BANCO SANTANDER CHILE
Form 6-K
August 18, 2011

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

Table of Contents

Page	
1.	Important Notice
5.	Unaudited Interim Financials for the six month period ended June 30, 2011 in English

2

Important Notice

Santander Chile is a Chilean bank and maintains its financial books and records in Chilean pesos. These Interim Unaudited Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF). The SBIF is the banking industry regulator that according to article 15 of the General Banking Law, establishes the accounting principles to be used by the banking industry. For those principles not covered by the Compendium of Accounting Standards, banks can use generally accepted accounting principles issued by the Chilean Accountant's Association AG and which coincides with International Financial Reporting Standards (IFRS) issued by the International Acocounting Standards Board (IASB). In the event that discrepancies exist between the accounting principles issued by the SBIF (Compendium of Accounting Standards) and IFRS, the Compendium of Accounting Standards will take precedence. The Notes to the consolidated financial statements contain additional information to that submitted in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. These notes provide a narrative description of such statements in a clear, reliable and comparable manner.

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/
Name:	Juan Pedro Santa María
Title:	General Counsel

Date: August 18, 2011

4

INDEX

Consolidated Financial Statements

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED INTERIM STATEMENTS OF INCOME	4
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME	5
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY	6
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW	7

Notes to the Financial Statements

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES	9
NOTE 02 – ACCOUNTING CHANGES:	34
NOTE 03 - SIGNIFICANT EVENTS:	37
NOTE 04 - BUSINESS SEGMENTS:	39
NOTE 05 - CASH AND CASH EQUIVALENTS	45
NOTE 06 - TRADING INVESTMENTS:	46
NOTE 07 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING:	47
NOTE 08 - INTERBANK LOANS	53
NOTE 09 - LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS:	54
NOTE 10 - AVAILABLE FOR SALE INVESTMENTS:	59
NOTE 11 - INTANGIBLE ASSETS:	60
NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT	62
NOTE 13 - CURRENT AND DEFERRED TAXES:	66
NOTE 14 - OTHER ASSETS:	69
NOTE 15 - TIME DEPOSITS AND OTHER TIME LIABILITIES:	70
NOTE 16 – ISSUED DEBT INSTRUMENTS AND OTHER OBLIGATIONS:	71
NOTE 17 - MATURITIES OF ASSETS AND LIABILITIES:	76
NOTE 18 - OTHER LIABILITIES	78
NOTE 19 -CONTINGENCIES AND COMMITMENTS:	79
NOTE 20 - EQUITY:	81
NOTE 21 - CAPITAL REQUIREMENTS (BASEL):	84
NOTE 22 - NON CONTROLLING INTEREST	86
NOTE 23 -INTEREST INCOME AND EXPENSE:	89
NOTE 24 - FEES AND COMMISSIONS:	92
NOTE 25 - NET INCOME FROM FINANCIAL OPERATIONS:	92
NOTE 26 – NET FOREIGNS EXCHANGE PROFIT (LOSS):	92
NOTE 27 - PROVISION FOR LOAN LOSSES:	94
NOTE 28 - PERSONNEL SALARIES AND EXPENSES:	96
NOTE 29 - ADMINISTRATIVE EXPENSES:	97
NOTE 30 - DEPRECIATION AMORTIZATION AND IMPAIRMENT:	98
NOTE 31 – OTHER OPERATING INCOME AND EXPENSES:	98
NOTE 32 - TRANSACTIONS WITH RELATED PARTIES:	101
NOTE 33 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:	106
NOTE 34 - SUBSEQUENT EVENTS	109

2

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
For periods ending as of

	NOTE	As of June 30, 2011 ThUS$	As of June 30, 2011 MCh$	As of December 31, 2010 MCh$
ASSETS				
Cash and deposits in banks	5	2,098,669	980,813	1,762,198
Unsettled transactions	5	1,780,710	832,215	374,368
Trading investments	6	1,303,800	609,331	379,670
Investments under resale agreements	-	15,667	7,322	170,985
Financial derivative contracts	7	3,084,979	1,441,765	1,624,378
Interbank loans, net	8	187,564	87,658	69,672
Loans and accounts receivables from customers, net	9	36,195,900	16,916,154	15,175,975
Available for sale investments	10	5,621,853	2,627,373	1,473,980
Held to maturity investments	10	-	-	-
Investments in other companies	-	16,450	7,688	7,275
Intangible assets	11	154,901	72,393	77,990
Property, plant, and equipment	12	320,599	149,832	154,985
Current taxes	13	71,356	33,348	12,499
Deferred taxes	13	273,936	128,024	117,964
Other assets	14	1,660,388	775,982	640,937
TOTAL ASSETS		52,786,772	24,669,898	22,042,876
LIABILITIES				
Deposits and other demand liabilities	15	9,522,392	4,450,290	4,236,434
Unsettled transactions	5	1,340,118	626,304	300,125
Investments under repurchase agreements	-	681,808	318,643	294,725
Time deposits and other time liabilities	15	18,949,791	8,856,185	7,258,757
Financial derivative contracts	7	2,888,407	1,349,897	1,643,979
Interbank borrowings	-	3,917,084	1,830,649	1,584,057
Issued debt instruments	16	9,703,237	4,534,808	4,190,888
Other financial liabilities	16	358,759	167,666	166,289
Current taxes	13	4,036	1,886	1,293
Deferred taxes	13	31,041	14,507	5,441
Provisions	-	323,218	151,056	235,953
Other liabilities	18	1,006,460	470,369	261,328
TOTAL LIABILITIES		48,726,351	22,772,260	20,179,269
EQUITY				
Attributable to Bank shareholders:	-	3,993,724	1,866,467	1,831,798
Capital	20	1,907,142	891,303	891,303
Reserves	20	110,279	51,539	51,539

Valuation adjustments	20	(16,756)	(7,831)	(5,180)
Retained Earnings	20	1,993,059	931,456	894,136
Retained earnings of prior years	20	1,606,909	750,989	560,128
Income for the period	20	551,642	257,810	477,155
Minus: Provision for mandatory dividends	20	(165,493)	(77,343)	(143,147)
Non controlling interest	22	66,697	31,171	31,809
TOTAL EQUITY		4,060,421	1,897,638	1,863,607
TOTAL LIABILITIES AND EQUITY		52,786,772	24,669,898	22,042,876

3

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF INCOME
For periods ending as of

	NOTE	As of June 30, 2011 ThUS$	For the quarter ended on June 30 2011 MCh$	2010 MCh$	For the 6-month period ended on June 30 2011 MCh$	2010 MCh$
OPERATING INCOME						
Interest income	23	1,819,940	472,132	368,919	850,549	690,157
Interest expense	23	(801,224)	(224,718)	(126,137)	(374,452)	(217,977)
Net interest income		1,018,716	247,414	242,782	476,097	472,180
Fee and commission income	24	393,474	92,652	82,808	183,890	161,967
Fee and commission expense	24	(86,554)	(20,602)	(17,650)	(40,451)	(34,458)
Net fee and commission income		306,920	72,050	65,158	143,439	127,509
Net income from financial operations (net trading income)	25	109,986	2,027	44,922	51,402	97,014
Foreign exchange profit (loss), net	26	8,274	27,049	(19,881)	3,867	(42,400)
Other operating income	31	12,537	3,309	19,160	5,859	24,898
Total operating income		1,456,433	351,849	352,141	680,664	679,201
Provisions for loan losses	27	(225,844)	(56,874)	(59,106)	(105,548)	(130,595)
NET OPERATING PROFIT		1,230,589	294,975	293,035	575,116	548,606
Personnel salaries and expenses	28	(285,645)	(70,655)	(66,002)	(133,496)	(121,591)
Administrative expenses	29	(173,397)	(41,535)	(35,707)	(81,037)	(71,760)
Depreciation and amortization	30	(56,241)	(12,944)	(12,592)	(26,284)	(24,933)
Impairment	12	(68)	(27)	(3,686)	(32)	(3,702)
Other operating expenses	31	(62,936)	(8,800)	(13,703)	(29,413)	(24,630)
Total operating expenses		(578,287)	(133,961)	(131,690)	(270,262)	(246,616)
OPERATING INCOME		652,302	161,014	161,345	304,854	301,990
Income from investments in other companies	-	2,411	552	223	1,127	343
Income before tax		654,713	161,566	161,568	305,981	302,333

Income tax expense	13	(98,250)	(19,416)	(24,163)	(45,917)	(45,923)
NET INCOME FOR THE PERIOD		556,463	142,150	137,405	260,064	256,410
Attributable to:						
Bank shareholders (Equity holders of the Bank)	-	551,642	141,512	138,823	257,810	257,927
Non controlling interest	22	4,822	638	(1,418)	2,254	(1,517)
Earnings per share attributable to Bank shareholders: (expressed in Chilean pesos)						
Basic earnings	-	0,00292	0.751	0.737	1.368	1.369
Diluted earnings	-	0.00292	0.751	0.737	1.368	1.369

4

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For periods ending as of

	NOTE	As of June 30, 2011 ThUS$	For the quarter ended 2011 MCh$	2010 MCh$	For the 6-month period ended on June 30 2011 MCh$	2010 MCh$
CONSOLIDATED INCOME FOR THE PERIOD		1,882,099	142,150	137,405	260,064	256,410
OTHER COMPREHENSIVE INCOME						
Available for sale investments	10	(2,300)	6,607	142	(1,075)	7,720
Cash flow hedge	7	(4,329)	(529)	17,518	(2,023)	2,873
Other comprehensive income before income tax		(6,629)	6,078	17,660	(3,098)	10,593
Income tax related to other comprehensive income	13	1,406	(1,180)	(3,002)	657	(1,801)
Total other comprehensive income		(5,223)	4,898	14,658	(2,441)	8,792
CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		1,876,876	147,048	152,063	257,623	265,202
Attributable to:						
Bank shareholders (Equity holders of the Bank)	22	545,970	146,377	153,250	255,159	266,538
Non controlling interest	-	5,272	671	(1,187)	2,464	(1,336)

5

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
For periods ending as of

		RESERVES		VALUATION ADJUSTMENTS			RETAINED EARNINGS			
	Capital MCh$	Reserves and other retained earnings MCh$	Merger of companies under common control MCh$	Available for sale investments MCh$	Cash flow hedge MCh$	Income tax Income tax MCh$	Retained earnings of prior years MCh$	Income for the period MCh$	Provision for mandatory dividends MCh$	Total attributable to shareholders MCh$
Balances as of December 31, 2009	891,303	53,763	(2,224)	(29,132)	(3,162)	5,490	440,401	431,253	(129,376)	1,658,316
Distribution of income from previous period	-	-	-	-	-	-	431,253	(431,253)	-	-
First Enforcement of Chapter B3	-	-	-	-	-	-	(52,662)	-	-	(52,662)
Opening balances as of January 1, 2010	891,303	53,763	(2,224)	(29,132)	(3,162)	5,490	818,992	-	(129,376)	1,605,654
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-
Dividends distributions / Withdrawals made	-	-	-	-	-	-	(258,752)	-	129,376	(129,376)
Other changes in equity	-	-	-	-	-	-	(112)	-	-	(112)
Provisions for mandatory dividends	-	-	-	-	-	-	-	-	(77,378)	(77,378)
Subtotals	-	-	-	-	-	-	(258,864)	-	51,998	(206,866)
Other comprehensive income	-	-	-	7,502	2,873	(1,764)	-	-	-	8,611
Income for the period	-	-	-	-	-	-	-	257,927	-	257,927
Subtotals	-	-	-	7,502	2,873	(1,764)	-	257,927	-	266,538
Opening balances as of June 30, 2010	891,303	53,763	(2,224)	(21,630)	(289)	3,726	560,128	257,927	(77,378)	1,665,326

Balances as of December 31, 2010	891,303	53,763	(2,224)	(18,341)	11,958	1,203	560,128	477,155	(143,147)	1,831,798
Distribution of income from previous period	-	-	-	-	-	-	477,155	(477,155)	-	-
Balances as of January 1, 2011	891,303	53,763	(2,224)	(18,341)	11,958	1,203	1,037,283	-	(143,147)	1,831,798
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-
Dividends distributions / Withdrawals made	-	-	-	-	-	-	(286,294)	-	143,147	(143,147)
Other changes in equity	-	-	-	-	-	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(77,343)	(77,343)
Subtotals	-	-	-	-	-	-	(286,294)	-	65,804	(220,490)
Other comprehensive income	-	-	-	(1,328)	(2,023)	700	-	-	-	(2,651)
Income for the period	-	-	-	-	-	-	-	257,810	-	257,810
Subtotals	-	-	-	(1,328)	(2,023)	700	-	257,810	-	255,159
Opening balances as of June 30, 2011	891,303	53,763	(2,224)	(19,669)	9,935	1,903	750,989	257,810	(77,343)	1,866,467

Period	Total attributable to shareholders MCh$	Allocated to reserves or retained earnings MCh$	Allocated to Dividends MCh$	Percentage distributed %	Number of Shares	Dividend per share (in pesos)
Year 2010 (Shareholders Meeting April 2011)	477,155	190,861	286,294	60 %	188,446,126,794	1.519
Year 2009 (Shareholders Meeting April 2010)	431,253	172,501	258,752	60 %	188,446,126,794	1.373

6

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
For periods ending as of

		As of June 30		
		2011	2011	2010
	NOTE	ThUS$	MCh$	MCh$
A – CASH FLOWS FROM OPERATING ACTIVITIES				
CONSOLIDATED INCOME BEFORE TAX		654,715	305,981	302,333
Debits (credits) to income that do not represent cash flows		1,060,602	(495,673)	(494,376)
Depreciation and amortization	30	56,241	26,284	24,933
Impairment of property, plant, and equipment	12	68	32	3,702
Provision for loan losses	27	247,876	115,845	146,134
Mark to market of trading investments	-	(4,534)	(2,119)	(29,926)
Income from investments in other companies	-	(2,411)	(1,127)	(343)
Net gain on sale of assets received in lieu of payment	31	(8,268)	(3,864)	(1,698)
Provisions for assets received in lieu of payment	31	2,732	1,277	2,300
Net gain on sale of investments in other companies	-	-	-	-
Net gain on sale of property, plant and equipment	31	(1,731)	(809)	(13,195)
Charge off of assets received in lieu of payment	31	11,407	5,331	1,548
Net interest income	23	(1,018,716)	(476,097)	(472,180)
Net fee and commission income	24	(306,920)	(143,439)	(127,509)
Debits (credits) to income that do not represent cash flows	-	(36,350)	16,988	(5,207)
Changes in assets and liabilities due to deferred taxes	13	4	2	(22,935)
Increase/decrease in operating assets and liabilities		(388,808)	(181,709)	(166,363)
Decrease (increase) of loans and accounts receivables from customers, net	-	(3,554,343)	(1,661,122)	(871,161)
Decrease (increase) of financial investments	-	(3,064,750)	(1,432,311)	536,934
Decrease (increase) due to resale agreements (assets)	-	357,278	166,974	5,000
Decrease (increase) of interbank loans	-	(38,485)	(17,986)	(18,067)
Decrease of assets received or awarded in lieu of payment	-	45,508	21,268	10,348
Increase of debits in checking accounts	-	150,037	70,120	512,518
Increase (decrease) of time deposits and other time liabilities	-	3,304,404	1,544,313	49,681
Increase (decrease) of obligations with domestic banks	-	115,545	54,000	18,067
Increase of other demand liabilities or time obligations	-	179,388	83,837	66,371
Increase (decrease) of obligations with foreign banks	-	412,806	192,925	78,088
Decrease of obligations with Central Bank of Chile	-	(674)	(315)	(342)
Increase (decrease) due to resale agreements (liabilities)	-	51,178	23,918	(991,494)
Increase (decrease) of other short-term liabilities	-	3,381	1,580	(2,583)
Net increase of other assets and liabilities	-	115,573	54,014	(143,848)

Redemption of letters of credit	-	(81,132)	(37,917)	(71,721)
Senior bond issuances	-	684,468	319,886	426,794
Redemption of senior bonds and payments of interest	-	(290,887)	(135,946)	(156,273)
Interest received	-	1,814,920	848,203	481,545
Interest paid	-	(803,182)	(375,367)	(178,760)
Dividends received from investments in other companies	-	1,489	696	954
Fees and commissions received	24	393,474	183,890	161,967
Fees and commissions paid	24	(86,554)	(40,451)	(34,458)
Income tax paid	13	(98,250)	(45,917)	(45,923)
Net cash from (used in) operating activities		(794,695)	(371,400)	(358,406)

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
For periods ending as of

	NOTE	As of June 30, 2011 ThUS$	2011 MCh$	2010 MCh$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:				
Purchases of property, plant, and equipment	12	(10,365)	(4,844)	(4,122)
Sales of property, plant, and equipment	-	12,545	5,863	14,197
Purchases of investments in other companies	-	-	-	-
Sales of investments in other companies	-	-	-	-
Purchases of intangibles assets	11	(23,314)	(10,896)	(8,033)
Net cash used in investment activities		(21,134)	(9,877)	2,042
C – CASH FLOW FROM FINANCING ACTIVITIES:				
From shareholders' financing activities	-	(489,973)	(228,989)	(263,210)
Increase of other obligations	-	-	-	-
Issuance of subordinated bonds	-	143,060	66,859	12,682
Redemption of subordinated bonds and payments of interest	-	(20,443)	(9,554)	(17,140)
Dividends paid	-	(612,590)	(286,294)	(258,752)
From non controlling interest financing activities	-	-	-	-
Increases of capital	-	-	-	-
Dividends and/or withdrawals paid	-	-	-	-
Net cash used in financing activities		(489,973)	(228,989)	(263,210)
D – VARIATION OF CASH AND CASH EQUIVALENTS DURING THE PERIOD	-	(1,305,802)	(610,266)	(619,574)
E – EFFECTS OF FOREIGN EXCHANGE RATE VARIATIONS	-	(84,414)	(39,451)	(33,956)
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	-	3,929,477	1,836,441	2,236,118
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	2,539,261	1,186,724	1,582,588

Reconciliation of provisions for Consolidated Statements of Cash Flow	As of June 30 2011 MCh$	2010 MCh$
Provisions for loan losses for cash flow	115,845	146,134
Recovery of loans previously charged off	(10,297)	(15,539)
Expenses on provisions for loan losses	105,548	130,595

8

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Corporate Information

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

A Special Meeting of Shareholders of Banco Santiago was held on July 18, 2002, the minutes of which were notarized as a public deed on July 19, 2002 at the Notarial Office of Santiago before Notary Nancy de la Fuente Hernández, and there 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 from Banco Santiago to Banco Santander Chile. This change was authorized by Resolution No.79 of the Superintendence of Banks and Financial Institutions, adopted on July 26, 2002, published in the Official Journal on August 1, 2002 and registered on page 19,992 under number 16,346 for the year 2002 in the Registry of Commerce of the Curator of Real Estate of Santiago.

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

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

Banco Santander Spain controls Banco Santander-Chile through its share in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding S.A., which are subsidiaries controlled by Banco Santander Spain. As of June 30, 2011 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 Ltda. This grants Banco Santander Spain control over 75% of the Bank's shares.

a) Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF), a regulatory agency. Article 15 of the General Banking Law states that, in accordance with the laws, banks must use the accounting criteria issued by the Superintendence and that, in any situation not provided for therein, provided it is not contrary to its instructions, must abide by the generally accepted accounting principles, which correspond with the technical standards issued by the Colegio de Contadores de Chile AG (Association of Chilean Accountants), which coincide with the International Financial Reporting Standards(IFRS) adopted by the International Accounting Standard Board (IASB). In the event of discrepancies between the accounting principles and the accounting criteria issued by the SBIF (Compendium of Accounting Standard), the latter will prevail.

b) Basis of preparation for the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements include the preparation of separate (individual) financial statements of the Bank and the companies that participate in the consolidation of June 30, 2011 and 2010, and include the adjustments and reclassifications needed to comply with the policies and valuation criteria established by the Compendium of Accounting Standards issued by the SBIF.

Subsidiaries

"Subsidiaries" are defined as entities over which the Bank has the ability to exercise control, which is generally but not exclusively reflected by the direct or indirect ownership of at least 50% of the investee's voting rights, or even if this percentage is lower or zero when the Bank is granted control pursuant to agreements with the investee's shareholders. Control is understood as the power to significantly influence the investee's financial and operating policies, so as to profit from its activities.

The Interim financial statements of subsidiaries are consolidated with those of the Bank. According to this, all balances and transactions between consolidated corporations will be eliminated through the consolidation process.

In addition, third parties' shares in the Consolidated Bank's equity are presented as "Non controlling interests" in the Interim Consolidated Statement of Financial Position. Their shares in the year's income are presented under "Non controlling interests" in the Interim Consolidated Statement of Income.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The following companies are considered "Subsidiaries" in which the Bank holds equity and accounts for it through the equity method:

	Percentage share								
	As of June 30			As of December 31			As of June 30		
Subsidiaries	2011			2010			2010		
	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 (former Santander S.A. Agente de Valores)	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64
Santander Servicios de Recaudación y Pagos Limitada	99.90	0.10	100.00	99.90	0.10	100.00	99.90	0.10	100.00

Special Purpose Entities

According to IFRS, the Bank must continuously analyze its perimeter of consolidation. The key criterion for such analysis is the degree of control held by the Bank over a given entity, not the percentage of ownership interest in such entity's equity.

In particular, as set forth by International Accounting Standard 27 "Consolidated and Separate Financial Statements" (IAS 27) and by the Standard Interpretations Committee 12 "Consolidation – Special Purpose Entities" (SIC 12), issued by the IASB, the Bank must determine the existence of Special Purpose Entities (SPEs), which must be included in its perimeter of consolidation. The following are its main characteristics:

- The SPEs' activities have essentially been conducted on behalf of the company that presents the Interim Consolidated Financial Statements and in response to its specific business needs.
-

The necessary decision making authority is held to obtain most of the benefits from these entities' activities, as well as the rights to obtain most of the benefits or other advantages from such entities.

- The entity essentially retains most of the risks inherent to the ownership or residuals of the SPEs or its assets, for the purpose of obtaining the benefits from its activities.

This assessment is based on methods and procedures which consider the risks and profits retained by the Bank, for which all the relevant factors, including the guarantees furnished or the losses associated with collection of the related assets retained by the Bank, are taken into account. As a consequence of this assessment, the Bank concluded that it exercised control over the following entities, which therefore are part of the consolidation perimeter:

- Santander Gestión de Recaudación y Cobranza Limitada.
- Multinegocios S.A.
- Servicios Administrativos y Financieros Limitada.
- Fiscalex Limitada.
- Multiservicios de Negocios Limitada.
- Bansa Santander S.A.

Associates

Associates are those entities over which the Bank may exercise significant influence but not control or joint control, usually this capacity is manifested by holding 20% or more of the entity's voting power. Investments in associated entities are accounted for pursuant to the "equity method."

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The following companies are considered "Affiliates entities" in which the Bank accounts for its participation pursuant to the equity method:

		Percentage share	
Affiliates entities	As of June 30 2011	As of December 31 2010	As of June 30 2010
Redbank S.A.	33.42	33.43	33.42
Transbank S.A.	32.71	32.71	32.71
Centro de Compensación Automatizado	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	29.28	29.28	29.28
Cámara Compensación de Alto Valor S.A.	11.52	11.52	11.52
Administrador Financiero del Transantiago S.A.	20.00	20.00	20.00

Investments in other companies

The Bank and its controlled entities have certain investments in shares since these are required to get the right to operate according to their line of business. Participation in these companies is below 1%.

c) Non controlling interest

Non controlling interest represents the portion of earnings and losses and net assets which the Bank does not own, either directly or indirectly. It is presented separately in the Interim Consolidated Statement of Income, and separately from shareholders equity in the Interim Consolidated Statement of Financial Position.

In the case of Special Purpose Entities (SPEs), 100% of their Income and Equity is presented in non controlling interest, since the Bank only has control but not actual ownership thereof.

d) Operating segments

The Bank discloses separate information for each operating segment that:

i. has been identified;
ii. exceeds the quantitative thresholds stipulated for a segment.

Operating segments with similar economic characteristics often have a similar long-term financial performance. Two or more segments can be combined only if aggregation is consistent with the basic principles of the International Financial Reporting Standards 8 (IFRS 8) and the segments have similar economic characteristics and are similar in each of the following respects:

i. nature of the products and services;
ii. nature of the production processes;
iii. type or category of customers that use their products and services;
iv. 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 the operating segments.

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

iii. Its assets represent 10% or more of the combined assets of all the operating segments.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Operating segments that do not reach any of the quantitative thresholds may be treated as segments to be reported, in which case the information must be disclosed separately if management believes it could be useful for the users of the consolidated Interim financial statements.

Information about other business activities of the operating segments not separately reported is combined and disclosed in the "Other segments" category.

According to the information presented, the Bank's segments were determined under the following definitions:

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

e) Functional and presentation currency

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

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

f) Foreign currency transactions

The Bank grants loans and accepts deposits in amounts denominated in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies and only held by the Bank are translated to Chilean pesos based on the market rate published by Reuters at 1:30 p.m. on the last business day of every month; the rate used was Ch$467.95 per US$1 as of June 30, 2011 (Ch$546.05 per US$1 as of December 30, 2010). The Subsidiaries record their foreign currency positions at the exchange rate reported by the Central Bank of Chile at the close of operations on the last business day of the month, amounting to Ch$468.15 per US$1 as of June 30, 2011 (Ch$547.19 per US$1 as of June 30). Considering that using these exchange rates does not cause any significant difference, these criteria have been kept on the Interim Consolidated Financial Statements.

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

g) Definitions and classification of financial instruments

i. Definitions

A “financial instrument” is any contract that gives rise to a financial asset of one entity, and simultaneously to a financial liability or equity instrument of another entity.

An “equity instrument” is a legal transaction that evidences a residual interest in the assets of the entity which issues it after deducting allot 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), which initial investment is very small compared to other financial instruments having a similar response to changes in market factors, and which is generally settled at a future date.

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

ii. Classification of financial assets for measurement purposes

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

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

- Available for sale investment portfolio: Debt instruments not classified as "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 investments (AFS) are initially recorded at fair value, which includes transactional costs. AFS instruments are subsequently measured at fair value or based on appraisals made with the use of internal models, when appropriate. Unrealized gains or losses stemming from changes in fair value are recorded as a debit or credit to Other Comprehensive Income under the heading "Valuation Adjustments" within equity. When these investments are disposed of or become impaired, the cumulative gains or losses previously recognized in Other Comprehensive Income are transferred to the Consolidated Interim Income State under "Net income from financial operations."

- Held to maturity instruments portfolio: This category includes debt securities traded on an active market, with a fixed maturity, and with fixed or determinable payments, for which the Bank has both the intent and a proven ability to hold to maturity. Held to maturity investments are recorded at their amortized cost plus interest earned less any impairment losses established when their carrying amount exceeds the present value of estimated future cash flows.

- Credit investments (loans and accounts receivable from customers or interbank loans): This category includes financing granted to third parties, based on their nature, regardless of the type of borrower and the form of financing. It includes loans and accounts receivable from customers, interbank loans, and financial lease transactions in which the consolidated entities act as lessor.

iii. Classification of financial assets for presentation purposes

Financial assets are included, for presentation purposes, classified by their nature into the following line items in the consolidated Interim financial statements:

- Cash and deposits in banks: This line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions. Amounts placed in overnight transactions will continue to be reported in this line item and in the lines or items to which they correspond. If there is no special item for these transactions, they will be included with the related account as indicated above.

- Unsettled transactions: This item includes the values of swap instruments and balances of executed transactions which contractually defer the payment of purchase-sale transactions or the delivery of the foreign currency acquired.

- Trading investments: This item includes financial instruments held-for-trading and investments in mutual funds which must be adjusted to their fair value in the same way as instruments acquired for trading.

- Financial derivative contracts: Financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or hedging, as shown in Note 7 to the Consolidated Interim Financial Statements.

- Trading derivatives: Includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

- 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. Other available for sale investments are treated as available for sale.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

iv. Classification of financial liabilities for measurement purposes

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

Financial liabilities 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 a short-term profit from fluctuations in their prices, financial derivatives not deemed to qualify for hedge accounting and financial liabilities arising from firm commitment of financial assets purchased under repurchase agreements or borrowed ("short positions").

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

v. Classification of financial liabilities for presentation purposes

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

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

- Unsettled transactions: This item includes the balances of asset purchases that are not settled on the same day and for sales of foreign currencies not delivered.

- Investments under repurchase agreements: This item includes the balances of sales of financial instruments under securities repurchase and loan agreements.

- Time deposits and other demand liabilities: This item shows the balances of deposit transactions in which a term at the end of which they become callable has been stipulated.

- Financial derivative contracts: This item includes financial derivative contracts with negative fair values, whether they are for trading or for account hedging purposes, 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.

- 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 regular 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.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The "fair value" of a financial instrument on a given date is the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid on an active, transparent, and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated based on the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, considering the specific features of the instrument to be valued and, particularly, the various classes of risk associated with it.

All derivatives are recorded in the Consolidated Interim Statements of Financial Position at the fair value from their trade date. If their fair value is positive, they are recorded as an asset, and if their fair value is negative, they are recorded as a liability. The fair value of the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. Changes in the fair value of derivatives from the trade date are recorded with a counterpart in "Net income from financial operations" in the Consolidated Interim Statement of Income.

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price. If, for exceptional reasons, the quoted price cannot be determined on a given date, the fair value is determined using similar methods to those used to measure over the counter (OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV) and option pricing models, among other methods.

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

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

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

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

ii. Valuation of financial liabilities

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

iii. Valuation techniques

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

In cases where quotations cannot be observed, the Management makes its best estimate of the price that the market would set using its own internal models. In most cases, these models use data based on observable market parameters as significant inputs and, in very specific cases, they use significant inputs not observable in market data. Various techniques are employed to make these estimates, including the extrapolation of observable market data.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2011 and 2010 by the Bank's internal models to determine the fair value of the financial instruments, are as follows:

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

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

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

The fair value of the financial instruments arising from the abovementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, and the quoted market price of shares, volatility and prepayments, among other things. The valuation models are not significantly subjective, since these methodologies can be adjusted and evaluated, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

iv. Recording results

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

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

Adjustments due to changes in fair value from:

- "Available-for-sale financial instruments" are recorded in Other Comprehensive Income and accumulated under the heading "Valuation adjustments" within Equity.

- When the AFS instruments are disposed of or are determined to be impaired, the cumulative gain or loss previously accumulated as "Valuation Adjustment" is reclassified to the Consolidated Interim Statement of Income.

v. Hedging transactions

The Bank uses financial derivatives for the following purposes:

i) to sell to customers who request these instruments in the management of their market and credit risks,
ii) to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities ("hedging derivatives"), and
iii) to obtain profits from changes in the price of these derivatives ("trading derivatives").

All financial derivatives that do not qualify for hedge accounting are accounted for as "trading derivatives."

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:
 a. Changes in the value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");
 b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecasted transactions ("cash flow hedge");
 c. The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").
b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness").

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

The changes in the value of financial instruments qualifying for hedge accounting are recorded as follows:

a. In fair value hedges, profits or losses arising on both the hedging instruments and the hedged items (attributable to the type of risk being hedged) are recorded directly in the Consolidated Interim Statement of Income.

b. In fair value hedges of interest rate risk in a portfolio of financial instruments, gains or losses that arise in measuring the hedging instruments are recorded directly in the Consolidated Interim Statement of Income, whereas the gains or losses due to changes in the fair value of the hedged amount (attributable to the hedged risk) are recorded in the Consolidated Interim Statement of Income with an offset to "Net income from financial operations".

c. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recorded temporarily in Other Comprehensive Income under the heading "Cash flow hedge" within Equity component "Valuation adjustments", until the forecasted transaction occurs, thereafter being recorded in the Consolidated Interim Statement of Income, unless the forecasted transaction results in the recognition of non–financial assets or liabilities, in which case it is included in the cost of the non-financial asset or liability.

d. The differences in valuation of the hedging instrument corresponding to the ineffective portion of the cash flow hedging transactions are recorded directly in the Consolidated Interim Statement of Income under "Income from financial operations".

If a derivative designated as a hedge no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a "trading derivative." When the "Fair value hedging" is discontinued, the fair value adjustments of the book value for the hedged portion generated by the hedged risk are amortized to gain and losses from that date on.

When cash flow hedges are discontinued, any cumulative gain or loss of the hedging instrument recognized in other comprehensive income under "Valuation adjustments" (from the period when the hedge was effective) remains recorded in equity until the hedged transaction occurs, at which time it is recorded in the Consolidated Interim Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative profit or loss is recorded immediately in the Consolidated Interim Income Statement.

v. Derivatives embedded in hybrid financial instruments

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

vi. Offsetting of financial instruments

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

vii. 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:

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

i. If the Bank transfers substantially all the risks and rewards to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the assignor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is removed from the Consolidated Interim Statements of Financial Position and any rights or obligations retained or created in the transfer are simultaneously recorded.

ii. If the Bank retains substantially all the risks and rewards associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements to repurchase at a fixed price or at the sale price plus interest, securities lending agreements under which the borrower undertakes to return the same or similar assets, and other similar cases, the transferred financial asset is not removed from the Consolidated Interim Statements of Financial Position and continues to be measured by the same criteria as those used before the transfer. However, the following items are recorded:

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

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

1. If the transferor does not retain control of the transferred financial asset: The asset is removed from the Consolidated Interim Statements of Financial Position and any rights or obligations retained or created in the transfer are recorded.
2. If the transferor retains control of the transferred financial asset: It continues to be recorded in the 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 Consolidated Interim Statements of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized in the Consolidated Interim Statements of Financial Position when the obligations specified in the contract are discharged, cancelled or expire.

i) Recognizing income and expenses

The most significant criteria used by the Bank to recognize its revenues and expenses are summarized as follows:

i. Interest revenue, interest expense and similar items

Interest revenue and expense are recorded on an accrual basis using the effective interest method.

However, when a given operation or transaction is past due by 90 days or more, when it originated from a refinancing or renegotiation, or when the Bank believes that the debtor poses a high risk of default, the interest and adjustments pertaining to these transactions are not recorded directly in the Consolidated Interim Statement of Income unless they have been actually received.

These interests and adjustments are generally referred to as “suspended” and are recorded in memorandum accounts which are not part of the Consolidated Interim Statements of Financial Position but are reported as part of the complementary information thereto (Note 23). This interest is recognized as income, when collected, as a reversal of the related impairment losses.

The Bank can stop the accrual of interests based on contract terms about the capital amount of any asset classified as deteriorated asset. Thereafter, the Bank recognizes as interest income the accretion of the net present value of the written down amount of the loan due to the passage of time, based on the original effective interest rate of the loan. On the other hand, any collected interest related to an asset classified as impaired is accounted for on a cash basis.

Dividends received from companies classified as “Investments in other companies” are recorded as income when the right to receive them arises.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Commissions, fees, and similar items

Fee and commission income and expenses are recognized in the Consolidated Interim Statement of Income using criteria that vary according to their nature. The main criteria are:

- Fee and commission income and expenses related to financial assets and liabilities measured at fair value with changes in results are acknowledged when paid.
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
- Those relating to services provided in a single act are recognized when the single act is performed.

iii. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

iv. Loan arrangement fees

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

j) Impairment

i. Financial assets:

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

A financial asset or group of financial assets will be impaired if, and only if, objective evidence of impairment exists as a result of one or more events that occurred after initial recognition of the asset ("event causing the loss"), and this event or events causing the loss have an impact on the estimated future cash flows of a financial asset or group of financial assets.

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

An impairment loss relating to a financial asset available for sale is calculated based on a significant extended 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 income. Any cumulative loss relating to a financial asset available for sale previously recorded in equity is transferred to profit or loss as a reclassification adjustment.

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. In the case of financial assets recorded at amortized cost and for the financial assets available for sale that are securities for sale, the reversal is recorded in income. In the case of financial assets that are variable-rate securities, the reversal is directly recorded in equity.

ii. Non-financial assets:

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

In connection to other assets, impairment losses recorded in prior periods are assessed at each reporting date in search of any indication that the loss has decreased or disappeared and should be reversed. An Impairment loss is reversed to the extent that it is not in excess of the cumulative impairment loss that has been recorded.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

k) Property, plant, and equipment

This category includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the consolidated entities or acquired under finance leases. Assets are classified according to their use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use (including, among other things, tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing accounts receivable from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases) are presented at acquisition cost less the related accumulated depreciation and, if applicable, any impairment losses (net carrying amount higher than recoverable amount).

The acquisition cost of awarded assets is equivalent to the net amount of the financial assets surrendered in exchange for its award.

The Bank and its subsidiaries have chosen to measure certain items of property, plant, and equipment goods at the date of the transition into IFRS, both for at their fair value and at the previous GAAP revalued amount and use these both as their deemed cost at that date, in accordance with paragraphs D5 and D6 of IFRS 1. Accordingly, the price-level restatement applied until December 31, 2007 was not reversed.

Depreciation is calculated using the straight line method over the acquisition cost of assets less their residual value, assuming that the land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation.

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 value above the one it would have had if no impairment losses had been recorded in prior years.

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

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Maintenance expenses relating to tangible assets (property, plant and equipment) held for own use are recorded as an expense in the period in which they are incurred.

ii. Assets leased out under operating leases

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

l) Leasing

i. Finance leases

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

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

When the consolidated entities act as lessees, they show the cost of the leased assets in the Consolidated Interim Statements of Financial Position based on the nature of the leased asset, and simultaneously record a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise of the purchase option). The depreciation policy for these assets is consistent with that for property, plant and equipment for own use.

In both cases, the finance revenues and finance expenses arising from these contracts are credited and debited, respectively, to "Interest income" and "Interest expense" in the in the Consolidated Interim Income Statement so as to achieve a constant rate of return over the lease term.

ii. Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessor, they present the acquisition cost of the leased assets under "Property, plant and equipment". The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment held for own use and revenues from operating leases is recorded on a straight line basis under "Other operating income" in the Consolidated Interim Income Statement.

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 and other expenses" in the Consolidated Interim Income

Statement.

iii. Sale and leaseback transactions

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

m) Factored receivables

Factored receivables are valued at the amount disbursed by the Bank in exchange of invoices or other commercial instruments representing the credit which the transferor assigns to the Bank. The price difference between the amounts disbursed and the actual face value of the credits is recorded as interest income in the Consolidated Interim Income Statement through the effective interest method over the financing period.

When the assignment of these instruments involves no liability for the assignor, the Bank assumes the risks of insolvency of the parties responsible for payment.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

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 basic over their estimated useful life.

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

o) Cash and cash equivalents

For the preparation of the cash flow statement, the indirect method was used, beginning with the Bank's consolidated pre-tax income and incorporating non-cash transactions, as well as income and expenses associated with cash flows, which are classified as investment or financing activities.

For the preparation of the cash flow statement, the following items are considered:

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

p) Allowances for loan losses

The Bank records allowances for probable loan losses in accordance with its internal models. These internal models for rating and evaluating credit risk were approved by the Bank's Board of Directors.

According to the methodology developed by the Bank, loans are divided into three categories:

i. Consumer loans,
ii. Mortgage loans, and
iii. Commercial loans.

The specialization of the Santander Bank's risk function is based on the type of customer and, accordingly, a distinction is made between individualized customers that are individually evaluated and standardized customers, evaluated in groups in the risk management process. The internal risk models used to calculate the allowances are described as follows:

Allowances for individual evaluations on commercial loans

The Bank assigns a risk category level to each borrower and his respective loans. The Bank considers the following risk factors within the analysis: industry or sector of the borrower, owners or managers of the borrower, their financial situation and payment capacity, and payment behavior.

The Bank assigns one of the following risk categories to each loan and borrower:

i. Normal Compliance Portfolio, which corresponds to debtors with a payment capacity that allows them to comply with their obligations and commitments, and this is not likely to change, based on the current economical and financial situation. The classifications assigned to this portfolio are categories from A1 to A6.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Substandard Portfolio: includes debtors with financial difficulties or a significant worsening of their payment capacity and about which are reasonable doubts about the total refund of the capital and interest within the agreed terms, showing low comfort in fulfilling their short-term financial obligations. Debtors who in the last period have slow their payments in more than 90 days. The classifications assigned to this portfolio are categories from B1 to B4.

iii. Default Portfolio: includes debtors and their credits from which payment is considered remote since they show a deteriorated or null payment capacity. Debtors with manifest signs of a possible break, those who required a force debt restructuring and any debtor who has been in default for over 90 days in his payment of interest or capital, are included in this portfolio. The classifications assigned to this portfolio are categories from C1 to C6.

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

Type of Portfolio	Debtor's Category	Default Probability (%)	Loss due to Default (%)	Expected Loss (%)
	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
Normal portfolio	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
	B1	15.00	92.5	13.87500
Substandard Portfolio	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

For the Default Portfolio, the Bank must keep the following reserve levels:

Classification	Estimated range of loss	Allowance	
C1	Up to 3%	2	%
C2	More than 3% and up to 19%	10	%
C3	More than 19% and up to 29%	25	%
C4	More than 29% and up to 49%	40	%
C5	More than 49% and up to 79%	65	%
C6	More than 79%	90	%

For the purpose of determining allowance amounts, the percentage associated with the estimated loss rate is applied to the total credit.

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

23

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Allowances for group evaluations

Banco Santander Chile uses group analysis for determining the provisioning levels for certain types of loans. These models are intended to be used primarily to analyze loans to individuals (including consumer loans, lines of credit, mortgage loans and commercial loans to individuals) and commercial loans, primarily to small and some mid-sized companies.

Provisions are determined using one of these two models to determine a historical loss rate by segment and risk profile of each group of clients:

i. Model based on debtor’s characteristics and his pending loans. Debtors and allocations with similar characteristics may be grouped and each group will be assigned a risk level.

ii. The model based on the behavior of an allocations group. Debtors and allocations with similar payment histories will be grouped and each group will be assigned a risk level.

These group evaluations requires the creation of credit groups with homogeneous characteristics in terms of type of debtor and agreed conditions, so as to establish, through technically-based estimated and following prudent criteria, both the group's behavior and recovery of its deteriorated credits; and, consequently, constitute the necessary provisions to hedge the portfolio's risk.

Banco Santander Chile uses provision methodologies for the Group portfolio, in which it includes business credits for non-portfolio debtors, mortgage loans, and consumer loans (including installments, credit cards, and credit lines). The model used applies historical loss rates by segment and risk profile over the corresponding Loans and accounts receivables from customers to each portfolio for its respective provision constitution.

The provisioning model for consumer loans separates these loans in four groups, each with its own model:

- New clients, not renegotiated
- Old clients, not renegotiated
- New clients, renegotiated
- Old clients, renegotiated

Each consumer model is separated by risk profile which is established based on a scorecard statistical model that establishes a relation through regression among various variables such as payment behavior in the Bank, payment behavior outside the Bank, various socio-demographic data, among others, and a response variable which determines the client's risk which in this case is 90 days non-performance. Once the scorecards have been determined, risk profiles are established that are statistically significant with similar estimated incurred loss levels or charge-off vintage.

The estimated incurred loss rates for consumer loans are defined by the “Vintage of Net Charge-Offs” (charge-offs net of recoveries). This methodology establishes the period in which the estimated incurred loss is maximized. Once this period is obtained, it is applied to each risk profile of each model to obtain the net charge-off level associated with this period.

In the case of group business and mortgage models, business, risk profile and default trench segments are used, creating a matrix in which loss rates for each segment, profile and default are placed. The estimated incurred loss rates are then determined through historical measurements and statistical estimates, depending on the segment and the portfolio or product.

Allocations of mortgage and consumer Loans

Allocations for mortgage and consumer loans are directly related to the maturity of the allocations.

A rating is assigned to all mortgage and consumer loans on an individual basis, using an automatic and sophisticated statistical model which also considers the debtors' credit behavior. Once the client's rating is determined, the mortgage or consumer loan provision is calculated using a related risk category and percentage, which depends on its maturity.

During the 2011 period, the Bank—within its normal process of improving the provisions models—based on its experience, has recalibrated its mortgage provisions model, which generated an impact of approximately Ch$ 16,258 million of bigger provisions. The effect of this upgrading, being a change of estimate, according to the IAS 8 will be registered at the Consolidated Interim Financial Statements.

Additional Provisions

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

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

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Charge-offs

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

These charge-offs refer to derecognition in the Consolidated Statements of Financial Position of assets corresponding to a loan. This includes a portion of a loan that might not be past due in the case of a loan paid in installments or in a leasing operation (no partial charge-offs).

Charge-offs are always recorded with a charge to credit risk allowances, according to Chapter B-1 of the Compendium of Accounting Regulations, whatever the cause by which the charge-off proceeds. After payments obtained from charge-off operations will be recognized at the Consolidated Interim Income Statement as Charge-off Credits Recovery.

Credit charge-offs and accounts receivable will be materialized over due, default and current installments, and the deadline must be calculated from the beginning of the default, i.e., it should be done when an installment or operation credit portion reaches the deadline to charge-off as stated below:

Allocation Type	Term
Consumer Loans with or without security interest	6 months
Other operations with no security interest	24 months
Business credits with security interest	36 months
Mortgage Loans	48 months
Consumer Leasing	6 months
Other non-mortgage leasing operations	12 months
Mortgage leasing (housing and business)	36 months

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

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

Recovery of loans previously charged off and accounts receivable from customers,

Recovery of previously charged off loans and accounts receivable from customers, are recorded in the Consolidated Interim Income Statement as a reduction of provision for loan losses.

q) Provisions, contingent assets and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Consolidated Interim Statements of Financial Position when the following requirements are simultaneously met:

i. It is a present obligation (legal or constructive) as a result of past events, and
ii. It is probable that an outflow of resources will be required to settle these obligations and the amount of these resources can be readily measured.

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

The following are classified as contingent in the supplementary information:

i. Guarantees and bonds: Encompasses guarantees, bonds, and 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 letters: Guarantees issued.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

The consolidated annual accounts reflect all significant provisions for which it is estimated that the probability of having to meet the obligation is more likely than not.

Provisions are quantified using the best available information on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year and are used to address the specific liabilities for which they were originally recognized. Partial or total reversals are recorded when such liabilities cease to exist or decrease.

Provisions are classified according to the liabilities they cover as follows:

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

r) Deferred income taxes and other deferred taxes

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

s) Use of estimates

The preparation of the financial statements requires Management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In certain cases, generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable parties, in an arm’s length transaction. Where available, quoted market prices in active markets have been used as the basis for measurement. Where quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of internal valuation models and other valuation techniques.

The Bank has established allowances to cover incurred losses in accordance with regulations issued by the Superintendency of Banks and Financial Institutions. These regulations require that, to estimate the allowances, they must be regularly evaluated taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers' ability to pay. Increases in the allowances for loan losses are reflected as "Provisions for loan losses" in the Consolidated Interim Statement of Income. Loans are charged-off when 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.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

t) Non-current assets held for sale

Non-current assets (or a group which includes assets and liabilities for disposal) expected to be recovered mainly through sales rather than through continued use, are classified as held for sale. Immediately prior to this classification, assets (or elements of a disposable group) are re-measured in accordance with the Bank's policies. The assets (or disposal group) are measured at the lower of carrying value or fair value minus cost of sale. From this moment on, the assets (or divestiture group) are measured at the minimum value between the book value and the fair value minus sale cost.

Any impairment loss on disposal is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except when no losses have been recorded in financial assets, deferred assets, employee benefit plan assets, and investment property, which are still evaluated according to the Bank's accounting policies. Impairment losses on the initial classification of held-for-sale assets, and profits and losses from the revaluation are recorded in income. Profits are not recorded if they outweigh any cumulative loss.

As of June 30, 2011 and December 31, 2010 the Bank has not classified any non-current assets as held for sale.

Assets received or awarded in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from customers are recorded, in the case of assets received in lieu of payment, at the price agreed by the parties, or otherwise, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction.

These assets are subsequently valued at the lower of initially recorded value or net realizable value, which corresponds to their fair value (liquidity value determined through an independent appraisal) minus the cost of sales associated therewith.

At least once a year, the Bank carries out the necessary analysis to update these assets' cost to sale. As of June 30, 2011 the average cost to sale (the cost of maintaining and selling the asset) was estimated at 5.5% of the appraised value. As of June 30, 2010 the average sale cost used was 5.9%.

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

u) Earnings per share

Basic earnings per share are determined by dividing the net income attributable to the Bank shareholders in a period by the weighted average number of shares outstanding during the period.

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

As of June 30, 2011 and 2010 the Bank did not have instruments that generated diluting effects on equity.

v) Temporary acquisition (assignment) of assets

Purchases (sales) of financial assets under non-optional resale (repurchase) agreements at a fixed price ("repos") are recorded in the Consolidated Interim Statements of Financial Position as financial assignments (receipts) based on the nature of the debtor (creditor) under "Deposits in the Central Bank of Chile," "Deposits in financial institutions" or "Loans and accounts receivable from customers" ("Central Bank of Chile deposits," "Deposits from financial institutions" or "Customer deposits").

Differences between the purchase and sale prices are recorded as financial interest over the term of the contract.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 perimeter of consolidation (Santander Asset Management S.A., Administradora General de Fondos and Santander S.A. Sociedad Securitizadora), are not included in the Consolidated Interim Statements of Financial Position. Commissions generated from this activity are included under "Fee and commission income" in the Consolidated Interim Income Statement.

x) Provision for mandatory dividends

As of June 30, 2011 and 2010 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded, as a deduction under the "Retained earnings - Provisions for mandatory dividends" in the Consolidated Interim Statement of Changes in Equity.

y) Employee benefits

i. Post-employment Retributions – Defined Benefit Plant:

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

Features of the Plan:

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

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

The Bank recognizes under line item "Provisions" in the Consolidated Interim Statements of Financial Position (or in assets under "Other assets," depending on the funded status of the plan) the present value of its post-employment defined benefit obligations, net of the fair value of the plan assets and of the net recognized cumulative actuarial gains or losses, disclosed in the valuation of these obligations, which are deferred using "corridor approach", net of the past service cost, which is deferred in time as explained below.

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

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

"Actuarial gains and losses" are defined as those arising from the differences between previous actuarial assumptions and what has actually occurred, and from changes in the actuarial assumptions used. The Bank applies, by plans, the "corridor approach" criterion, whereby it recognizes in the Interim Consolidated Statement of Income, the amount resulting from dividing by five the higher of the net value of the accumulated actuarial profits and/or losses not recorded at the beginning of each period and exceeding 10% of the current value of the obligations or 10% of the fair value of the assets at the beginning of the period..

"Past service cost"—which arises from changes made to existing post-retirement benefits or the introduction of new benefits—is recorded in the Consolidated Interim Income Statement on a straight line basis over the period beginning on the date on which the new commitments arose to the date on which the employee has an irrevocable right to receive the new benefits.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Post-employment benefits are recorded in the Consolidated Interim Income Statement as follows:

- Current service cost, defined as the increase in the current value of the obligations arising as a consequence of the services provided by the employees during the period under the "Personnel salaries and expenses" item.
- Interest cost, defined as the increase in the present value of the obligations as a consequence of the passage of time which occurs during the period). When the obligations are shown in liabilities in the Consolidated Interim Statements of Financial Position net of the plan assets, the cost of the liabilities which are recorded in the Consolidated Interim Income Statement reflects exclusively the obligations recorded in liabilities.
- The expected return on the plan's assets and the gains and losses in their value, less any cost arising from their management and the taxes to which they are subject.
- The actuarial gains and losses calculated using the corridor approach and unrecognized past service cost the cost of not-acknowledged past services, are recorded in the Consolidated Interim Income Statement under "Personnel salaries and expenses".

ii. Severance Provision:

Severance provisions for years of employment are recorded only when they actually occur or upon the availability of a formal and detailed plan in which the fundamental modifications to be made are identified, provided that such plan has already started to be implemented or its principal features have been publicly announced, or objective facts about its execution are known.

iii. Share-based compensation:

The allocation of equity instruments to executives of the Bank and its Subsidiaries as a form of compensation for their services, when those instruments are provided at the end of a specific period of employment, is recorded as an expense in the Consolidated Interim Income Statement under the "Personnel wages and expenses" item, as the relevant executives provide their services over the course of the period.

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

z) New accounting pronouncements

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

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

1) Accounting Regulations Issued by the SBIF

Circular Letter No. 3518 – On February 2, 2011 the SBIF issued this circular to complement the instructions enforced from January 2011 related to Chapters B-1 and B-3, so as to detail some instructions. The incorporated changes follow only the addition and elimination of words from the text to clarify the presented regulations. This letter had no significant effect on these consolidated Interim financial statements.

Circular No. 3,540 - On October 8, 2010 the SBIF issued this circular to adapt formats to the new provision instructions and cover certain information needs with a bigger breakdown, Chapter C-3 is replaced "Monthly Financial Statements" of the Compendium of Accounting Regulation. Changes incorporated in this Chapter are only due to the elimination or creation of the lines or items stated in Annex to this circular, which will be enforced starting with the information referred to on January 31, 2011.

Circular No. 3,503 - In August 2010, the SBIF issued this Circular which supplements and modifies the instructions related to the Compendium of Accounting Standards, chapters B-1, B-2, B-3, and C1 related to allowances and impaired portfolios. The changes incorporated here correspond to news texts and rewording of concepts related to type of credits and portfolios. These modifications will be enforced as of January 1, 2011. In addition, this circular incorporates regulations relating to additional provisions included in No.9 of Chapter B-1 which are valid during 2010. The effects on the financial statements due to the adoption of this Circular are described in Note 2 “Accounting Changes.”

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

2)Accounting Regulations Issued by the International Accounting Standards Board

Amendment to IAS 32, Financial Instruments: Presentation – On October 8, 2009 the IASB issued a modification to IAS 32, Financial Instruments: Presentation, entitled Classification of Right Issues. In pursuant with the modifications, rights, options and warrants that in some way fulfill the definition in paragraph 11 of IAS 32, issued to acquire a set number of non derivate equity instruments belonging to an entity for a set amount in any currency are classified as equity instruments as long as the offer is made pro-ratio to all current owners of the same type of equity instrument. The enforcement of this modification had no significant impact on the Bank's Consolidated Interim Financial Statements.

Amendment to IAS 24, Disclosure of Related Parties – On November 4, 2009 the IASB issued modifications to IAS 24. The revised regulation simplifies the disclosure requirements for entities controlled, jointly-controlled or significantly influenced by a government entity (designated as government-related entity) and clarifies the related entity definition. It is effective for yearly periods beginning on or after January 1, 2011. It requires back application. Therefore, on the first adoption year, disclosures for comparative years should be reissued. In advance application is allowed, whether of the entire regulation or the partial exemption for related government entities. If an entity applies the regulation, or part of it, for a period before January 1, 2011; it is demanded that this fact is revealed. The Bank is no related to any government entity; therefore, the disclosure exemptions do not apply to it. In addition, the changes to the definition of Related Party did not cause an effect on the Bank's Consolidated Interim Financial Statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments – Issued on November 26, 2009. This interpretation provides guidelines on how to record the extinction of a financial liability trough the issuance of equity instruments. The interpretation concluded that issuing equity instruments to extinguish an obligation constituted the paid consideration. The consideration should be measured at fair value of the issued equity instrument, unless the fair value is not easily determined, in which case, the equity instruments will be measured at fair value of the extinguished obligation. The enforcement of this interpretation had no significant impact on the Bank's Consolidated Interim Financial Statements.

Amendment to IFRIC 14, IAS 19 - Limit over asset by defined benefits, minimum funding requirements and their interaction - On December 2009, the IASB issued Prepayments of a minimum funding requirement, modifications to IFRIC 14, IAS 19 - Limit over asset by defined benefits, minimum funding requirements and their interaction. The modifications have been carried out to remedy a non intentional consequence of IFRIC 14 in which it is forbidden for entities in some circumstances to recognize certain voluntary prepayments as assets. The enforcement of this amendment had no significant impact on the Bank's Consolidated Interim Financial Statements.

Improvements to IFRS – On May 06, 2010 the IASB issued improvements to IFRS 2010, incorporating amendments to 7 IFRS. This is the third set of modifications issued under the yearly improvement process which were designed to make necessary though no urgent modifications to IFRS. The modifications are effective for yearly periods beginning on or after July 1, 2010 and for yearly periods beginning on or after January 1, 2011. The adoption of these improvements had no significant impact on the Bank's Consolidated Interim Financial Statements.

ii. New accounting regulations and instructions issued by the SBIF as well as by the IASB not enforced as of June 30, 2011.

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, 2011. 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

Circular Letter No. 1 – On May 4, 2010 the SBIF informed about the issuance of the Supreme Decree No. 1512 which regulates the universal credits from Law No. 20448. To do so, it requests that all corresponding measures be applied to fulfill the dispositions in said decree on October 24, this year. The main issues to deal with regarding this are related to the systems for calculating the Annual Equivalent Cost, the conditions by which the information should be given to consumers, and the content of the universal credit contracts that the entity will be forced to offer from that date on.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

2) Accounting Regulations Issued by the International Accounting Standards Board

IFRS 10, Consolidated Interim Financial Statements – On May 12, 2011 the IASB issued the IFRS 10 Consolidated Interim Financial Statements which replaces the IAS 27 Consolidated and Separated Financial Statements and SIC 12 Consolidation - Special Purpose Entities. The purpose of this regulation is to provide a single consolidation basis for all entities, whatever the nature of the investment, based on control. The definition of control includes three elements: power over entity, exposure or rights to variable returns over the entity, and the capacity to use the power over the entity to affect the investor's returns. IFRS 10 provides a detailed guide on how to apply the control principle in different situations, including relationships of agency and potential possession of vote rights. An investor will reassess if s/he controls an entity if there are changes in facts and circumstances. IFRS 10 replaces IAS 27 in those matters related to when and how an investor should prepare Consolidated Interim Financial Statements and replaces the SIC 12 completely. The effective date is January 1, 2013 and its enforcement in advance is allowed under certain circumstances. The Bank is assessing the potential impact this regulation will have on the Bank’s financial statements.

IFRS 11, Joint Agreements - On May 12, 2011 the IASB issued IFRS 11 Joint Agreements, which replaces IAS 31 Participation in Joint Businesses and SIC 13 Jointly Controlled Entities - Non money Contribution from Parties. IFRS 11 classifies all joint agreements as joint operations (combining the current concepts on jointly controlled assets and operations) or joint businesses (equivalent to current concept of jointly controlled entity). A joint operation is a joint agreement in which the parts which have control have rights over assets and obligations towards liabilities. A joint business is a joint agreement in which the parties which have joint control have rights over the agreement's net assets. IFRS 11 needs to use the Equity Method to enter the participation in a joint business; therefore, it eliminates the proportion in the consolidation. The effective date is January 1, 2013 and its enforcement in advance is allowed under certain circumstances. The Bank is assessing the potential impact this regulation will have on the Bank’s financial statements.

IFRS 12, Disclosure of Participation in Other Entities - On May 12, 2011 the IASB issued IFRS 12 Disclosure of Participation in Other Entities, which requires detailed disclosures related to participation in subsidiaries, joint agreements, associates and non consolidated structured entities. IFRS 12 establishes objective revelations and minimum specific disclosures that an entity must provide to fulfill said objectives. An entity must reveal information that would help users of its financial statements to evaluate the nature and associated risks to the participation in other entities and the effects of said participations in its financial statements. Disclosure requirements are extensive and require significant efforts to gather the necessary information. The effective date is January 1, 2013; however, it is allowed to incorporate these new disclosures in the financial statements before that date. The Bank is assessing the potential impact this regulation will have on the Bank’s financial statements.

IFRS 13, Measure at Fair Value – Issued on May 12, 2011 by the IASB. It establishes a single source to serve as guide for the measure at fair value under IFRS. This regulation applied both to financial and non financial measures at fair value. Fair Value is defined as “value that would be received by selling an asset or by paying for transferring a liability in an ordered transaction between market parties at the time of measure· (i.e. exit value). IFRS 13 is effective for yearly periods beginning on or after January 1, 2013-–early enforcement is allowed—and it applies prospectively since the beginning of the year of its enforcement. The Bank is assessing the potential impact this regulation will have on the Bank’s financial statements.

IAS 27 Separate Financial Statements (revised in 2011) - On May 12, IAS 27 Consolidated Interim and Separate Financial Statements has been amended by the issuance of IFRS 10 but it keeps the guidelines for separate financial statements. The Bank estimate that this regulation will have no significant effect on the Bank's financial statements since the modification does not alter the accounting treatment of the separate financial statements.

IAS 28 Investments in Partner Companies and Joint Businesses (revised on 2011) - On May 12, IAS 28 was amended according to the changes incorporated through the issuance of IFRS 10, 11, and 12. The Bank is assessing the potential impact this regulation will have on the Bank's financial statements.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

These modifications will be mandatorily applied for yearly periods beginning on or after July 1, 2011. In-advance enforcement is allowed. The Banks considers these modifications will have no effect on its financial statement since it is not a first time adopter of IFRS.

Amendment to IAS 12, Income Taxes – On December 20, 2010 the IASB published Differed Taxes: Recovery of Underlying Assets – Modifications to IAS 12. The modifications establish an exemption to the IAS 12 general principle that the measurement of assets and liabilities by deferred taxes should reflect the tax consequences that would continue the way the entity expects to recover the book value of an asset. The exemption applies specifically to assets and liabilities by deferred taxes originating from investment properties measured using the fair value model from IAS 40 and investment properties acquired in a business combination, if this is afterwards measured using the IAS 40 fair value model. The modification incorporates the assumption that the current value of the investment property will be recovered when sold, except when the property is depreciable and kept within a business model that aims at consuming substantially all economic benefits through time rather than through sale. This modifications should be back applied demanding a back re issuance of all assets and liabilities by differed taxes within the reach of this modification, including those initially recorded in a business combination. These modifications will be mandatorily applied for yearly periods beginning on or after January 1, 2012. In-advance enforcement is allowed. In-advance enforcement is allowed. The Bank considers that these modifications will be adopted in its financial statements for the period beginning on January 1, 2012. Management is assessing the potential impact of the adoption of these measures.

Amendments to IFRS 9 – Financial Instruments – On October 28, 2010 the IFRS published a revised version of IFRS 9, Financial Instruments. The revised regulation keeps the requirements for classification and measurement of financial assets published on November 2008 but it adds guidelines on classification and measurement of financial liabilities. As part of the restructuring of IFRS 9, the IASB has also reproduced the guidelines on un-record of financial instruments and related implementation guidelines from IAS 39 to IFRS 9. These new guidelines constitute the first stage of the IASB project to replace IAS 39. The other stages, impairment and hedge accounting, have not yet been finished.

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

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

- The presentation of effects from changes in fair value attributable to a liability's credit risk; and
- The elimination of the cost exemption for liability derivatives to be settled by giving none traded equity instruments.

The Bank's Management, in agreement with the SBIF will not apply this regulation in advance but rather adopt it in the Group's financial statements for the period beginning on January 2013. The Bank has not had the chance to consider the potential impact of the adoption of these modifications.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Amendment to IFRS 7, Financial Instruments: Disclosures – On October 7, 2010 the IASB issued Disclosures - Transfer of Financial Assets (Modifications to IFRS 7 Financial Instruments - Disclosures) which increases the disclosure requirements for transactions involving the transfer of financial assets. These modifications aim at providing a bigger transparency over risk exposure of transactions where a financial asset is transferred but the transferring party retains some level of continuous exposure (referred to as 'continuous involvement') in the asset. Modifications also require to disclosure when the transfers of financial assets have not been evenly distributed during the period (i.e., when transfers take place close to the report period). These modifications will be applied for yearly periods beginning on or after January 1, 2011. In-advance enforcement is allowed. In-advance enforcement is allowed. Disclosures are not required for any of the periods presented starting before the initial application date of the modifications. The Bank's management is assessing the potential impact of the adoption of these modifications.

IFRS 9, Financial Instruments – On November 12, 2009 the IASB issued IFRS, Financial Instruments. This regulation incorporates new requirements for the classification and measurement of financial assets and it is effective for yearly periods beginning on or after January 2013, allowing it to be enforced in advance. IFRS 9 specifies how an entity should classify and measure its financial assets. It requires that all financial assets be classified in their entirely on the basis of the entity's business model for the management of financial assets and the features of the financial assets agreement cash flows. Financial assets are measured whether by amortized cost or fair value. Only financial assets classified as measured to amortize cost will be tested for Impairment. The Bank management, according to SBIF, will not apply this regulation in advance; furthermore, this regulation will not be applied as long SBIF does not set it as mandatory use standard for all balances.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 02 – ACCOUNTING CHANGES:

On August 12, 2010 Circular No. 3,503 was issued which includes certain modifications to provisions and impaired portfolio included in Chapters B-1, B-2, B-3 y C1. Such modifications will be enforced from January 1, 2011 except from those relating to additional provisions included in No. 9 of Chapter B-1 which have been enforced since 2010. In addition, and as a supplement to the abovementioned Circular the Letter to Management No. 9 was issued on December 21, 2010 which specifies that adjustments as a consequence of the adoption of the modifications starting on January 1, 2011 could be carried out during the first quarter of 2011; however, there is nothing to prevent entities from anticipating this recognition of safeguards, in total or in parts, constituting larger provisions, transitorily as additional, with charge to the income from the 2010 period. As of December 31, 2010 the Bank has acknowledged said changes in advance, which created an effect of MCH$39,800 in the profits from the period ended on December 31, 2010.

Reclassifications of additional provision stocks to individual effective provisions and contingent risk provisions—required by the modifications to Chapter B-1 of the Compendium of Accounting Regulations—are as follows:

Statement of financial position	Closing balance as of December 31, 2010 MCh$	Reclassification MCh$	Pro Form Balance as of December 31, 2010 MCh$
Assets			
Total allocations	15,657,556	-	15,657,556
Commercial loans allowance	(199,347)	(39,343)(*)	(238,690)
Mortgage loans allowance	(17,332)	-	(17,332)
Consumer loans allowance	(225,559)	-	(225,559)
Total allowances	(442,238)	(39,343)	(481,581)
Loans and accounts receivables from customers, net	15,215,318	(39,343)	15,175,975
Liabilities			
Provision for personnel salaries and benefits.	36,016	-	36,016
Provision mandatory dividends	143,147	-	143,147
Allowance for contingent loans	5,636	35,002 (**)	40,638
Allowance for contingencies(additional)	90,497	(74,345)	16,152
Allowances	275,296	(39,343)	235,953

Statement of income	Closing balance as of June 30, 2010 MCh$	Reclassification MCh$	Pro Form Balance as of June 30, 2010 MCh$
Provisions for loan losses			
Provisions for loans and accounts receivable	(140,410)	-	(140,410)
Provisions for contingent loans	(1,268)	(4,456)	(5,724)
Additional provisions	-	-	-
Normal portfolio minimum provision adjustment	-	-	-
Recovery of loans previously charged off	15,539	-	15,539

Provisions for loan losses	(126,139)	(4,456)	(130,595)
Income from assets received in lieu of payment	1,698	-	1,698
Provisions for contingencies	7,028	(1,118)	5,910
Other income	17,290	-	17,290
Other operating income	26,016	(1,118)	24,898
Provisions and expenses for assets received in lieu of payment	(5,040)	-	(5,040)
Provisions for contingencies	(10,648)	5,574	(5,074)
Other expenses	(14,516)	-	(14,516)
Other operating expenses	(30,204)	5,574	(24,630)
Net income from other operating income and expenses	(4,188)	4,456	268

(*)Contingent provisions (additional) for MCh$74,345 are reclassified in:

MCh$ 39,800 of individual provisions under Chapter B-1 of the Compendium of Accounting Regulations, constituted by MCh$ 39,343 corresponding to provisions over individual effective allocations and MCh$ 457 reclassified to provisions for contingent loan risks.

(**) The MCh$ 35,002 correspond to:

i: MCh$ 457 provisions for contingent loan risks, reclassified from MCh$ 39,800 on.
ii. MCh$ 34,545 provisions for unrestricted lines of credit.

BANCO SANTANDER CHILE AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM STATEMENTS OF INCOME
As of June 30, 2011 and 2010, and December 31, 2010

NOTE 02 – ACCOUNTING CHANGES, continued:

To present the comparative financial statements, the Bank has carried out the necessary reclassifications to the said Consolidated Interim Income Statement as of June 30, 2010 following Circular Letter No. 3503.

Closing balance as of June 30, 2010		Reclassification	Pro Form Balance as of June 30, 2010
MCh$			