Santander




BANCO SANTANDER CHILE
SECOND QUARTER 2012
EARNINGS REPORT

INDEX

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SECTION 1: SUMMARY OF RESULTS

2Q12: Net income reaches Ch$105,695 million

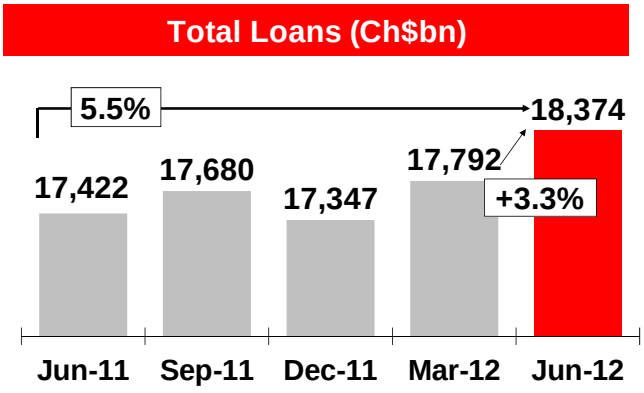
In 2Q12, **Net income** attributable to shareholders totaled Ch$105,695 million (Ch$0.56 per share and US$1.14[1]1/ADR). Compared to 1Q12 (from now on QoQ), net income decreased 10.7%. Compared to 2Q12 (from now on YoY), a record earnings quarter for the Bank, net income decreased 25.3%. This decline was mainly due to the lower inflation rate in the quarter that negatively affected net interest margins. Net income in the first half of 2012 totaled Ch$224,002 million (Ch$1.19 per share and US$2.42/ADR).

Solid levels of capital: Core capital at 10.4%, BIS at 13.7%

ROAE in 2Q12 reached 21.0% and 22.2% in 1H12. The Bank paid on April 25, 2012 its annual dividend equivalent to 60% of 2011 net income (Ch$1.39/share and US$2.95[2]2/ADR) equivalent to a dividend yield of 3.5% on the dividend record date in Chile. Our dividend payout ratio has remained unchanged for the past three years. The prudent management of the Bank's capital ratios and high profitability has permitted the Bank to continue paying attractive dividends without issuing new shares since 2002. The **BIS ratio** reached 13.7% as of June 2012 compared to 13.4% as of June 2011. The Bank's core capital ratio reached 10.4% as of June 2012, among the highest among our main peers. Voting common shareholders' equity is the sole component of our Tier I capital.

Loan growth accelerating

In 2Q12, total loans increased 3.3% QoQ (+13.2% annualized) and 5.5% YoY. In the quarter, the Bank focused its loan growth in the middle-market and corporate loan segments. These segments continue to show healthy loan demand given the solid level of investment expected this year in the Chilean economy. Simultaneously, many corporate clients have reverted to the local market for their funding needs as external funding sources for companies have become more expensive. As a result, **lending in the middle market** (companies with annual sales between Ch$1,200 million and Ch$10,000 million per year) increased 4.2% QoQ. **Corporate lending** (companies with sale over Ch$10,000 million per year or that are part of a large foreign or local economic group) increased 6.6% QoQ.



1 Earnings per ADR was calculated using the Observed Exchange Rate Ch$509.73 per US$ as of June 30, 2012.
2 Dividend per ADR calculated based on the observed exchange rate of Ch$487.15 / US$ as of April 25, 2012, which was the dividend pay date in Chile.

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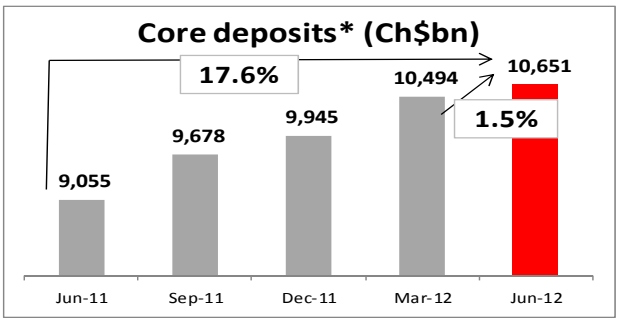
Loans to individuals, which include consumer, mortgage and commercial loans to individuals, increased of 1.7% QoQ in 2Q12 and 5.6% YoY. In the quarter, the Bank focused on expanding its loan portfolio in the mid-upper income segments, while remaining more selective in the mass consumer market. Loans to high-income individuals increased 2.7% QoQ in comparison to a decrease of 1.1% QoQ in the mass consumer market. **Lending to SMEs** (defined as companies that sell less than Ch$1,200 million per year) expanded 2.1% QoQ (8.3% YoY), reflecting the Bank's consistent focus on this profitable segment.

Solid growth of deposits

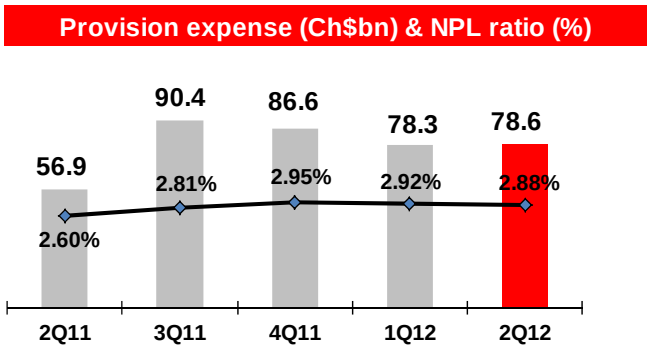
Total deposits increased 8.6% QoQ and 9.3% YoY, outstripping loan growth. In the quarter, pension funds and core deposits fueled deposit growth. As a result, total **time deposits** increased 12.3% QoQ. **Core deposits** (demand deposits and time deposits from non-institutional sources) grew 1.5% QoQ and 17.6% YoY. The Bank took advantage of this influx of deposits and its relatively high structural liquidity to pre-pay more expensive foreign bank lines and bonds.



* Demand deposits plus time deposits from non-institutional sources

Asset quality indicators remain stable QoQ

Net provisions for loan losses in the quarter were flat QoQ. Total **charge-offs** increased 4.3% QoQ driven by an increase in charge-offs in retail banking. This was offset by a 52.5% QoQ rise in loan loss recoveries, as the Bank strengthened its collection efforts in retail banking. The Bank's **Non-performing loans ratio** (NPL) reached 2.82% as of June 2012 compared to 2.94% as of March 2012 and 2.60% as of June 2011. The **Coverage ratio** of total NPLs (loan loss allowances over non-performing loans) reached 97.8% as of June 30, 2012. The **Risk Index**, which measures the percentage of loans for which the Bank must set aside loan loss allowances, based on our internal models and Superintendency of Banks guidelines, decreased to 2.82% as of June 2012 compared to 2.94% in March 2012 and 2.90% in June 2011.



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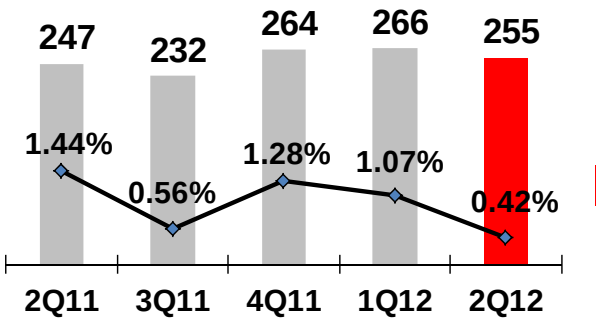
Deceleration of inflation temporarily lowers net interest margins

In 2Q12, the **Net interest margin** (NIM) reached 5.0% compared to 5.3% in 1Q12 and 5.2% in 2Q12. The lower NIM was mainly due to **the lower inflation rates**, since the Bank has more assets than liabilities linked to inflation. Inflation, measured as the variation of the Unidad de Fomento (an inflation indexed currency unit), increased 0.42% in 2Q12 compared to 1.07% in 1Q12 and 1.44% in 2Q11. **Net interest income** decreased 4.2% QoQ and increased 3.0% YoY. The negative impact of a lower inflation rate was more than offset by **higher lending volumes and an improved funding mix.** The latter is a direct result of the Bank's efforts over the past two years to improve our funding costs. This should give further stability to margins going forward.

Net interest income & Inflation (%)



Focus on improving efficiency in middle-income banking

Operating expenses in 2Q12 increased 9.6% QoQ and 10.1% YoY. The QoQ rise in expenses is mainly seasonal. In the quarter, the Bank continued with its projects of investing in a new Client Relationship Management system and the Transformation Initiatives aimed at enhancing productivity, especially in middle-income banking. The CRM and Transformation Project should help to reverse this situation, leading to better long-term efficiency, growth and profitability in this segment.

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Banco Santander Chile: Summary of Quarterly Results

(Ch$ million)	Quarter			Change %	
	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Net interest income	254,940	266,072	247,414	3.0%	(4.2%)
Fee income	68,007	68,691	72,050	(5.6%)	(1.0%)
Core revenues	**322,947**	**334,763**	**319,464**	**1.1%**	**(3.5%)**
Financial transactions, net	25,640	19,303	29,076	(11.8%)	32.8%
Provision expense	(78,575)	(78,281)	(56,874)	38.2%	0.4%
Operating expenses	(137,742)	(125,670)	(125,161)	10.1%	9.6%
Operating income, net of provisions and costs	**132,270**	**150,115**	**166,505**	**(20.6%)**	**(11.9%)**
Other operating & Non-op. Income	(26,575)	(31,808)	(24,993)	**6.3%**	**(16.5%)**
Net income attributable to shareholders	**105,695**	**118,307**	**141,512**	**(25.3%)**	**(10.7%)**
Net income/share (Ch$)	0.56	0.63	0.75	(25.3%)	(10.7%)
Net income/ADR (US$)[1]	1.14	1.33	1.66	(31.0%)	(14.2%)
Total loans	18,374,472	17,792,079	17,422,040	5.5%	3.3%
Deposits	14,537,663	13,392,489	13,306,475	9.3%	8.6%
Shareholders' equity	2,028,610	2,065,995	1,866,467	8.7%	(1.8%)
Net interest margin	5.0%	5.3%	5.2%		
Efficiency ratio	41.0%	36.8%	36.5%		
Return on average equity[2]	21.0%	23.3%	30.5%		
NPL / Total loans[3]	2.88%	2.92%	2.60%		
Coverage NPLs	97.8%	100.7%	111.9%		
Risk index[5]	2.82%	2.94%	2.90%		
BIS ratio	13.7%	14.8%	13.4%		
Branches	499	499	487		
ATMs	1,966	1,949	1,946		
Employees	11,621	11,572	11,516		

1. The change in earnings per ADR may differ from the change in earnings per share due to exchange rate movements. Earnings per ADR was calculated using the Observed Exchange Rate Ch$509.73 per US$ as of June 30, 2012.
2. Annualized quarterly Net income attributable to shareholders / Average equity attributable to shareholders.
3. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.
4. PDLs: Past due loans; all loan installments that are more than 90 days overdue.
5. Risk Index: Loan loss allowances / Total loans: measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.

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SECTION 2: BALANCE SHEET ANALYSIS

LOANS

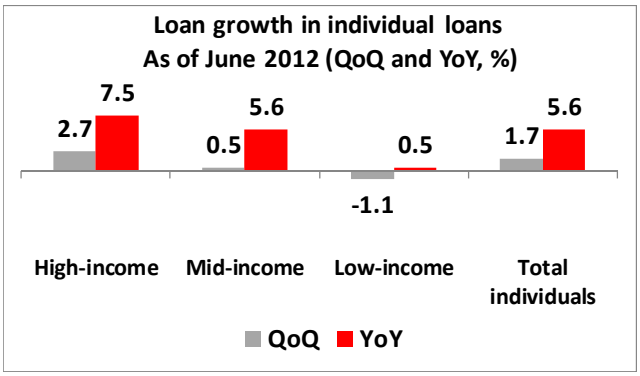
Loan growth accelerating

Loans	Quarter ended,			% Change	
(Ch$ million)	Jun-12	Mar-12	Jun-11	Jun. 12 / 11	Jun. / Mar. 12
Total loans to individuals[1]	9,534,018	9,376,934	9,026,697	5.6%	1.7%
Consumer loans	2,987,880	2,963,105	2,893,038	3.3%	0.8%
Residential mortgage loans	5,221,914	5,162,473	4,909,630	6.4%	1.2%
SMEs	2,658,077	2,604,565	2,455,349	8.3%	2.1%
Total retail lending	**12,192,095**	**11,981,499**	**11,482,046**	**6.2%**	**1.8%**
Institutional lending	366,862	347,818	372,939	(1.6%)	5.5%
Middle-Market & Real estate	3,848,479	3,692,576	3,625,439	6.2%	4.2%
Corporate	2,006,270	1,881,429	1,950,992	2.8%	6.6%
Total loans [2]	**18,374,472**	**17,792,079**	**17,422,040**	**5.5%**	**3.3%**

1. Includes consumer loans, residential mortgage loans and other commercial loans to individuals.
2. Total loans gross of loan loss allowances. Total loans include other non-segmented loans and excludes interbank loans.

In 2Q12, total loans increased 3.3% QoQ (+13.2% annualized) and 5.5% YoY. Loan growth was driven by the favorable evolution of the Chilean economy and was mainly focused in the high-end of the retail market, the middle-market and the corporate business segment. Even though the external scenario has worsened, the supportive local economic environment continued to push loan demand, albeit in less risky segments.

Loans to individuals, which include consumer, mortgage and commercial loans to individuals, increased of 1.7% QoQ in 2Q12 and 5.6% YoY. By product, **consumer loans** increased 0.8% QoQ (3.3% YoY) and **residential mortgage loans** increased 1.2% QoQ (6.4% YoY). In the quarter, the Bank focused on expanding its loan portfolio in the mid-upper income segments, while remaining more selective in the mass consumer market. Loans to high-income individuals increased 2.7% QoQ in comparison to a decrease of 1.1% in the mass consumer market. **Lending to SMEs** (defined as companies that sell less than Ch$1,200 million per year) expanded 2.1% QoQ (8.3% YoY), reflecting the Bank's consistent focus on this expanding and profitable segment.



In the quarter, the Bank focused its loan growth in the middle-market and corporate loan segments. These segments continue to show healthy loan demand given the high level of investment expected this year in the Chilean economy, which is expected to reach approximately 28% of GDP.

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Simultaneously, as external funding sources for companies have become more expensive many clients in these segments have reverted to the local market for their financing needs. A clear example of this was the largest loan approved by the Bank in its history in an amount of US$800 million (which will be included in July 2012 figures). This is a direct result of the Bank's solid levels of liquidity and capital. Additionally, the Bank's non-lending businesses with these clients (cash management, brokerage and treasury services) continue to thrive. As a result, **lending in the middle market** (companies with annual sales between Ch$1,200 million and Ch$10,000 million per year) increased 4.2% QoQ. In **Corporate lending** (companies with sale over Ch$10,000 million per year or that are part of a large foreign or local economic group) loans increased 6.6% QoQ.

FUNDING

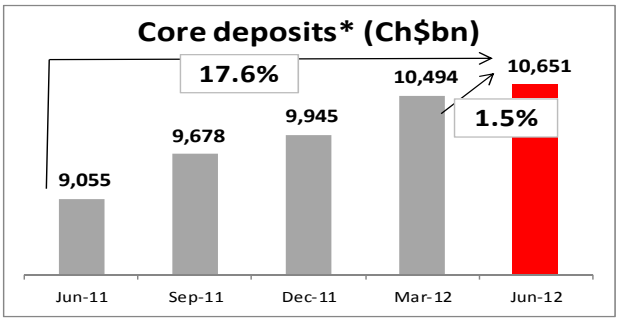
Strong deposit growth

Funding	Quarter ended,			% Change	
(Ch$ million)	Jun-12	Mar-12	Jun-11	Jun. 12 / 11	Jun. / Mar. 12
Demand deposits	4,624,570	4,566,890	4,450,290	3.9%	1.3%
Time deposits	9,913,093	8,825,599	8,856,185	11.9%	12.3%
Total deposits	**14,537,663**	**13,392,489**	**13,306,475**	**9.3%**	**8.6%**
Mutual funds (off-balance sheet)	2,940,678	2,995,292	3,138,177	(6.3%)	(1.8%)
Total customer funds	**17,478,341**	**16,387,781**	**16,444,652**	**6.3%**	**6.7%**
Loans to deposits[1]	**96.5%**	**98.4%**	**96.8%**		

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

Customer funds (deposits + mutual funds) increased 6.7% QoQ and 6.3% YoY. **Total deposits** increased 8.6% QoQ and 9.3% YoY, outstripping loan growth. In the quarter, pension funds and core deposits fueled deposit growth. As a result, total **time deposits** increased 12.3% QoQ. The Bank took advantage of this influx of deposits and its relatively high structural liquidity to pre-pay more expensive foreign bank lines and bonds. This improved the Bank's funding mix, as deposits tend to be cheaper and more stable than other sources of funding.

Core deposits (demand deposits and time deposits from non-institutional sources) grew 1.5% QoQ and 17.6% YoY. **Demand deposits** increased 1.3% QoQ and 3.9% YoY. **Core time deposits** increased 1.7% QoQ and 17.6% YoY. Core deposits as a percentage of total deposits reached 73.3% compared to 69.8% as of June 2011.



* Demand deposits plus time deposits from non-institutional sources

It is important to note that the Bank follows Grupo Santander's policy of independent subsidiaries and **intergroup funding** represented 0.8% of our funding as of June 30, 2012.

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This high growth of deposits was partially offset by a decrease in **assets under management**. The weakening of equity markets in 2Q12 negatively affected the funds managed by our asset management business. Assets under management decreased 1.8% QoQ and 6.3% YoY. This also had a negative impact on fees from asset management (See Fee income).

SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

Core capital ratio at 10.4%. Dividend payout ratio unchanged since 2009.

Shareholders' Equity	Quarter ended,			Change %	
(Ch$ million)	Jun-12	Mar-12	Jun-11	Jun. 12 / 11	Jun. / Mar. 12
Capital	891,303	891,303	891,303	0.0%	0.0%
Reserves	51,539	51,539	51,538	0.0%	0.0%
Valuation adjustment	3,946	(15,210)	(7,831)	--%	--%
Retained Earnings:	1,081,823	1,138,363	931,457	16.1%	(5.0%)
Retained earnings prior periods	925,022	1,186,073	750,990	23.2%	(22.0%)
Income for the period	224,002	118,307	257,810	(13.1%)	89.3%
Provision for mandatory dividend	(67,201)	(166,017)	(77,343)	(13.1%)	(59.5%)
Equity attributable to shareholders	**2,028,611**	**2,065,995**	**1,866,467**	**8.7%**	**(1.8%)**
Non-controlling interest	31,272	34,554	31,171	0.3%	(9.5%)
Total Equity	**2,059,883**	**2,100,549**	**1,897,638**	**8.5%**	**(1.9%)**
Quarterly ROAE	**21.0%**	**23.3%**	**30.5%**		

Shareholders' equity totaled Ch$2,028,611 million (US$4.0 billion) as of March 31, 2012. The Bank paid on April 25, 2012 its annual dividend equivalent to 60% of 2011 net income (Ch$1.39/share and US$2.95[3]/ADR) equivalent to a dividend yield of 3.5% on the dividend record date in Chile. Our dividend payout ratio has remained unchanged for the past three years. The prudent management of the Bank's capital ratios and high profitability has permitted the Bank to continue paying attractive dividends without issuing new shares since 2002. **ROAE** in 2Q12 reached 21.0% and 22.2% in 1H12.

3 Dividend per ADR calculated based on the observed exchange rate of Ch$487.15 / US$ as of April 25, 2012, which was the dividend pay date in Chile.

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Capital Adequacy	Quarter ended,			Change %	
(Ch$ million)	**Jun-12**	**Mar-12**	**Jun-11**	**Jun. 12 / 11**	**Jun. / Mar. 12**
Tier I (Core Capital)	2,028,612	2,065,994	1,866,467	8.7%	(1.8%)
Tier II	659,789	673,110	669,798	(1.5%)	(2.0%)
Regulatory capital	**2,688,400**	**2,739,104**	**2,536,265**	**6.0%**	**(1.9%)**
Risk weighted assets	19,572,226	18,509,191	18,964,803	3.2%	5.7%
Tier I (Core capital) ratio	**10.4%**	**11.2%**	**9.8%**		
BIS ratio	**13.7%**	**14.8%**	**13.4%**		

The **BIS ratio** reached 13.7% as of June 2012 compared to 14.8% as of March 2012 and 13.4% as of June 2011. The Bank's core capital ratio reached 10.4% as of June 2012. The QoQ decline was mainly due to our annual dividend payment mentioned above. The YoY increase in BIS and Core capital levels reflects the Bank's conservative stance regarding liquidity and capital. Voting common shareholders' equity is the sole component of our Tier I capital.

Additionally in the quarter, the Board of Santander Chile filed with the Superintendence of Banks and financial Institutions (SBIF), its capital management plan. Among other definitions, the Board formalized the Bank's internal limits regarding capital levels. The Board designated the Bank's Asset and Liability Committee, comprised of five Boards members including three independent members, as the governing body that will determine and supervise the Bank's capital levels. The Board also established the Bank's minimum BIS ratio under current capital requirements at 12%. This is 100 basis points above the Bank's regulatory limits.

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SECTION 3: ANALYSIS OF QUARTERLY INCOME STATEMENT

NET INTEREST INCOME

Better asset mix and lower funding costs drives net interest income despite lower inflation

Net Interest Income / Margin	Quarter			Change %	
(Ch$ million)	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Interest income	455,980	502,833	472,132	(3.4%)	(9.3%)
Interest expense	(201,040)	(236,761)	(224,718)	(10.5%)	(15.1%)
Net interest income	**254,940**	**266,072**	**247,414**	**3.0%**	**(4.2%)**
Average interest-earning assets	20,362,279	20,119,312	19,099,828	6.6%	1.2%
Average loans	18,127,164	17,537,743	17,146,712	5.7%	3.4%
Interest earning asset yield[1]	9.0%	10.0%	9.9%		
Cost of funds[2]	3.9%	4.8%	4.9%		
Net interest margin (NIM)[3]	**5.0%**	**5.3%**	**5.2%**		
Avg. equity + non-interest bearing demand deposits / Avg. interest earning assets	33.2%	32.6%	33.6%		
Quarterly inflation rate[4]	0.42%	1.07%	1.44%		
Central Bank reference rate	5.00%	5.00%	5.25%		
Avg. 10 year Central Bank yield (real)	2.49%	2.45%	2.90%		

1. Interest income divided by interest earning assets.
2. Interest expense divided by interest bearing liabilities + demand deposits.
3. Net interest income divided by average interest earning assets annualized.
4. Inflation measured as the variation of the Unidad de Fomento in the quarter.

In 2Q12, **Net interest income** decreased 4.2% QoQ and increased 3.0% YoY. The **Net interest margin** (NIM) in 2Q12 reached 5.0% compared to 5.3% in 1Q12 and 5.2% in 2Q12.

Compared to 2Q11, the lower net interest margin was mainly due to **the lower inflation rates**, since the Bank has more assets than liabilities linked to inflation. Inflation, measured as the variation of the Unidad de Fomento (an inflation indexed currency unit), reached 0.42% in 2Q12 compared to 1.44% in 2Q11. For every 100 bp change in inflation, net interest income varies by approximately Ch$30 billion. Despite this impact, net interest income still grew 3.0% YoY in 2Q12. This is a direct result of:

i) **Higher lending volumes and loan spreads** (excluding the impacts of mismatches in inflation indexed assets and liabilities) helped to boost the Bank's NIM in the quarter. Average loans were up 5.7% and total earnings assets grew 6.6% YoY. Loan spreads began to rise in 2S11, as the Bank implemented a stricter pricing policy.

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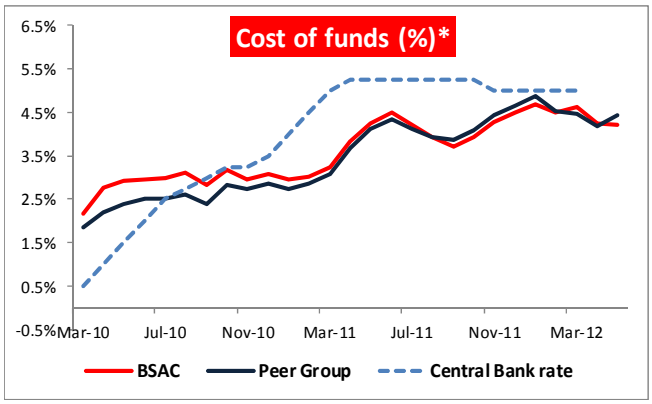
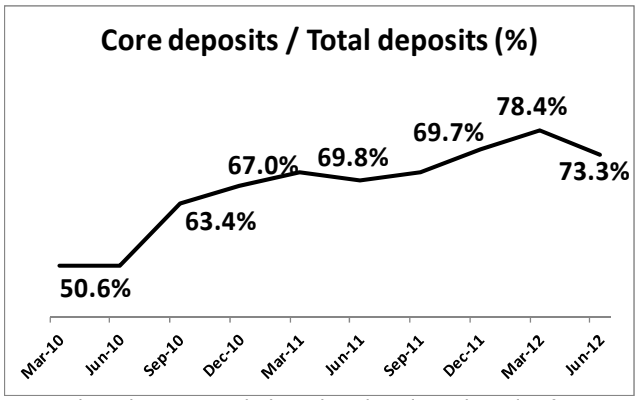
ii) **Improved funding mix** away from relatively expensive institutional depositors towards a more core client time deposit base has also helped to sustain margins in the quarter. This is a direct result of the Bank's efforts over the past two years to improve our funding mix and costs funding costs. This should give further stability to margins going forward.



*Cost of funds: Quarterly interest expense annualized / interest bearing liabilities + demand deposits. Peer Group: Chile, BCI, BBVA, Corpbanca



*Core deposits: Demand deposits plus time deposits from non-institutional clients.

Compared to 1Q12, the net interest margin decreased 30 basis points. This was directly due to lower UF inflation QoQ. Funding costs benefitted from the positive evolution of the Bank's funding mix, as described above. Finally, the Bank took advantage of its excess liquidity cushion by paying liabilities that are more expensive and increasing the loan to asset ratio.

For the remainder of 2012, the evolution of margins will depend on various factors. The Bank will continue to focus on spreads. Funding costs should continue to stabilize or eventually fall in line with the outlook for short-term interest rates. On the other hand, inflation expectations, especially for 3Q12, have fallen considerably as international oil prices have dropped. The negative effects of possible regulations regarding maximum rates may have a negative impact on margins, mainly in 2013. Finally, this year Congress is expected to approve modifications to Chile's tax code and the pricing mechanism for gasoline, which may result in temporary deflation.

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PROVISION FOR LOAN LOSSES

Asset quality stable QoQ. Proactive risk measures in retail banking have been effective

Provision for loan losses	Quarter			Change %	
(Ch$ million)	**2Q12**	**1Q12**	**2Q11**	**2Q12 / 2Q11**	**2Q 12 / 1Q12**
Gross provisions	1,891	1,174	1,040	81.8%	61.1%
Charge-offs	(88,010)	(84,402)	(62,577)	40.6%	4.3%
Gross provisions and charge-offs	**(86,119)**	**(83,228)**	**(61,537)**	**39.9%**	**3.5%**
Loan loss recoveries	7,544	4,947	4,663	61.8%	52.5%
Net provisions for loan losses	**(78,575)**	**(78,281)**	**(56,874)**	**38.2%**	**0.4%**
Total loans[1]	18,374,472	17,792,079	17,422,041	5.5%	3.3%
Total reserves (RLL)	518,331	522,724	505,887	2.5%	(0.8%)
Non-performing loans[2] (NPLs)	529,869	519,282	452,150	17.2%	2.0%
NPLs commercial loans	277,742	263,843	227,149	22.3%	5.3%
NPLs residential mortgage loans	150,505	156,280	126,324	19.1%	(3.7%)
NPLs consumer loans	101,622	99,160	98,676	3.0%	2.5%
Risk index[3] (RLL / Total loans)	**2.82%**	**2.94%**	**2.90%**		
NPL / Total loans	**2.88%**	**2.92%**	**2.60%**		
NPL / Commercial loans	2.73%	2.73%	2.36%		
NPL / Residential mortgage loans	2.88%	3.03%	2.57%		
NPL / consumer loans	3.40%	3.35%	3.41%		
Coverage of NPLs[4]	**97.8%**	**100.7%**	**111.9%**		
Coverage of commercial NPLs	84.9%	90.5%	102.0%		
Coverage of residential mortgage NPLs	24.1%	23.1%	27.3%		
Coverage of consumer NPLs	242.4%	249.9%	243.1%		

1. Excludes interbank loans.
2. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.
3. Risk Index: Loan loss allowances / Total loans; measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.
4. Loan loss allowances / NPLs.

Net provision for loan losses in the quarter were flat QoQ and increased 38.2% YoY. Total **charge-offs** increased 4.3% QoQ driven by an increase in charge-offs in retail banking. Since 3Q11, the Bank has been implementing more prudent credit risk policies in light of: (i) a possible deterioration of the macro environment, (ii) an increase in expected loss of the mass consumer market following the La Polar case and, (iii) the new regulations that temporarily reduced the effectiveness of the negative credit bureau. Following these events, the Bank has been redesigning its credit risk process in the mass consumer market, including:

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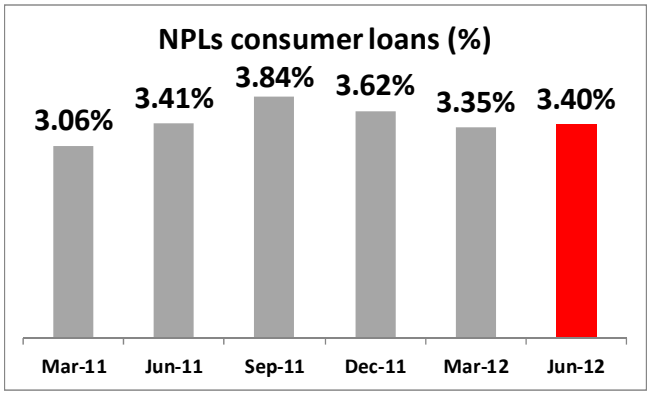
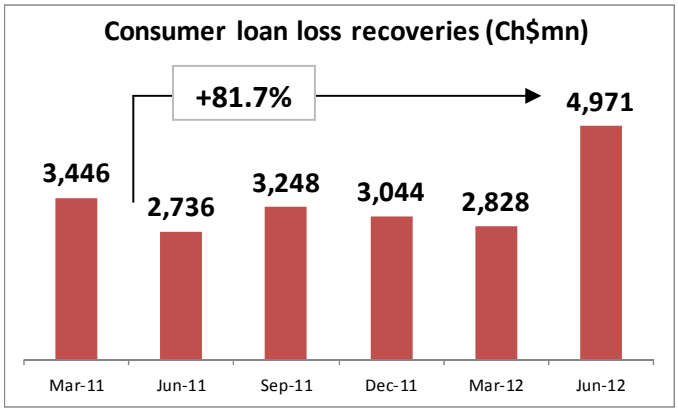
1) **Restricting renegotiations.** In the short-term, this affects NPLs and charge-offs while lowering loan growth, but will lead to a healthier consumer loan book in the medium term. It is important to point out that QoQ, the non-performing loan ratio of the consumer loan book has been stable. As of June 2012, this ratio reached 3.4% compared March 2012 and 3.41% in June 2011. The coverage ratio of consumer loan NPLs reached 242.2% as of June 2012.



2) **Improving the recovery process.** The Bank has overhauled its recovery units and increased the amount of recovery agents by 30% YoY. This has led to an 82% YoY increase in consumer loan loss recoveries in 2Q12. This pushed total recoveries up 52.5% QoQ and 61.8% YoY.



3) **Tightening of consumer risk provisioning model parameters**. Furthermore, the Bank, in 3Q12 will re-calibrate its expected loss model for consumer loans by increasing the upfront provision recognized at the moment a consumer loan is originated. We calculate the impact of this re-calibration of our consumer model to be approximately Ch$26 billion, which will be fully recognized in 3Q12. This will be partially offset by the expected decrease in charge-offs and the rise in recoveries going forward.

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The net provision expense by loan product was as follows:

Net provisions for loan losses by segment	Quarter			Change %	
(Ch$ million)	**2Q12**	**1Q12**	**2Q11**	**2Q12 / 2Q11**	**2Q 12 / 1Q12**
Commercial loans	(16,024)	(11,746)	(3,866)	314.5%	36.4%
Residential mortgage loans	(3,855)	(3,888)	(8,904)	(56.7%)	(0.8%)
Consumer loans	(58,696)	(62,648)	(44,105)	33.1%	(6.3%)
Net provisions for loan losses	**(78,575)**	**(78,282)**	**(56,875)**	**38.2%**	**0.4%**

By product, the QoQ and YoY increase in net provision expense was driven by commercial loans. This was mainly due to loan growth, since the Bank set-asides provisions at the moment of loan origination and a slight increase in risk in the Bank's SME loan portfolio. Commercial loan NPLs were stable QoQ at 2.73%.

The Bank's **Non-performing loans ratio** (NPL) reached 2.82% as of June 2012 compared to 2.94% as of March 2012 and 2.60% as of June 2011. The **Coverage ratio** of total NPLs (loan loss allowances over non-performing loans) reached 97.8% as of June 30, 2012. The **Risk Index**, which measures the percentage of loans for which the Bank must set aside loan loss allowances, based on our internal models and Superintendency of Banks guidelines, decreased to 2.82% as of June 2012 compared to 2.94% in March 2012 and 2.90% in June 2011.

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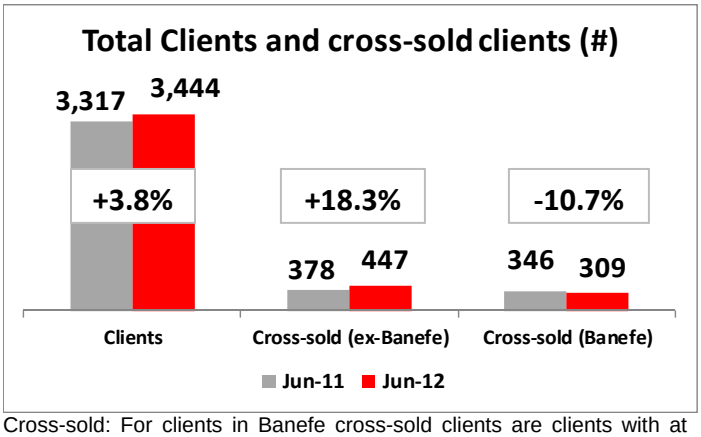
NET FEE INCOME

Lower business activity in Banefe and negative impact of market downturn on asset management lowers fee income

Fee Income	Quarter			Change %	
(Ch$ million)	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Collection fees	16,449	15,802	16,215	1.4%	4.1%
Credit, debit & ATM card fees	13,639	15,017	16,079	(15.2%)	(9.2%)
Asset management	8,488	8,609	10,179	(16.6%)	(1.4%)
Insurance brokerage	8,015	8,186	9,574	(16.3%)	(2.1%)
Checking accounts	7,349	7,239	7,078	3.8%	1.5%
Contingent operations	6,908	6,935	5,697	21.3%	(0.4%)
Fees from brokerage	3,303	1,983	2,592	27.4%	66.5%
Lines of credit	2,418	2,451	2,947	(18.0%)	(1.4%)
Other Fees	1,437	2,469	1,689	(14.9%)	(41.8%)
Total fees	**68,007**	**68,691**	**72,050**	**(5.6%)**	**(1.0%)**

Net fee income decreased 1.0% QoQ and 5.6% YoY in 2Q12. Fee income growth in the quarter decelerated as our asset management business was affected by the market downturn. At the same time, the Bank continued to increase its client base and cross-selling indicators, especially in the middle-upper income segments. The Bank's total client base has increased 3.8% in the past twelve-months and the amount of cross-sold clients in all segments, excluding Banefe, has risen 18.3% YoY. This also boosted checking account fees in the quarter. This was offset by a decline in total Banefe clients and cross-sold clients, as the Bank reduced its exposure to those clients that showed unhealthy financial behavior. This also had a short-term impact on certain fess in the quarter, specifically credit card, line of credit and insurance brokerage fees. The Bank's stock brokerage unit had a positive quarter led by its role in various equity transactions.



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

Going forward, the Bank is in the midst of its Transformation Plan and the installation of a new CRM system. This is the largest overhaul and reorganization of the Bank's middle and lower income business segments in the last decade. Once completed, this should permit a more efficient and rapid growth of the client base, cross-selling indicators and fee income.

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NET RESULTS FROM FINANCIAL TRANSACTIONS

Positive results from client treasury services

Results from Financial Transactions*	Quarter			Change %	
(Ch$ million)	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Net income from financial operations	20,416	(34,196)	2,027	907.2%	--%
Foreign exchange profit (loss), net	5,224	53,499	27,049	(80.7%)	(90.2%)
Net results from financial transactions	**25,640**	**19,303**	**29,076**	**(11.8%)**	**32.8%**

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

Net results from financial transactions totaled a gain of Ch$25,640 million in 2Q12, a 32.8% QoQ increase and an 11.8% YoY decrease. In order to comprehend more clearly these line items, we present them by business area in the table below.

Results from Financial Transactions	Quarter			Change %	
(Ch$ million)	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Santander Global Connect[1]	14,610	14,575	15,045	(2.9%)	0.2%
Market-making	7,430	11,310	6,012	23.6%	(34.3%)
Client treasury services	**22,040**	**25,885**	**21,058**	**4.7%**	**(14.9%)**
Non-client treasury income	**3,600**	**(6,582)**	**8,018**	**(55.1%)**	**--%**
Net results from financial transactions	**25,640**	**19,303**	**29,076**	**(11.8%)**	**32.8%**

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

Client treasury services totaled Ch$22,040 million in 2Q12 and decreased 14.9% QoQ due to lower gains from our mark-to-market business. Compared to 2Q12, client treasury services rose 4.7% due to an increase in client treasury services, which make up the bulk of our financial transaction results and reflects the recurring nature of this income line item.

The Bank recognized a Ch$3,600 million gain from **Non-client treasury services** in the quarter compared to a loss of Ch$6,582 million in 1Q12. In the quarter, as inflation descended, interest rates also declined, resulting in positive mark-to-market gains from the Bank's fixed income portfolio mainly comprised of Central Bank instruments. The 55.1% YoY decrease in non-client treasury income in 2Q12 was mainly due to the one-time gain of Ch$5,705 million recognized in 2Q11 from the sale of shares in Visa Inc.

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OPERATING EXPENSES AND EFFICIENCY

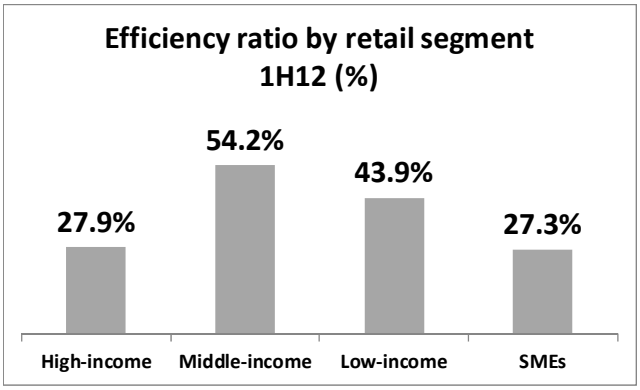
Focus on improving efficiency in middle-income banking

Operating Expenses	Quarter			Change %	
(Ch$ million)	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Personnel expenses	(78,395)	(69,460)	(70,655)	11.0%	12.9%
Administrative expenses	(45,115)	(44,084)	(41,535)	8.6%	2.3%
Depreciation, amortization & impairment	(14,232)	(12,126)	(12,971)	9.7%	17.4%
Operating expenses	**(137,742)**	**(125,670)**	**(125,161)**	**10.1%**	**9.6%**
Efficiency ratio[1]	**41.0%**	**36.8%**	**36.5%**		

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

Operating expenses in 1Q12 increased 9.6% QoQ and 10.1% YoY. The QoQ rise in expenses is mainly seasonal as first quarter includes the reversal of paid personnel vacation expenses due to the holiday season and in April of each year, the Bank adjusts salaries by the annual rise in CPI (+3.5%). The 11.0% YoY increase in **personnel expenses** was mainly due to an increase in business activity, especially in the corporate and middle market banking segments. As of June 2012, headcount totaled 11,621 employees, flat QoQ and YoY.

Administrative expenses increased 8.6% YoY in 2Q12, as the Bank continued with its projects of investing in a new Client Relationship Management system and the Transformation Initiatives aimed at enhancing productivity, especially in middle-income banking. The CRM and Transformation Project should help to reverse this situation, leading to better long-term efficiency, growth and profitability in this segment.



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OTHER INCOME AND EXPENSES

Other Income and Expenses	Quarter			Change %	
(Ch$ million)	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
Other operating income	3,072	3,982	3,309	(7.2%)	(22.9%)
Other operating expenses	(15,464)	(16,365)	(8,800)	75.7%	(5.5%)
Other operating income, net	**(12,392)**	**(12,383)**	**(5,491)**	**125.7%**	**0.1%**
Income from investments in other companies	660	447	552	19.6%	47.7%
Income tax expense	(14,027)	(19,081)	(19,416)	(27.8%)	(26.5%)
Income tax rate	11.6%	13.8%	12.0%		

Other operating income, net, totaled Ch$-12,392 million in 2Q12. The higher loss compared to 2Q11 was mainly due to lower reversal of non-credit contingencies recognized as other operating expenses in 2Q11.

The lower **income tax** expense in 2Q12 was mainly due to: (i) the reduction in the statutory corporate tax rate to 18.5% in 2012 from 20% in 2011 and, (ii) the Bank recognized a tax benefit from real estate taxes (*contribuciones*) paid over assets it has leased to clients. For these reason, the effective tax rate was only 11.6% in the quarter. For the rest of the year an effective tax rate of 15-16% is expected. Congress is currently discussing a law that would raise the statutory corporate tax rate to 20% this year, which would negatively affect income tax expense.

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SECTION 4: CREDIT RISK RATINGS

International ratings

The Bank has credit ratings from three leading international agencies.

Moody's (Outlook negative)	Rating
Foreign currency bank deposits	Aa3
Senior bonds	Aa3
Subordinated debt	A1
Bank Deposits in Local Currency	Aa3
Bank financial strength	B-
Short-term deposits	P-1

Standard and Poor's (outlook negative)	Rating
Long-term Foreign Issuer Credit	A
Long-term Local Issuer Credit	A
Short-term Foreign Issuer Credit	A-1
Short-term Local Issuer Credit	A-1

Fitch (outlook negative)	Rating
Foreign Currency Long-term Debt	A+
Local Currency Long-term Debt	A+
Foreign Currency Short-term Debt	F1
Local Currency Short-term Debt	F1
Viability rating	a+

Local ratings:

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

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

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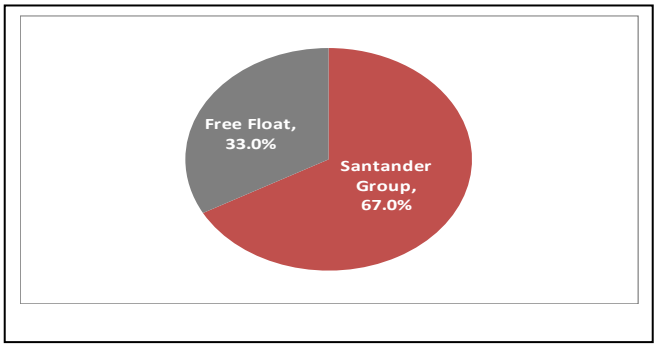
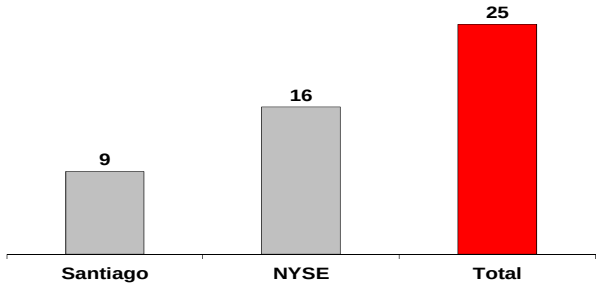
SECTION 5: SHARE PERFORMANCE
As of June 2012

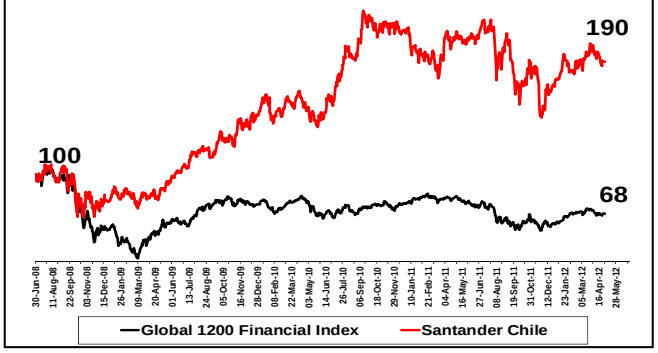
Ownership Structure:



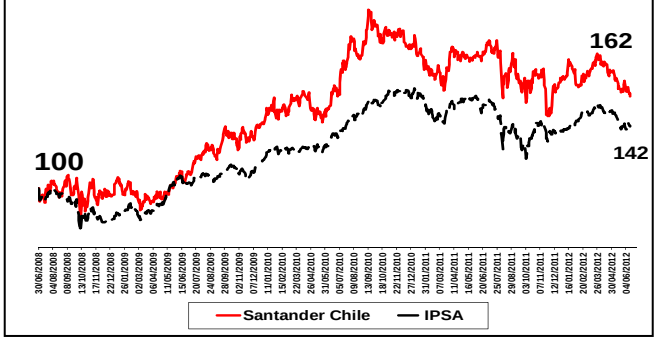
Average daily traded volumes 6M12
US$ million



ADR Price Evolution
Santander ADR vs. Global 1200 Financial Index
(Base 100 = 06/30/2008)



Local Share Price Evolution
Santander vs IPSA Index
(Base 100 = 06/30/2008)



ADR price (US$) 6M12

06/30/12:	77.49
Maximum (3M12):	88.22
Minimum (3M12):	71.00

Market Capitalization: US$14,055 million

P/E 12 month trailing*:	17.5
P/BV (06/30/12)**:	3.47
Dividend yield***:	3.5%

* Price as of June 30, 2012 / 12mth. earnings
** Price as of June 30, 2012 / Book value as of 06/30/12
*** Based on closing price on record date of last dividend payment.

Local share price (Ch$) 6M12

06/30/12:	37.34
Maximum (3M12):	41.00
Minimum (3M12):	34.74

Dividends:

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

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ANNEX 1: BALANCE SHEET

Unaudited Balance Sheet Assets	Jun-12 US$ths	Jun-12 Ch$ million	Dec-11	Jun 12 / Dec. 11 % Chg.
Cash and balances from Central Bank	4,411,396	2,210,330	2,793,701	(20.9%)
Funds to be cleared	952,733	477,367	276,454	72.7%
Financial assets held for trading	789,061	395,359	409,763	(3.5%)
Investment collateral under agreements to repurchase	9,492	4,756	12,928	(63.2%)
Derivatives	2,852,406	1,429,198	1,612,869	(11.4%)
Interbank loans	290,171	145,390	87,541	66.1%
Loans, net of loan loss allowances	**35,637,443**	**17,856,141**	**16,823,407**	**6.1%**
Available-for-sale financial assets	3,532,538	1,769,978	1,661,311	6.5%
Held-to-maturity investments	0	0	0	--%
Investments in other companies	17,671	8,854	8,728	1.4%
Intangible assets	146,494	73,401	80,739	(9.1%)
Fixed assets	302,704	151,670	153,059	(0.9%)
Current tax assets	48,261	24,181	37,253	(35.1%)
Deferred tax assets	279,894	140,241	147,754	(5.1%)
Other assets	1,221,207	611,886	546,470	12.0%
Total Assets	**50,491,472**	**25,298,752**	**24,651,977**	**2.6%**
Liabilities and Equity				
Demand deposits	9,229,758	4,624,570	4,413,815	4.8%
Funds to be cleared	594,494	297,871	89,486	232.9%
Investments sold under agreements to repurchase	738,284	369,917	544,381	(32.0%)
Time deposits and savings accounts	19,784,638	9,913,093	8,921,114	11.1%
Derivatives	2,346,035	1,175,481	1,292,148	(9.0%)
Deposits from credit institutions	3,408,432	1,707,795	1,920,092	(11.1%)
Marketable debt securities	8,685,073	4,351,656	4,623,239	(5.9%)
Other obligations	373,977	187,381	176,599	6.1%
Current tax liabilities	92	46	1,498	(96.9%)
Deferred tax liability	17,894	8,966	5,315	68.7%
Provisions	310,344	155,498	230,290	(32.5%)
Other liabilities	891,318	446,595	398,977	11.9%
Total Liabilities	**46,380,339**	**23,238,869**	**22,616,954**	**2.7%**
Equity				
Capital	1,778,870	891,303	891,303	0.0%
Reserves	102,862	51,539	51,539	0.0%
Unrealized gain (loss) Available-for-sale financial assets	7,875	3,946	2,832	39.3%
Retained Earnings:	**2,159,112**	**1,081,823**	**1,055,548**	**2.5%**
Retained earnings previous periods	1,846,167	925,022	750,989	23.2%
Net income	447,065	224,002	435,084	(48.5%)
Provision for mandatory dividend	(134,120)	(67,201)	(130,525)	(48.5%)
Total Shareholders' Equity	**4,048,720**	**2,028,611**	**2,001,222**	**1.4%**
Minority Interest	**62,413**	**31,272**	**33,801**	**(7.5%)**
Total Equity	**4,111,133**	**2,059,883**	**2,035,023**	**1.2%**
Total Liabilities and Equity	**50,491,472**	**25,298,752**	**24,651,977**	**2.6%**

Figures in US$ have been translated at the exchange rate of Ch$501.05

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ANNEX 2: YEAR-TO-DATE INCOME STATEMENTS

YTD Income Statement Unaudited	Jun-12	Jun-12	Jun-11	Jun 12 / Jun 11
	US$ths.	Ch$ million		% Chg.
Interest income	1,913,607	958,813	850,549	12.7%
Interest expense	(873,767)	(437,801)	(374,452)	16.9%
Net interest income	**1,039,840**	**521,012**	**476,097**	**9.4%**
Fee and commission income	362,988	181,875	183,890	(1.1%)
Fee and commission expense	(90,165)	(45,177)	(40,451)	11.7%
Net fee and commission income	**272,823**	**136,698**	**143,439**	**(4.7%)**
Net income from financial operations	(27,502)	(13,780)	51,402	--%
Foreign exchange profit (loss), net	117,200	58,723	3,867	1418.6%
Total financial transactions, net	**89,698**	**44,943**	**55,269**	**(18.7%)**
Other operating income	14,078	7,054	5,859	20.4%
Net operating profit before loan losses	**1,416,439**	**709,707**	**680,664**	**4.3%**
Provision for loan losses	**(313,055)**	**(156,856)**	**(105,548)**	**48.6%**
Net operating profit	**1,103,385**	**552,851**	**575,116**	**(3.9%)**
Personnel salaries and expenses	(295,090)	(147,855)	(133,496)	10.8%
Administrative expenses	(178,024)	(89,199)	(81,037)	10.1%
Depreciation and amortization	(52,430)	(26,270)	(26,284)	(0.1%)
Impairment	(176)	(88)	(32)	175.0%
Operating expenses	**(525,720)**	**(263,412)**	**(240,849)**	**9.4%**
Other operating expenses	(63,525)	(31,829)	(29,413)	8.2%
Total operating expenses	(589,245)	(295,241)	(270,262)	9.2%
Operating income	**514,140**	**257,610**	**304,854**	**(15.5%)**
Income from investments in other companies	2,209	1,107	1,127	(1.8%)
Income before taxes	**516,350**	**258,717**	**305,981**	**(15.4%)**
Income tax expense	(66,077)	(33,108)	(45,917)	(27.9%)
Net income from ordinary activities	**450,272**	**225,609**	**260,064**	**(13.2%)**
Net income discontinued operations	0	0	0	**--%**
Net income attributable to:				
Minority interest	3,207	1,607	2,254	(28.7%)
Net income attributable to shareholders	**447,065**	**224,002**	**257,810**	**(13.1%)**

Figures in US$ have been translated at the exchange rate of Ch$501.05

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ANNEX 3: QUARTERLY INCOME STATEMENTS

Unaudited Quarterly Income Statement	2Q12	2Q12	1Q12	2Q11	2Q12 / 2Q11	2Q 12 / 1Q12
	US$ths.		Ch$mn		% Chg.	
Interest income	910,049	455,980	502,833	472,132	(3.4%)	(9.3%)
Interest expense	(401,237)	(201,040)	(236,761)	(224,718)	(10.5%)	(15.1%)
Net interest income	**508,811**	**254,940**	**266,072**	**247,414**	**3.0%**	**(4.2%)**
Fee and commission income	181,499	90,940	90,935	92,652	(1.8%)	0.0%
Fee and commission expense	(45,770)	(22,933)	(22,244)	(20,602)	11.3%	3.1%
Net fee and commission income	**135,729**	**68,007**	**68,691**	**72,050**	**(5.6%)**	**(1.0%)**
Net income from financial operations	40,746	20,416	(34,196)	2,027	907.2%	--%
Foreign exchange profit (loss), net	10,426	5,224	53,499	27,049	(80.7%)	(90.2%)
Total financial transactions, net	**51,173**	**25,640**	**19,303**	**29,076**	**(11.8%)**	**32.8%**
Other operating income	6,131	3,072	3,982	3,309	(7.2%)	(22.9%)
Net operating profit before loan losses	**701,844**	**351,659**	**358,048**	**351,849**	**(0.1%)**	**(1.8%)**
Provision for loan losses	**(156,821)**	**(78,575)**	**(78,281)**	**(56,874)**	**38.2%**	**0.4%**
Net operating profit	**545,023**	**273,084**	**279,767**	**294,975**	**(7.4%)**	**(2.4%)**
Personnel salaries and expenses	(156,461)	(78,395)	(69,460)	(70,655)	11.0%	12.9%
Administrative expenses	231,741	(45,115)	(44,084)	(41,535)	8.6%	2.3%
Depreciation and amortization	(28,336)	(14,198)	(12,072)	(12,944)	9.7%	17.6%
Impairment	(68)	(34)	(54)	(27)	25.9%	(37.0%)
Operating expenses	**(274,907)**	**(137,742)**	**(125,670)**	**(125,161)**	**10.1%**	**9.6%**
Other operating expenses	(30,863)	(15,464)	(16,365)	(8,800)	75.7%	(5.5%)
Total operating expenses	(305,770)	(153,206)	(142,035)	(133,961)	14.4%	7.9%
Operating income	**239,254**	**119,878**	**137,732**	**161,014**	**(25.5%)**	**(13.0%)**
Income from investments in other companies	1,317	660	447	552	19.6%	47.7%
Income before taxes	**240,571**	**120,538**	**138,179**	**161,566**	**(25.4%)**	**(12.8%)**
Income tax expense	(27,995)	(14,027)	(19,081)	(19,416)	(27.8%)	(26.5%)
Net income from ordinary activities	**212,576**	**106,511**	**119,098**	**142,150**	**(25.1%)**	**(10.6%)**
Net income discontinued operations	0	0	0	0		
Net income attributable to:						
Minority interest	1,629	816	791	638	27.9%	3.2%
Net income attributable to shareholders	**210,947**	**105,695**	**118,307**	**141,512**	**(25.3%)**	**(10.7%)**

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ANNEX 4: QUARTERLY EVOLUTION OF MAIN RATIOS AND OTHER INFORMATION

(Ch$ millions)	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Loans						
Consumer loans	2,815,118	2,893,038	2,925,659	2,943,845	2,963,105	2,987,880
Residential mortgage loans	4,758,712	4,909,630	5,016,419	5,115,663	5,162,473	5,221,914
Commercial loans	9,200,538	9,619,373	9,738,278	9,287,585	9,666,501	10,164,678
Total loans	**16,774,368**	**17,422,041**	**17,680,356**	**17,347,093**	**17,792,079**	**18,374,472**
Allowance for loan losses	(489,034)	(505,887)	(520,565)	(523,686)	(522,724)	(518,331)
Total loans, net of allowances	**16,285,334**	**16,916,154**	**17,159,791**	**16,823,407**	**17,269,355**	**17,856,141**
Loans by segment						
Individuals	8,652,205	9,026,697	9,187,526	9,289,345	9,376,934	9,534,018
SMEs	2,467,951	2,455,349	2,522,698	2,560,736	2,604,565	2,658,077
Total retail lending	**11,120,156**	**11,482,046**	**11,710,224**	**11,850,081**	**11,981,499**	**12,192,095**
Institutional lending	352,593	372,939	351,644	355,199	347,818	366,862
Middle-Market & Real estate	3,562,558	3,625,439	3,731,980	3,650,709	3,692,576	3,848,479
Corporate	1,757,732	1,950,992	1,905,005	1,494,752	1,881,429	2,006,270
Customer funds						
Demand deposits	4,315,563	4,450,290	4,496,757	4,413,815	4,566,890	4,624,570
Time deposits	8,408,818	8,856,185	9,395,246	8,921,114	8,825,599	9,913,093
Total deposits	**12,724,381**	**13,306,475**	**13,892,003**	**13,334,929**	**13,392,489**	**14,537,663**
Mutual funds (Off balance sheet)	3,142,373	3,138,177	2,852,379	2,941,773	2,995,292	2,940,678
Total customer funds	**15,866,754**	**16,444,652**	**16,744,382**	**16,276,702**	**16,387,781**	**17,478,341**
Loans / Deposits[1]	**96.9%**	**96.8%**	**94.8%**	**95.4%**	**98.4%**	**96.5%**
Average balances						
Avg. interest earning assets	17,866,010	19,099,828	20,068,323	19,836,214	20,119,312	20,362,279
Avg. loans	16,150,015	17,146,712	17,460,992	17,494,801	17,537,743	18,127,164
Avg. assets	22,679,590	24,435,586	24,961,680	25,245,472	24,918,317	24,957,219
Avg. demand deposits	4,271,464	4,560,188	4,372,511	4,374,397	4,527,917	4,749,885
Avg equity	1,857,339	1,853,926	1,901,447	1,964,850	2,035,332	2,014,260
Avg. free funds	6,128,803	6,414,114	6,273,958	6,339,246	6,563,249	6,764,145
Capitalization						
Risk weighted assets	18,013,990	18,964,803	18,954,146	18,243,142	18,509,191	19,572,226
Tier I (Shareholders' equity)	1,905,690	1,866,467	1,927,498	2,001,222	2,065,994	2,028,612
Tier II	642,221	669,798	715,184	686,171	673,110	659,789
Regulatory capital	2,547,912	2,536,265	2,642,682	2,687,393	2,739,104	2,688,400
Tier I ratio	10.6%	9.8%	10.2%	11.0%	11.2%	10.4%
BIS ratio	14.1%	13.4%	13.9%	14.7%	14.8%	13.7%
Profitability & Efficiency						
Net interest margin	5.1%	5.2%	4.6%	5.3%	5.3%	5.0%
Efficiency ratio	37.5%	36.5%	41.3%	38.5%	36.8%	41.0%
Avg. Free funds / interest earning assets	34.3%	33.6%	31.3%	32.0%	32.6%	33.2%
Return on avg. equity	25.0%	30.5%	15.8%	20.8%	23.3%	21.0%
Return on avg. assets	2.1%	2.3%	1.2%	1.6%	1.9%	1.7%

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	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Asset quality						
Non-performing loans (NPLs)[2]	413,775	452,150	496,786	511,357	519,282	529,869
Past due loans[3]	216,072	214,483	223,948	237,573	255,417	284,716
Risk index[4]	489,034	505,887	520,565	523,686	522,724	518,331
NPLs / total loans	2.47%	2.60%	2.81%	2.95%	2.92%	2.88%
PDL / total loans	1.29%	1.23%	1.27%	1.37%	1.44%	1.55%
Coverage of NPLs (Loan loss allowance / NPLs)	118.19%	111.88%	104.79%	102.41%	100.66%	97.82%
Coverage of PDLs (Loan loss allowance / PDLs)	226.3%	235.9%	232.4%	220.4%	204.7%	182.1%
Expected loss (Loan loss allowances / Loans)	2.92%	2.90%	2.94%	3.02%	2.94%	2.82%
Cost of credit (prov. expense / loans)	1.16%	1.31%	2.04%	2.00%	1.76%	1.71%
Network						
Branches	506	487	494	499	499	499
ATMs	2,017	1,946	1,892	1,920	1,949	1,966
Employees	11,115	11,516	11,706	11,566	11,572	11,621
Market information (period-end)						
Net income per share (Ch$)	0.62	0.75	0.40	0.54	0.63	0.56
Net income per ADR (US$)	**1.33**	**1.66**	**0.80**	**1.08**	**1.33**	**1.14**
Stock price	40.1	42.2	37.5	37.4	40.54	37.34
ADR price	86.8	93.8	73.5	75.7	86.09	77.49
Market capitalization (US$mn)	15,734	17,015	13,327	13,730	15,614	14,055
Shares outstanding	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1
ADRs (1 ADR = 1,039 shares)	181.4	181.4	181.4	181.4	181.4	181.4
Other Data						
Quarterly inflation rate[5]	0.57%	1.44%	0.56%	1.28%	1.07%	0.42%
Central Bank monetary policy reference rate (nomina	4.00%	5.25%	5.25%	5.25%	5.00%	5.00%
Avg. 10 year Central Bank yield (real)	3.09%	2.90%	2.63%	2.61%	2.45%	2.49%
Avg. 10 year Central Bank yield (nominal)	6.67%	6.31%	5.64%	5.21%	5.40%	5.58%
Observed Exchange rate (Ch$/US$) (period-end)	482.08	471.13	515.14	521.46	489.76	509.73

1 Ratio = Loans - marketable securities / Time deposits + demand deposits
2 Capital + future interest of all loans with one installment 90 days or more overdue.
3 Total installments plus lines of credit more than 90 days overdue
4 Based on internal credit models and SBIF guidelines. Banks must have a 100% coverage of risk index
5 Calculated using the variation of the Unidad de Fomento (UF) in the period

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