of June 30,	2013 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	240,513	239,351	297	865
Available for sale investments	1,525,596	573,597	951,145	854
Derivatives	1,440,411	-	1,385,231	55,180
Total	**3,206,520**	**812,948**	**2,336,673**	**56,899**
Liabilities				
Derivatives	1,235,224	-	1,233,942	1,282
Total	**1,235,224**	**-**	**1,233,942**	**1,282**

As of December 31,	2012 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	338,287	334,756	3,531	-
Available for sale investments	1,826,158	1,020,904	803,895	1,359
Derivatives	1,293,212	-	1,231,422	61,790
Total	**3,457,657**	**1,355,660**	**2,038,848**	**63,149**
Liabilities				
Derivatives	1,146,161	-	1,145,055	1,106
Total	**1,146,161**	**-**	**1,145,055**	**1,106**

NOTE 34
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 December 31, 2013 and 2012:

	Assets MCh$	Liabilities MCh$
As of January 1, 2013	**63,149**	**(1,106)**
Total realized and unrealized profits (losses):		
Included in statement of income	(6,610)	(176)
Included in other comprehensive income	360	-
Purchases, issuances, and allocations (net)	-	-
As of June 30, 2013	**56,899**	**(1,282)**
Profits or losses included in income for 2013 that are attributable to change in unrealized profits (losses) related to assets or liabilities as of June 30, 2013	**(6,250)**	**(176)**

	Assets MCh$	Liabilities MCh$
As of January 1, 2012	**83,483**	**(1,369)**
Total realized and unrealized profits (losses):		
Included in statement of income	(5,046)	198
Included in other comprehensive income	(300)	-
Purchases, issuances, and allocations (net)	-	-
As of June 30, 2012	**78,137**	**(1,171)**
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 June 30, 2012	**(5,346)**	**198**

The realized and unrealized profits (losses) included in income for 2013 and 2012, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Unaudited Consolidated Interim Statement of Income in the line item.

The potential effect as of June 30, 2013 and 2012 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, were not considered by the Bank to be significant.

NOTE 35
SUBSEQUENT EVENTS

On July 19, 2013, Banco Santander contributed with $1,439,574,238 for the share in the entity "**Servicios de Infraestructura de Mercado OTC S.A.**" which is equivalent to 1,111 shares at a value of $ 1,295,746.3890 each and representing 11.11% of equity share.

This entity has been created along with domestic banks and aims to manage an infrastructure for the Financial Market, granting registration, confirmation, storage, consolidation and conciliation services for derivative instruments operations, as well as the realization of those attached or supplementary activities with the indicated business activity.

In August, the Bank reached an agreement with Le Mans Desarrollo Compañia de Seguros S.A. en quiebra (insurance company in bankruptcy) to end litigation. Due to this, the Bank agreed to pay Ch$1,950 million.

Between July 01, 2013 and the date on which these Financial Statements were issued (September 23, 2013), no other events have occurred which could significantly affect their interpretation.

CLAUDIO MELANDRI HINOJOSA	**FELIPE CONTRERAS FAJARDO**
Chief Executive Officer	**Chief Accounting Officer**