

BANCO SANTANDER CHILE
Form 6-K
November 21, 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

For the month of November 2011

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 X	Form
20-F	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
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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
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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:

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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

Item

1. Interim Report for the Nine-Month Period Ended September 30, 2011
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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made statements in this report on Form 6-K that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the safe harbor provisions the Private Securities Litigation Reform Act of 1995. These statements appear throughout this report and include statements regarding our intent, belief or current expectations regarding:

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

The sections of this report which contain forward-looking statements include, without limitation, “Item 1: Key Information–Risk Factors,” “Item 3: Operating and Financial Review and Prospects,” “Item 5: Financial Information–Legal Proceedings,” and “Item 9: Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements also may be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “could,” “may,” “seeks,” “aim,” “combined,” “estimates,” “probability,” “risk,” “VaR,” “target,” “goal,” “objective,” “future” or similar.

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

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

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

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

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

CERTAIN TERMS AND CONVENTIONS

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As used in this report on Form 6-K, “Santander-Chile”, “the Bank”, “we,” “our” and “us” or similar terms refer to Banco Santander Chile together with its consolidated subsidiaries.

When we refer to “Santiago” in this report, we refer to Banco Santiago and its consolidated subsidiaries prior to its merger with Old Santander-Chile. When we refer to “Old Santander-Chile” in this report, we refer to the former Banco Santander-Chile, which ceased to exist upon its merger into Santiago, effected on August 1, 2002, and its consolidated subsidiaries.

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

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

In this report, references to “\$”, “US\$”, “U.S. dollars” and “dollars” are to United States dollars, references to “Chilean pesos,” “pesos” or “Ch\$” are to Chilean pesos and references to “UF” are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month. See “Item 3: Operating and Financial Review and Prospects”.

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

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

PRESENTATION OF FINANCIAL INFORMATION

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and has prepared its unaudited condensed consolidated interim financial statements included in this report in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

As required by local regulations, our locally filed condensed consolidated financial statements have been prepared in accordance with accounting principles issued by the Superintendency of Banks and Financial Institutions (“Chilean Bank GAAP” and the “SBIF,” respectively). The accounting principles issued by the SBIF are substantially similar to IFRS but there are some exceptions. Therefore, our locally filed consolidated interim financial statements have been adjusted for inclusion herein according to IAS 34: Interim Financial Reporting in order to comply with the requirements of the Securities and Exchange Commission (the “SEC”). For further details on the main differences between Chilean Bank GAAP and IFRS, see Item 3: A. Operating and Financial Review and Prospects—Accounting Standards Applied in 2011.

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

The unaudited condensed consolidated interim financial statements included in this report on Form 6-K have been prepared from accounting records maintained by the Bank and its subsidiaries.

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

Functional and Presentation currency

The Chilean peso is the currency of the primary economic environment in which the Bank operates and the currency which influences its structure of costs and revenues. As such, in accordance with International Standard 21 —The Effects of Changes in Foreign Exchange Rates, the Chilean peso has been defined as the functional and presentation

currency. Accordingly, all balances and transactions denominated in currencies other than the Chilean peso are treated as “foreign currency.”

For presentation purposes we have translated millions of Chilean pesos (Ch\$ million) into thousands of US dollars (ThUS\$) using the rate as indicated below under “Exchange Rates,” for the Unaudited Condensed

Consolidated Interim Statement of Financial Position, Unaudited Condensed Consolidated Interim Statement of Income, Unaudited Condensed Consolidated Interim Statement of Comprehensive Income, Unaudited Condensed Consolidated Interim Statement of Changes in Equity and Unaudited Condensed Consolidated Interim Statement of Cash Flow for the nine-month periods ended as of September 30, 2011 and 2010.

Loans

Unless otherwise specified, all references herein (except in the Unaudited Condensed Consolidated Interim Financial Statements) to loans are to loans and financial leases before deduction for loan loss allowance, and, except as otherwise specified, all market share data presented herein are based on information published periodically by the SBIF. Non-performing loans include loans for which principal or interest is overdue by more than 90 days, and do not accrue interest. Restructured loans for which no payments are overdue are not ordinarily classified as non-performing loans but do not accrue interest.

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

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

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

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. In the case of loans recorded at amortized cost, the reversal is recorded in income.

Outstanding loans and the related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 2: C. Business Overview” are categorized based on the nature of the borrower. Outstanding loans and related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 3: E. Selected Statistical Information” are categorized in accordance with the reporting requirements of the SBIF, which are based on the type and term of loans. This disclosure is consistent with IFRS.

Effect of Rounding

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

Economic and Market Data

In this report, unless otherwise indicated, all macroeconomic data related to the Chilean economy is based on information published by the Central Bank, and all market share and other data related to the Chilean financial system

is based on information published by the SBIF and our analysis of such information. Information regarding the consolidated risk index of the Chilean financial system as a whole is not available.

Exchange Rates

This report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in

preparing the Unaudited Condensed Consolidated Interim Financial Statements, could be converted into U.S. dollars at the rate indicated, were converted or will be converted at all.

Unless otherwise indicated, all the U.S. dollar amounts at any period end, for any period have been translated from Chilean pesos based on the interbank market rate published by Reuters at 1:30 pm on the last business day of the period. On December 31, 2010, and September 30, 2011, the exchange rate in the Informal Exchange Market as published by Reuters at 1:30 pm on these days was Ch\$467.95 and Ch\$519.65, or 0.09% less and 0.40% more expensive, respectively, than the published observed exchange rate for such date of Ch\$468.37 and Ch\$521.76, respectively, per US\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for the Chilean peso. For more information on the observed exchange rate. See “Item 1: A. Selected Financial Data—Exchange Rates.”

On January 3, 2011, Chile’s Central Bank announced plans to increase its total international reserves by US\$12 billion in 2011. The Central Bank carried out this program throughout the year. The last announced phase started November 9 and ends December 8. We expect the effect of these purchases will be to further devalue the peso against the dollar, although actual outcomes could differ due to macroeconomic and other factors.

As of December 31, 2010 and September 30, 2011, one UF was equivalent to Ch\$21,455.55 and Ch\$22,012.69; respectively. The U.S. dollar equivalent of one UF was U.S.\$45.81 as of December 31, 2010, using the observed exchange rate reported by the Central Bank as of December 31, 2010, of Ch\$468.37 per U.S.\$1.00. The U.S. dollar equivalent of one UF was U.S.\$42.19 as of September 30, 2011, using the observed exchange rate reported by the Central Bank as of September 30, 2011, of Ch\$521.76 per U.S.\$1.00.

ITEM 1. KEY INFORMATION

A. Selected Financial Data

The following table presents historical financial information about us as of the dates and for each of the periods indicated. The following table should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Condensed Consolidated Financial Statements appearing in our Annual Report for the year ended December 31, 2010 (the “2010 Form 20-F”) our Unaudited Condensed Consolidated Interim Financial Statements included herein. Our Unaudited Condensed Consolidated Interim Financial Statements and notes at and for the nine-month periods ended September 30, 2010 and 2011 included in this report are prepared in accordance with IFRS and therefore differ in some respects from the financial statements at and for the nine-month periods ended September 30, 2010 and 2011 previously issued locally by the Bank in Chile in accordance with Chilean Bank GAAP.

We have selected the following financial information from our Unaudited Condensed Consolidated Interim Financial Statements. You should read this information in connection with, and this information is qualified in its entirety by reference to, our Unaudited Condensed Consolidated Interim Financial Statements included in this report.

	For the Nine-Months Ended September 30,		
	2011	2011	2010
	In US\$		
	thousands(1)	In Ch\$ millions(2)	
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME DATA (IFRS)			
Net interest income	1,362,752	708,154	707,854

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Provision for loan losses	(446,343)	(231,942)	(208,826)
Net fee income and commission income	403,021	209,430	193,945
Operating costs (3)	(710,488)	(369,205)	(335,556)
Other income, net (4)	89,610	46,567	66,506
Income before tax	698,552	363,004	423,923
Income tax expense	(111,503)	(57,943)	(56,752)

	For the Nine-Months Ended September 30,		
	2011	2011	2010
	In US\$ thousands(1)	In Ch\$ millions(2)	
Net income for the period	587,049	305,061	367,171
Net income attributable to:			
Bank shareholders	580,551	301,684	367,270
Non-controlling interests	6,498	3,377	(99)
Net income attributable to Bank shareholders per share	0.0031	1.60	1.95
Net income attributable to Bank shareholders per ADS (5)	3.20	1,663.36	2,024.94
Weighted-average shares outstanding (in millions)		188,446.13	188,446.13
Weighted-average ADS outstanding (in millions)		181.373	181.373

	September 30, 2011	September 30, 2011	December 31, 2010
	In US\$ thousands(1)	In Ch\$ millions(2)	
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION DATA (IFRS)			
Cash and deposits in banks	3,488,471	1,812,784	1,762,198
Financial investments (6)	5,043,037	2,620,614	2,024,635
Loans and accounts receivable from customers and interbank loans net of allowance for loan losses	33,260,490	17,283,814	15,301,835
Financial derivative contracts (assets)	3,871,038	2,011,585	1,624,378
Other non-financial assets (7)	3,708,299	1,927,018	1,377,668
Total assets	49,371,335	25,655,815	22,090,714
Deposits (8)	26,733,384	13,892,003	11,495,191
Other interest bearing liabilities (9)	13,339,744	6,931,998	6,235,959
Financial derivative contracts (liabilities)	3,127,632	1,625,274	1,643,979
Total equity (10)	3,888,649	2,020,737	1,937,977
Equity attributable to Bank shareholders (11)	3,826,505	1,988,444	1,906,168

	As of September 30,			
	2011		2010	
CONSOLIDATED RATIOS (IFRS)				
Profitability and performance:				
Net interest margin (12)	4.7	%	5.5	%
Return on average total assets (13)	1.7	%	2.4	%
Return on average equity (14)	20.6	%	28.3	%
Capital:				
Average equity as a percentage of average total assets (15)	8.3	%	8.4	%
Total liabilities as a multiple of equity (16)	11.70		10.8	
Credit Quality:				
Non-performing loans as a percentage of total loans (17)	2.80	%	2.66	%
Allowance for loan losses as percentage of total loans	2.73	%	2.80	%
Operating Ratios:				
Operating expenses /net operating profit before loan losses (18)	40.5	%	37.1	%

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Operating expenses /average total assets	2.3	%	2.4	%
OTHER DATA				
CPI Inflation Rate (19)	3.27	%	1.87	%
Revaluation (devaluation) rate (Ch\$/US\$) at period end (19)	10.0	%	(4.2	%)
Number of employees at period end	11,706		11,049	
Number of branches and offices at period end	494		500	

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- (1) Amounts stated in U.S. dollars at and for the nine-month period ended September 30, 2011, have been translated from Chilean pesos at the interbank market exchange rate of Ch\$519.65 = US\$1.00 as of September 30, 2011. See “Item 1: A. Selected Financial Data–Exchange Rates” for more information on the observed exchange rate.
- (2) Except per share data, percentages and ratios, share numbers, employee numbers and branch numbers.
- (3) Operating costs is equal to the sum of the line items on personnel salaries and expenses, administrative expenses, depreciation and amortization and impairment within our Unaudited Condensed Consolidated Interim Statements of Income, corresponding to “Support expenses” as shown in note 4 to the Unaudited Condensed Consolidated Interim Financial Statements.
- (4) Other income, net is the sum of the line items on other operating income, net income from financial operations (net trading income), foreign exchange transactions, income from investment in other companies less other operating expense within our Unaudited Condensed Consolidated Interim Statements of Income.
- (5) 1 ADS = 1,039 shares of common stock.
- (6) Includes the line items on trading investments, investments available for sale and investments held to maturity, and investments under resale agreements.
- (7) Includes the line items on unsettled transactions, investments in other companies, intangible assets, property plant and equipment, current taxes, and deferred taxes.
- (8) Deposits is equal to the sum of the line items on deposits and other demand liabilities and time deposits and other time liabilities.
- (9) Other liabilities is equal to the sum of the line items on investments under repurchase agreements, interbank borrowings, issued debt instruments and other financial liabilities.
- (10) Equity includes equity attributable to Bank shareholders plus non-controlling interests less allowance for mandatory dividends. Provision for mandatory dividends is made pursuant to Article 79 of the Corporations Act, in accordance with the Bank’s internal dividend policy, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders’ meeting by the unanimous vote of the outstanding shares.
- (11) Equity attributable to Bank shareholders is total equity minus non-controlling interest
- (12) Net interest income annualized divided by average interest earning assets (as presented in “Item 3: E. Selected Statistical Information”).
- (13) Net income for the period annualized divided by average total assets (as presented in “Item 3: E. Selected Statistical Information”).
- (14) Net income for the period annualized divided by average equity (as presented in “Item 3: E. Selected Statistical Information”).
- (15) This ratio is calculated using total equity including non-controlling interest.

- (16) Total liabilities divided by equity.
- (17) Non-performing loans include the aggregate unpaid principal and accrued but unpaid interest on all loans with at least one installment over 90 days overdue.
- (18) The efficiency ratio is equal to operating expenses over operating income. Operating expenses includes personnel salaries and expenses, administrative expenses, depreciation and amortization, impairment and other operating expenses. Operating income includes net interest income, net fee and commission income, net income from financial operations (net trading income), foreign exchange profit (loss), net and other operating income.
- (19) Based on information published by the Central Bank.

Exchange Rates

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

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

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

Purchases and sales of foreign currencies may be legally carried out in the Informal Exchange Market. The Informal Exchange Market reflects transactions carried out at informal exchange rates by entities not expressly authorized to operate in the Formal Exchange Market. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate. In recent years, the variation between the Observed Exchange Rate and the Informal Exchange Rate has not been significant. On December 31, 2010, and September 30, 2011, the exchange rate in the Informal Exchange Market as published by Reuters at 1:30 pm on these days was Ch\$467.95 and Ch\$519.65, or 0.09% less and 0.40% more expensive, respectively, than the published observed exchange rate for such date of Ch\$468.37 and Ch\$521.76, respectively, per US\$1.00.

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

Year	Daily Observed Exchange Rate Ch\$ Per US\$(1)			
	Low(2)	High(2)	Average(3)	Period End(4)
2006	511.44	549.63	530.26	534.43
2007	493.14	548.67	522.69	495.82

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2008	431.22	676.75	521.79	629.11
2009	491.09	643.87	559.67	506.43
2010	468.37	549.17	510.38	468.37
Month				
December 2010	468.37	487.87	474.78	468.37
January 2011	466.05	499.03	489.44	483.32
February 2011	468.94	484.14	475.69	475.63

Year	Daily Observed Exchange Rate Ch\$ Per US\$(1)			
	Low(2)	High(2)	Average(3)	Period End(4)
March 2011	472.74	485.37	479.65	482.08
April 2011	460.04	479.46	471.32	460.04
May 2011	460.09	474.19	467.73	467.31
June 2011	465.13	474.59	469.13	473.64
July 2011	455.91	468.15	462.94	455.91
August 2011	457.41	474.10	466.79	465.66
September 2011	460.34	521.85	483.69	515.14
October 2011	492.04	533.74	511.74	492.04
November 2011 up to November 21, 2011	490.29	511.66	501.58	510.11

Source: Central Bank.

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

Dividends

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

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

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of JPMorgan Chase Bank, N.A., as depositary (the "Depositary") and will be subject to the Chilean withholding tax currently at the rate of 35% (subject to credits in certain cases as described in "Item 10: E. Taxation—Material Tax Consequences of Owning Shares of Our Common Stock or ADSs" of our 2010 Form 20-F.

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

with prior approval of the Central Bank. See “Item 10: D. Exchange Controls” of our 2010 Form 20-F.

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

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

(1) Million of nominal pesos.

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

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

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

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

B. Risk Factors

You should carefully consider the risk factors below and included in our 2010 Form 20-F which should be read in conjunction with all the other information presented in this report. These risks and uncertainties described below and therein are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations.

We are subject to market risks that are presented in “Item 3: Operating and Financial Review and Prospects” and “Item 9: Quantitative and Qualitative Disclosures about Market Risk.”

Chile’s banking regulatory and capital markets environment is continually evolving and may change.

Changes in banking regulations may materially and adversely affect our business, financial condition and results of operations. Chilean laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions are continually evolving and changing. The Reformas al Mercado de Capitales II, also known as the “MK2 regulations,” among other things, modified certain provisions set forth in the General Banking Law. Under new legislation which went into effect on June 5, 2007, the limit on the amount that a bank is allowed to grant as an unsecured loan to a single individual or entity was increased to 10% of our regulatory capital (and up to 30% of our regulatory capital if any loans granted in excess of the 10% is secured by collateral). Previously, these limits were set at 5% and 25%, respectively. Although any such increase may increase our lending activity, it may also increase the risks associated with the growth of our loan portfolio and increase competition as the number of banks that can compete in the corporate segment increases.

A bill has been introduced by some members of Congress to modify the way in which the maximum interest rate is calculated in Chile. The government has recently introduced another bill in this respect which is currently being discussed. This new project is aimed at loans of less than UF 200 (Ch\$ 4,402,538, US\$ 8,472) and more than 90 days, thus including consumer loans in installments, lines of credit and credit card lines. Currently, the maximum interest rate is calculated as the average rate of all operations done within the banking industry over the previous month, multiplied by a factor of 1.5 times. As of October 14, 2011, the average annual interest rate for this type of loans reached 33.64% and the maximum annual interest rate reached 50.46%. The bill proposed by the government would change the factor to 1.36. Hence, the maximum annual interest rate would drop to 45.75%. On the other hand, the bill proposed by members of Congress would set the maximum interest rate at the equivalent of three times the MPR (Monetary Policy Rate). As of October 30, 2011, the MPR reached 5.25%, thus, the maximum annual interest rate would reach 15.75%. Recent developments on the discussion aim towards a consensus solution which could set

the maximum interest rate for this type of loans at around 25%. If the bill presented by the government is passed as it is, the impact would be mainly on Banefe's segment, which represents less than 5% of our total loans. We have estimated that the impact on our results would be relatively minor. If the bill proposed by members of Congress were passed, it would have an adverse affect on our results of operations. Our average interest rate on loans of this category in 2011 has been 25.9%.

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

The government has also sent to Congress a bill that aims to give additional enforcement powers to the SERNAC (Chile's Consumer Protection Agency) regarding financial services and products. It also gives powers to require additional information from financial services and products issuers. This could lead to additional scrutiny regarding prices and contracts for financial products and services, increasing competition among bank and non-bank competitors and adversely affecting prices.

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

Our foreign currency deposit ratings are equivalent to the Chilean sovereign ratings. On October 11, 2011, Fitch downgraded our controlling shareholder's ratings to AA- (Negative) from AA (Stable), following a similar action on October 7, 2011 with the Spanish sovereign which was downgraded to AA- (Negative) from AA+. On October 13, 2011, Fitch downgraded our rating to A+ (Negative) from AA- (Stable). Furthermore, on October 11, 2011, S&P downgraded the rating of our controlling shareholder to AA- (Negative) from AA. On October 13, S&P revised its outlook on our rating to negative from positive, reaffirming our A+ rating. Additionally, on October 19, 2011, Moody's downgraded our controlling shareholder's rating to Aa3 (Negative) from Aa2, following a similar action on October 18, 2011 on Spain's sovereign rating which was downgraded to A1 (Negative) from Aa2. As of October 31, 2011, Moody's has not undertaken any action on our rating which stands at Aa3 (Stable) since June 2010. Any additional adverse revisions to our controlling shareholder's ratings and/or Chile's credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings, our business, future financial performance, stockholder's equity and the price of our securities.

We could be vulnerable to the current disruptions and volatility in the Eurozone.

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

ITEM 2. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We are the largest bank in Chile in terms of total assets, total deposits and shareholders' equity. As of September 30, 2011, we had total assets of Ch\$ 25,655,815 million (US\$ 49,371 million), loans net of allowances for loans losses of Ch\$ 17,283,814 million (US\$ 33,260 million), total deposits of Ch\$ 13,892,003 million (US\$ 26,733 million) and shareholders' equity of Ch\$ 2,020,737 million (US\$ 3,889 million). As of September 30, 2011, we employed 11,706 people (on a consolidated basis) and had the largest private branch network in Chile with 493 branches. Our headquarters are located in Santiago and we operate in every major region of Chile.

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

The legal predecessor of Santander-Chile was Banco Santiago ("Santiago"). Santiago was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez. Santiago received its permission to incorporate and function as a bank by Resolution No. 118 of the Superintendency of

Banks on October 27, 1977. Santiago's by-laws were approved by Resolution No. 103 of the Superintendency of Banks on September 22, 1977. In January 1997, Santiago merged with Banco O'Higgins with Santiago being the surviving entity. In 1999, Santiago became a controlled subsidiary of Banco Santander Spain. As of June 30, 2002, Santiago was the second largest private sector bank in Chile in terms of total assets, deposits, loans and shareholders' equity.

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

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

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

B. Organizational Structure

Banco Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding, which are controlled subsidiaries. In February 2011, Banco Santander Spain sold 1.9% of its ownership through Teatinos Siglo XXI Inversiones Ltda in the market. This gives Banco Santander Spain control of 75.00% of our shares and actual participation when excluding non-controlling interests participating in Santander Chile Holding is 74.84%.

Shareholder	Number of Shares	Percentage	
Teatinos Siglo XXI Inversiones Ltda.	74,512,075,401	39.54	%
Santander Chile Holding	66,822,519,695	35.46	%

Management Team

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

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

C. Business Overview

We have 494 total branches, 260 of which are operated under the Santander brand name, with the remaining branches under certain specialty brand names, including 98 under the Santander Banefe brand name, 45 under the SuperCaja brand name, 37 under the BancaPrime brand name and 54 as auxiliary and payment centers. We provide a full range of financial services to corporate and individual customers. We divide our clients into the following segments: (i) Commercial Banking and (ii) Global Banking and Markets.

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

- Santander Banefe, consisting of individuals with monthly incomes between Ch\$150,000 (US\$289) and Ch\$400,000 (US\$770) and served through our Banefe branch network. This segment accounts for 4.4% of our total loans outstanding as of September 30, 2011. This segment offers customers a range of products, including consumer loans, credit cards, auto loans, residential mortgage loans, debit card accounts, savings products, mutual funds and insurance brokerage.
- Individuals (Commercial Banking), consisting of individuals with a monthly income greater than Ch\$400,000 (US\$770). Clients in this segment account for 47.3% of our total loans outstanding as of September 30, 2011 and are offered a range of products, including consumer loans, credit cards, auto loans, commercial loans, foreign trade financing, residential mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- Small and mid-sized companies, consisting of small companies with annual revenue of less than Ch\$1,200 million (US\$2.3 million). As of September 30, 2011, this segment represented approximately 14.2% of our total loans outstanding. Customers in this segment are offered a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- Institutional, such as universities, government agencies, municipalities and regional governments. As of September 30, 2011, these clients represented 2.0% of our total loans outstanding. Customers in this sub-segment are also offered the same products that are offered to the customers in our small businesses

segment. This sub-segment is included in the Retail segment because customers in this sub-segment are a potential source for new individual customers.

- Companies, consisting of companies with annual revenue over Ch\$1,200 million (US\$2.3 million) and up to Ch\$10,000 million (US\$19.2 million). Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. As of September 30, 2011, these clients represented 8.9% of our total loans outstanding.
- Real estate, consisting of all companies in the real estate sector with annual revenue over Ch\$800 million (US\$1.5 million), including construction companies and real estate companies that execute projects for sale to third parties. As of September 30, 2011, these clients represented 3.2% of our total loans outstanding. To these clients we offer, in addition to traditional banking services, specialized services for financing, primarily residential projects, in order to increase the sale of residential mortgage loans.
- Large corporations, consisting of companies with annual revenue over Ch\$10,000 million (US\$19.2 million). Customers in this segment are also offered the same products that are offered to the customers in our mid-sized companies segment. As of September 30, 2011, these clients represented 8.9% of our total loans outstanding.

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

- Corporate, consisting of companies that are foreign multinationals or part of a larger Chilean economic group with sales of over Ch\$10,000 million (US\$19.2 million). As of September 30, 2011, these clients represented 10.7% of our total loans outstanding. Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage.
- The Treasury Division provides sophisticated financial products mainly to companies in the wholesale banking and the middle-market segments. This includes products such as short-term financing and funding, securities brokerage, interest rate and foreign currency derivatives, securitization services and other tailor made financial products. The Treasury division also manages our trading positions.

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

The table below sets forth our lines of business and certain statistical information relating to each of them for the nine-month period ended September 30, 2011. Please see “Note 4” to our Unaudited Condensed Consolidated Interim Financial Statements for details of revenue by business segment in the last three years.

As of September 30, 2011 (Ch\$ million)

	Loans and accounts receivable from customers (1)	Net interest income	Net fee income	Financial transactions, net (2)	Net loan loss allowances (3)	Operating expenses (4)	Net segment contribution (5)
SEGMENTS							
Individuals	9,187,526	416,739	140,905	5,432	(157,586)	(237,911)	167,579
Santander Banefe	789,253	84,851	29,255	267	(52,375)	(52,227)	9,771
Commercial Banking	8,398,273	331,888	111,650	5,165	(105,211)	(185,684)	157,808
SMEs	2,522,698	149,164	28,702	7,611	(49,450)	(55,260)	80,767
Institutional	351,644	19,531	1,382	677	(209)	(8,232)	13,149
Companies	3,731,980	99,999	18,265	10,146	(30,021)	(30,039)	68,350
Companies	1,572,862	46,370	9,542	5,308	(15,613)	(16,658)	28,949
Real estate	572,887	13,825	2,295	548	(307)	(3,322)	13,039
Large Corporations	1,586,231	39,804	6,428	4,290	(14,101)	(10,059)	26,362
Global Banking & Markets							
Global Banking & Markets	1,905,005	35,369	17,689	54,711	4,788	(25,788)	86,769
Corporate	1,892,850	47,046	17,989	1,182	7,410	(10,230)	63,397
Treasury (6)	12,155	(11,677)	(300)	53,529	(2,622)	(15,558)	23,372
Other (7)	69,541	(12,648)	2,487	(307)	536	(11,975)	(21,907)
TOTAL	17,768,394	708,154	209,430	78,270	(231,942)	(369,205)	394,707
Other operating income							1,164
Other operating expenses							(34,540)
Income from investments in other companies							1,673
Income tax							(57,943)
Consolidated profit (loss) for the period							305,061

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

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

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

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

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

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

(7) Includes Financial Management and the contribution of non-segmented items such as interbank loans, the cost of our capital and fixed assets. Net interest income and net financial transactions, included in other are mainly comprised of the results from the Financial Management Division (Gestion Financiera). The area of Financial Management carries out the function of managing the structural interest rate risk, the structural position in inflation indexed assets and liabilities, shareholder's equity and liquidity. The aim of Financial Management is to inject stability and recurrence into the net income of commercial activities and to assure we comply with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

Operations through Subsidiaries

Today, the General Banking Law permits us to directly provide the leasing and financial advisory services that we could formerly offer only through our subsidiaries, to offer investment advisory services outside of Chile and to undertake activities we could not formerly offer directly or through subsidiaries, such as factoring, securitization, foreign investment funds, custody and transport of securities and insurance brokerage services. For the nine-month period ended September 30, 2011, our subsidiaries collectively accounted for 2.36% of our total consolidated assets.

Subsidiary	Percentage Owned					
	As of September 30, 2011			As of September 30, 2010		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander S.A. Corredores de Bolsa	50.59	0.41	51.00	50.59	0.41	51.00
Santander Corredores de Seguro Ltda. (Ex–Santander Leasing S.A.)	99.75	0.01	99.76	99.75	0.01	99.76
Santander Asset Management S.A. Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98
Santander S.A. Agente de Valores Ltda. (Ex–Santander S.A. Agente de Valores)	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	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

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

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

Competitive Strengths

We believe that our current profitability and competitive advantages are the result of the following strengths:

Profitability, efficiency and financial strength

We have the lowest cost structure in our peer group, which we define as the five largest banks in Chile in terms of shareholders' equity, and have an efficiency ratio (operating expenses divided by operating revenues) of 37.0% for the year ended December 31, 2010 and 40.5% for the nine month period ended September 30, 2011. Our average return on equity was 29.0% and 20.6% for the same periods, and we had one of the strongest capital positions in our peer group with a ratio of total regulatory capital to risk-weighted assets of 14.52% at December 31, 2010 and 13.94% at September 30, 2011.

Leading market position

We are a market leader in Chile, ranking first or second in most indicators among other banks in our peer group as shown in the following table.

	As of September 30, 2011, unless otherwise noted		
	Market Share		Rank
Commercial loans	18.5	%	2
Consumer loans	26.8	%	1
Residential mortgage loans	23.6	%	1
Total loans	20.8	%	1
Deposits	18.9	%	1
Mutual funds (assets managed)	16.6	%	2
Credit card accounts(1)	34.6	%	1

	As of September 30, 2011, unless otherwise noted		
	Market Share		Rank
Checking accounts(2)	25.3	%	1
Branches(3)	18.8	%	1

Source: SBIF

- (1) According to latest data available as of June 2011.
- (2) According to latest data available as of April 2011.
- (3) According to latest data available as of June 2011. Excludes special-service payment centers.

We believe this market leadership provides us with a strong competitive position.

Operating in a stable economic environment within Latin America

We conduct substantially all of our business in Chile. The Chilean economy is generally recognized as among the most stable in Latin America, as evidenced by its A+ rating by Standard & Poor's and Aa3 rating by Moody's, the highest ratings in the region. Chile has consistently received investment-grade credit ratings since Standard & Poor's and Moody's started coverage in 1992 and 1994, respectively.

Opportunity for growth from current and new businesses

We believe there is substantial opportunity for growth based on the relatively low penetration in Chile of retail banking services and fee-based financial products in general. For example, in Chile only 29% of the workforce has a checking account and the ratio of total consumer loans to GDP is approximately 15.4% as of December 31, 2010.

We believe we are well-positioned to grow in these areas based on our extensive distribution network and our size, which afford us greater marketing opportunities and significant cost synergies.

State-of-the-art integrated technology platform

We operate a customer-centered technology platform that incorporates the standards and processes, as well as the proven innovations, of Banco Santander Spain worldwide. Because our IT platform is integrated with that of Banco Santander Spain, we are able to support our customer's global businesses and benefit from a flexible and scalable platform that will support our growth in the country. We are currently in the process of upgrading our customer relationship management system which will enable us to deliver products and services targeted to the needs of individual customers and better integrate our different distribution channels.

Relationship with Banco Santander Spain

We believe that our relationship with our controlling shareholder, Banco Santander Spain, offers us a significant competitive advantage over our peer group. Our relationship with Banco Santander Spain allows us to:

- leverage the Banco Santander Spain's global information systems platform, reducing our technology development costs, providing operational synergies with Banco Santander Spain and enhancing our ability to provide international products and services to our customers;
- access the Banco Santander Spain's multinational client base;
- take advantage of the Banco Santander Spain's global presence, in particular in other countries in Latin America, to offer international solutions for our Latin American corporate customers' financial needs as they expand their operations globally;
- selectively replicate or adapt the Banco Santander Spain's successful product offerings from other countries in Chile;

- benefit from the Banco Santander Spain's operational expertise in areas such as internal controls and risk management, which practices have been developed in response to a wide range of market conditions across the world and which we believe will enhance our ability to expand our business within desired risk limits;
- benefit from the Banco Santander Spain's management training and development which is composed of a combination of in-house training and development with access to managerial expertise in other Banco Santander Spain units outside Chile.

Although we benefit from our relationship with our controlling shareholder, as a matter of group policy, we are not dependent upon our parent company or other affiliates in the operation of our business. Funding from our parent company and its affiliates amounted approximately 4% of our total funding at September 30, 2011. Although we obtain certain services from our parent company, such as information technology and internal audit, these services are provided at market rates.

Please see "Item 4. Major Shareholders and Related Party Transactions" for additional information.

Strategy

Our goal is to create value by leveraging our client base, distribution network and range of services to profit from growth in the Chilean economy, while seeking to maintain our world-class efficiency levels and to proactively manage credit risks by applying our sophisticated credit analysis procedures. Our principal strategy is to actively manage our balance sheet, focusing on capital and continuing to expand our Commercial Banking segment, which includes individuals (from low income to high income), small and mid-sized companies ("SMEs") and our middle-market segments. In the Commercial Banking segment, we expect the Chilean economy to continue growing, which in turn should result in increased banking activity and a rise in bank penetration levels via increased lending and deposits, more checking accounts, greater levels of assets under management and insurance brokerage. We seek to capitalize on this growth by increasing our customer base, leveraging on our extensive distribution network to cross-sell additional services and products and increase product usage. As part of this strategy, we are adopting focused marketing and sales efforts, pursuing strategic alliances with key market players, service providers and universities, selectively investing in our branch network and IT systems, and promoting the use of alternative distribution channels such as the internet, call centers and ATMs.

In our Global Banking and Markets segment (wholesale banking), we expect to continue to focus on non-lending products such as cash management, treasury services, asset management, investment banking and other tailored services to expand profitability. We also will seek to increase the synergies between this segment and Commercial Banking by reaching the employees of our major corporate customers. In the wholesale segment, our goal is to increase revenues by expanding the range of products we offer, cross-selling and focusing on sophisticated services and fee-based products. Historically, there has been low penetration of fee-based services in the Chilean financial market, with financial institutions focusing primarily on asset growth.

We will maintain a commitment to economic, social and environmental sustainability in our procedures, products, policies and relationships. We will continue building durable and transparent relationships with our customers through understanding their needs and designing our products and services to meet those needs. We believe that our commitment to transparency and sustainability will help us create a business platform to maintain growth in our operations over the long term and that is instrumental to forge business relationships, improve brand recognition and attract talented professionals. We will continue to sponsor educational opportunities through our portals to foster future potential customer relationships.

Competition

Overview

The Chilean financial services market consists of a variety of largely distinct sectors. The most important sector, commercial banking, includes a number of privately-owned banks and one public-sector bank, Banco del Estado (which operates within the same legal and regulatory framework as the private sector banks). The private-sector banks include local banks and a number of foreign-owned banks which are operating in Chile. The Chilean banking system is comprised of 24 private-sector banks and one public-sector bank. The five largest private-sector banks

along with the state-owned bank together accounted for 82.0% of all outstanding loans by Chilean financial institutions at September 30, 2011.

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

The following tables set out certain statistics comparing our market position to that of our peer group, defined as the five largest banks in Chile in terms of total loans market share as of September 30, 2011.

Loans

As of September 30, 2011, our loan portfolio was the largest among Chilean banks. Our loan portfolio on a stand-alone basis represented 20.8% of the market for loans in the Chilean financial system at such date. The following table sets forth our and our peer group's market shares in terms of loans at the dates indicated.

Loans (1)	As of September 30, 2011			
	Ch\$ million	US\$ million	Market Share	
Santander Chile	17,680,356	34,024	20.8	%
Banco de Chile	16,776,474	32,284	19.8	%
Banco del Estado	12,283,961	23,639	14.5	%
Banco de Crédito e Inversiones	10,779,682	20,744	12.7	%
Corpbanca	6,207,755	11,946	7.3	%
BBVA, Chile	5,897,571	11,349	6.9	%
Others	15,269,491	29,384	18.0	%
Chilean financial system	84,895,290	163,370	100.0	%

Source: SBIF

(1) Excludes interbank loans.

Deposits

On a stand-alone basis, we had a 18.9% market share in deposits, ranking first among banks in Chile at September 30, 2011. Deposit market share is based on total time and demand deposits at the respective dates. The following table sets forth our and our peer group's market shares in terms of deposits at the dates indicated.

Deposits	As of September 30, 2011			
	Ch\$ million	US\$ million	Market Share	
Santander Chile	13,892,003	26,733	18.9	%
Banco del Estado	13,780,978	26,520	18.8	%
Banco de Chile	13,537,792	26,052	18.4	%

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Banco de Crédito e Inversiones	9,340,701	17,975	12.7	%
Corpbanca	4,908,252	9,445	6.7	%
BBVA, Chile	4,588,076	8,829	6.3	%
Others	13,333,930	25,659	18.2	%
Chilean financial system	73,381,732	141,213	100.0	%

Source: SBIF

Total Equity

With Ch\$ 1,959,791 million (US\$ 3,771 million) in shareholders' equity at September 30, 2011, we were the largest commercial bank in Chile in terms of shareholders' equity representing 20.5% as of September 2011. The following table sets forth our and our peer group's shareholders' equity at September 30, 2011.

Total Equity	As of September 30, 2011			
	Ch\$ million	US\$ million	Market Share	
Santander Chile	1,959,791	3,771	20.5	%
Banco de Chile	1,697,746	3,267	17.7	%
Banco de Crédito e Inversiones	1,169,637	2,251	12.2	%
Banco del Estado	1,026,029	1,974	10.7	%
Corpbanca	712,958	1,372	7.4	%
BBVA, Chile	531,750	1,023	5.5	%
Others	2,484,598	4,781	26.0	%
Chilean financial system	9,582,509	18,439	100.0	%

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

Efficiency

As of September 30, 2011, we were the most efficient bank in our peer group. The following table sets forth our and our peer group's efficiency ratio (defined as operating expenses as a percentage of operating revenue, which is the aggregate of net interest income, fees and income from services (net), net gains from mark-to-market and trading, exchange differences (net) and other operating income for the nine-month period indicated).

Efficiency ratio	Nine-Month Period Ended September 30, 2011	
Santander Chile	38.4	%
Corpbanca	38.9	%
Banco de Crédito e Inversiones	44.2	%
Banco de Chile	45.7	%
BBVA, Chile	49.0	%
Banco del Estado	60.8	%
Chilean financial system	44.5	%

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

Net income

For the nine-month period ended September 30, 2011, we were the largest bank in Chile in terms of net income with Ch\$ 336,339 million (US\$ 647 million). The following table sets forth our and our peer group's net income at September 30, 2011.

Nine-Month Period Ended September 30, 2011

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Net income	Ch\$ million	US\$ million	Market Share	
Santander Chile	336,340	647	25.7	%
Banco de Chile	329,218	634	25.2	%
Banco de Crédito e Inversiones	188,375	363	14.4	%
Corpbanca	95,694	184	7.3	%
Banco del Estado	67,240	129	5.1	%
BBVA, Chile	59,259	114	4.5	%
Others	230,439	443	17.6	%
Chilean financial system	1,306,565	2,514	100.0	%

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

Return on equity

As of September 30, 2011, we were the second most profitable bank in our peer group (as measured by return on equity) and the most capitalized bank as measured by the BIS ratio. The following table sets forth our and our peer group's return on average equity and BIS ratio at the latest available date.

	Return on equity as of September 30, 2011		BIS Ratio as of July 31, 2011
Banco de Chile	25.9	%	13.3%
Santander Chile	22.9	%	13.7%
Banco de Crédito e Inversiones	21.5	%	14.5%
Corpbanca	17.9	%	15.8%
BBVA, Chile	14.9	%	12.7%
Banco del Estado	8.7	%	12.1%
Others	12.4	%	16.2%
Chilean financial system	18.2	%	14.1%

Source: SBIF, calculated by dividing annual net income by period end equity, according to local Chilean Bank GAAP equity.

Asset Quality

As of September 30, 2011, we had the second highest non-performing loan loss to loan ratio in our peer group. The following table sets forth our and our peer group's non-performing loan ratio as defined by the SBIF at the dates indicated.

	Non-performing loan/total loans (1) as of September 30, 2011	
Banco de Chile	0.97	%
Corpbanca	1.67	%
BBVA, Chile	1.82	%
Banco de Crédito e Inversiones	2.16	%
Santander Chile	2.81	%
Banco del Estado	4.81	%
Others	2.53	%
Chilean financial system	2.45	%

Source: SBIF

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

ITEM 3. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Accounting Standards Applied in 2011

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its consolidated financial statements in accordance with IFRS as issued by IASB, in order to comply with requirements of the SEC. As required by local regulations, our locally filed consolidated financial statements have been prepared in accordance with Chilean Bank GAAP. The accounting principles issued by the SBIF are substantially similar to IFRS but there are some exceptions. Therefore, our locally filed condensed consolidated interim financial statements have been adjusted according to IAS 34: Interim Financial Reporting. Chilean banks are subject to the regulatory supervision of the SBIF under the provisions of the General Banking Law. The General

Banking Law establishes that in accordance with legal regulations, Chilean banks must abide by the accounting standards stipulated by the SBIF.

Therefore, as stated above, in order to comply with requirements of the SEC, the Bank has prepared the unaudited consolidated interim financial statements included in this report under IFRS-IASB.

Differences between IFRS and Chilean Bank GAAP

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

Suspension of Income Recognition on Accrual Basis

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

Charge-offs and Accounts Receivable

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

Assets Received in Lieu of Payment

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

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

Goodwill and Intangible Assets

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

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

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

- The use of independent experts' valuations is not mandatory.
- Beginning with the first full year in which IFRS applies, an entity must discontinue goodwill depreciation and is required to evaluate goodwill for impairment, in compliance with IAS 36.

- It is possible to (i) choose a retroactive application of IFRS to goodwill generated before the date of the transition to IFRS, or (ii) adopt an optional exemption to record the balance of goodwill at December 31, 2008 as an attributed cost.

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

Fair Value Option with Respect to Financial Assets and Liabilities

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

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

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

Loan loss allowances

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

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

The notes to the unaudited condensed consolidated interim financial statements contain information in addition to that presented in the Unaudited Condensed Consolidated Interim Statements of Financial Position, Unaudited Condensed Consolidated Interim Statements of Income, Unaudited Condensed Consolidated Interim Statements of Comprehensive Income, Unaudited Condensed Consolidated Interim Statements of Changes in Equity and Unaudited Condensed Consolidated Interim Statements of Cash Flows. These notes provide a narrative description of such statements.

B. Other Critical Accounting Policies

General

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

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

Allowance for loan losses

The Bank maintains loan loss allowances in amounts determined in accordance with its internal models. These models for rating and evaluating credit risk are approved by the Bank's Board of Directors. Our credit scoring system considers both the length of time by which the loan is overdue and the borrower's risk profile, which includes the borrower's overall indebtedness and credit behavior under the borrower's obligations to third parties.

Our internal provisioning models use statistical models that take into account a borrower's credit history and indebtedness levels. Group ratings that determine loan loss allowances based only on non-performance are being phased out and replaced by statistical scoring systems. Large commercial loans are rated on an individual basis. For large commercial loans, leasing and factoring, we assign a risk category level to each borrower and its respective loans. We consider the following risk factors in classifying a borrower's risk category: (i) the borrower's industry or sector, (ii) owners or managers, (iii) financial condition, (iv) payment ability and (v) payment behavior. For a detailed description of the models we use to determine loan loss allowances for commercial loans. Group assessment for loan loss allowances is applied for a large number of borrowers whose individual loan amounts are relatively insignificant. Currently, we use group analysis to determine loan loss allowances for certain types of loans, such as loans to small- and mid-sized companies and commercial loans to individuals.

Derivative activities

As of September 30, 2011 and 2010, derivatives are measured at fair value on the statement of financial position and the net unrealized gain (loss) on derivatives is classified as a separate line item within the income statement. Under IFRS, banks must mark-to-market derivatives. A derivative financial instrument held for trading purposes must be marked to market and the unrealized gain or loss recognized in the income statement. The Bank recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign net investments.

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

C. Operating Results

Chilean Economy

All of our operations and substantially all of our customers are located in Chile. Accordingly, our financial condition and results of operations are substantially dependent upon economic conditions prevailing in this country. In 2010, the Chilean economy grew 5.1%, compared to a decrease of 1.5% in 2009 and an increase of 3.2% in 2008.

In the first half of 2011 the Chilean economy grew 8.4%. In the first half of 2011, internal demand increased 12.0%, private investment increased 15.4%, and private consumption increased 11.4%. Unemployment has also been decreasing. As of August 2011, the unemployment rate was 7.4%, compared to 8.3% in August 2010. Part of this growth can be explained by the strong rebound in economic activity compared to a weaker first half of 2010 that was negatively affected by the February 2010 earthquake. Going forward economic activity is expected to continue to increase, but at a slower pace given the uncertain global environment.

As a result of the economic recovery, the CPI and interest rates have been increasing. In the twelve month period ended September 30, 2011, CPI inflation reached 3.27%. CPI inflation in 2010 increased 2.97% compared to a 1.38% decrease in 2009. As a result of rising price levels and higher economic activity, interest rates also increased in 2011. The overnight interbank rate set by the Central Bank increased 250 basis points in the twelve month period ended

September 30, 2011 to 5.25%.

The Chilean banking sector evolved in line with overall economic developments with an increase in the volume of loans. Total loans as of September 30, 2011 in the Chilean financial system were Ch\$84,895,290 million (US\$175.5 billion), an increase of 16.5% in the last twelve months. Total customer deposits (defined as time deposits plus checking accounts) totaled Ch\$73,381,732 million (US\$151.7 billion) as of September 30, 2011, an

increase of 19.6% in the last twelve months. The non-performing loan ratio defined as in the Chilean banking industry decreased from 2.7% at year-end 2010 to 2.4% as of September 30, 2011.

Impact of Inflation

Our assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. The Bank no longer recognizes inflation accounting and has eliminated price level restatement in line with IFRS, but inflation impacts our results of operations as some loan and deposit products are contracted in UF. The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean CPI during the prior calendar month. One UF equaled Ch\$20,942.88 at December 31, 2009, Ch\$21,455.55 at December 31, 2010 and Ch\$22,012.69 at September 30, 2011.

High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on us. Negative inflation rates also could negatively impact our results. In 2010, CPI inflation was 3.0% compared to a decline of 1.4% in 2009 and a rise of 7.1% in 2008. CPI inflation in year-to-date in the nine-month period ended September 30, 2011 increased 2.98% compared to a 2.68% increase year-to-date in the nine-month period ended September 30, 2010. There can be no assurance that Chilean inflation will not change significantly from the current level. Although we currently benefit from moderate levels of inflation, due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposits or other funding sources that would increase the size of our funding base), there can be no assurance that we will not be adversely affected by changing levels of inflation. In summary:

- **UF-denominated assets and liabilities.** In 2010, UF inflation was +2.45% compared to -2.4% in 2009 and +9.3% in 2008. UF inflation in the nine-month period ended September 30, 2011 increased 2.60% compared to a 1.90% increase in the nine-month period ended September 30, 2010. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively. Our net interest income will be positively affected by an inflationary environment to the extent that our average UF-denominated interest earning assets exceed our average UF-denominated interest bearing liabilities. Our net interest income will be negatively affected in a deflationary environment if our average UF-denominated interest earning assets exceed our average UF-denominated interest bearing liabilities. Our net interest income will be negatively affected by inflation in any period in which our average UF-denominated interest bearing liabilities exceed our average UF-denominated interest earning assets. Our average UF-denominated interest earning assets exceeded our average UF-denominated interest bearing liabilities by Ch\$ 3,478,952 million in the nine-month period ended September 30, 2011 compared to Ch\$ 3,092,340 million in the same period in 2010. See “Selected Statistical Information Average Balance Sheets, Income Earned from Interest-Earning Assets And Interest Paid on Interest Bearing Liabilities.” In general, the Bank has more UF-denominated financial assets than UF-denominated financial liabilities. In the nine-month period ended September 30, 2011, the interest gained on interest earning assets denominated in UF increased 21.4% compared to the same period in 2010 as a result of the higher inflation rates. In the nine-month period ended September 30, 2011, the interest paid on these liabilities increased 22.1% compared to the same period in 2010.
- **Inflation and interest rate hedge.** A key component of our asset and liability policy is the management of interest rate risk. The Bank’s assets generally have a longer maturity than our liabilities. As the Bank’s mortgage portfolio grows, the maturity gap tends to rise as these loans, which are contracted in UF, have a longer maturity than the average maturity of our funding base. As most of our long term financial instruments and mortgage loans are contracted in UF and most of our deposits are in nominal pesos, the rise in mortgage lending increases the Bank’s exposure to inflation and to interest rate risk. The size of this

gap is limited by internal and regulatory guidelines in order to avoid excessive potential losses due to strong shifts in interest rates (see “Item 9: Quantitative and Qualitative Disclosures About Market Risk”). In order to keep this duration gap below regulatory limits the Bank issues long term bonds denominated in UF or interest rate swaps. The financial cost of the bonds and the efficient part of these hedges is recorded as net interest income. In the nine-month period ended September 30, 2011, the loss from the swaps taken in

order to hedge mainly for inflation and interest rate risk totaled Ch\$24,208 million compared to Ch\$15,202 million in the same period in 2010.

	As of September 30,		% Change	
Inflation sensitive income	2011	2010	2011/2010	
	(In million of Chilean pesos)			
Interest earned on UF assets (1)	492,160	405,419	21.4	%
Interest paid on UF liabilities (1)	(272,347)	(223,068)	22.1	%
Hedging results	(38,978)	2,965	--	%
Net gain	180,835	185,316	(2.4	%)

(1) Includes results from interest-rate hedging.

- Peso-denominated assets and liabilities. Interest rates prevailing in Chile during any period primarily reflect the inflation rate during the period and the expectations of future inflation. The sensitivity of our peso-denominated interest earning assets and interest bearing liabilities to changes to such prevailing rates varies. (See “Item 3: C. Operating Results–Interest Rates”). We maintain a substantial amount of non-interest bearing peso-denominated demand deposits. Because such deposits are not sensitive to inflation, any decline in the rate of inflation would adversely affect our net interest margin on inflation indexed assets funded with such deposits, and any increase in the rate of inflation would increase the net interest margin on such assets. (See “Item 9: Quantitative and Qualitative Disclosures About Market Risk”). The ratio of the average of such demand deposits to average interest-earning assets was 17.5% as of September 30, 2011 and 18.1% as of September 30, 2010.

Interest Rates

Interest rates earned and paid on our assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, changes in short term interest rates set by the Central Bank and movements in long term real rates. The Central Bank manages short term interest rates based on its objectives of balancing low inflation and economic growth. Because our liabilities are generally re-priced sooner than our assets, changes in the rate of inflation or short term rates in the economy are reflected in the rates of interest paid by us on our liabilities before such changes are reflected in the rates of interest earned by us on our assets. Therefore, when short term interest rates fall, our net interest margin is positively impacted, but when short term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation rates since generally our UF-denominated assets exceed our UF-denominated liabilities. (See “Item 3: C. Operating Results–Impact of Inflation–Peso-denominated assets and liabilities”). An increase in long term rates has a positive effect on our net interest margin, because our interest earning assets generally have longer terms than our interest bearing liabilities. In addition, because our peso-denominated liabilities have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short term rates than our UF-denominated liabilities. As a result, during periods when current inflation or expected inflation exceeds the previous period’s inflation, customers often switch funds from UF-denominated deposits to peso-denominated deposits, which generally bear higher interest rates, thereby adversely affecting our net interest margin.

Foreign Exchange Fluctuations

The Chilean government’s economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Chilean peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future. In 2010, the Chilean peso in relation to the U.S. dollar appreciated 7.5% compared to a 19.5% appreciation in 2009 and a 26.9%

depreciation in 2008. Year-to-date as of September 30, 2011, the Chilean peso has depreciated 10.0%. (See “Item 1: A. Selected Financial Data—Exchange Rates”). A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained and may continue to maintain material gaps between the balances of such assets and liabilities. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains and losses realized upon the sale of such assets, are translated to Chilean pesos in preparing our financial statements, our reported income is affected by changes in the value of the Chilean peso relative to foreign currencies (principally the U.S. dollar). The translation gain or loss over

assets and liabilities (excluding derivatives held for trading) is included as foreign exchange transactions in the income statement. The translation and mark-to-market of foreign currency derivatives held for trading is recognized as a gain or loss in the net results from mark-to-market and trading.

The Bank also uses a sensitivity analysis with both internal limits and regulatory limits to seek to manage the potential loss in net interest income resulting from fluctuations of interest rates on U.S. dollar denominated assets and liabilities and a VaR model to limit foreign currency trading risk (see “Item 9: Quantitative and Qualitative Disclosures About Market Risk”).

The compositions of our assets, liabilities and equity as of September 30, 2011, by currency are as follows:

As of September 30, 2011, Ch\$ million

	Ch\$(1)	UF	Ch\$ linked to US\$	US\$	Total
Assets					
Cash and deposits	873,031	-	-	939,753	1,812,784
Unsettled transactions	460,788	-	-	355,813	816,601
Trading investments	81,456	419,703	-	2,654	503,813
Investments under agreements to resell	12,157	-	-	-	12,157
Financial derivative contracts	2,011,585	-	-	-	2,011,585
Interbank loans	-	-	-	88,019	88,019
Loans and receivables from customers	6,739,410	8,553,273	52,895	1,850,217	17,195,795
Available for sale investments	1,982,877	109,899	-	11,868	2,104,644
Investments held to maturity	-	-	-	-	-
Investments in other companies	8,232	-	-	-	8,232
Intangible assets	77,229	-	-	-	77,229
Property, plant and equipment	153,116	-	-	-	153,116
Current taxes	27,746	-	-	-	27,746
Deferred taxes	130,548	-	-	-	130,548
Other assets (2)	489,816	71,119	3,645	148,966	713,546
Total assets	13,047,991	9,153,994	56,540	3,397,290	25,655,815
Liabilities					
Deposits and other sight obligations	3,695,803	195,205	-	605,749	4,496,757
Unsettled transactions	173,022	-	-	293,041	466,063
Investment under agreements to repurchase	180,469	1,024	-	45,550	227,043
Deposits and other time deposits	5,805,419	2,249,181	-	1,340,646	9,395,246
Financial derivative contracts	1,625,274	-	-	-	1,625,274
Interbank borrowings	-	910	-	2,024,146	2,025,056
Issued debt instruments	254,306	2,662,905	-	1,595,695	4,512,906
Other financial liabilities	143,328	14,002	6,679	2,984	166,993
Current taxes	2,300	-	-	-	2,300
Deferred taxes	11,580	-	-	-	11,580
Provisions	142,834	-	-	-	142,834
Other liabilities (2)	261,153	25,773	4,033	272,067	563,026
Total liabilities	12,295,488	5,149,000	10,712	6,179,878	23,635,078
Equity					
Attributable to Bank Shareholders	1,988,444	-	-	-	1,988,444
Capital	891,303	-	-	-	891,303
Reserves	51,539	-	-	-	51,539
Valuation adjustment	593	-	-	-	593
Retained earnings :					
Retained earnings of prior periods	833,830	-	-	-	833,830
Net income for the period	301,684	-	-	-	301,684
Minus: Provision for mandatory dividends	(90,505)	-	-	-	(90,505)
Non-controlling interest	32,293	-	-	-	32,293
Total equity	2,020,737	-	-	-	2,020,737
Total liabilities and equity	14,316,225	5,149,000	10,712	6,179,878	25,655,815

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

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

Results of Operations for the Nine-Month Periods Ended September 30, 2011 and 2010

The following discussion is based upon and should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements included in this report. The Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IFRS. The following table sets forth the principal components of our net income for the nine-month periods ended September 30, 2011 and 2010 as published by the Bank on October 27, 2011.

	For the Nine-Month Period Ended September 30,			% Change 2011 /2010	
	2011	2011	2010		
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT DATA IFRS:	US\$ thousands(1)	Ch\$ million of constant pesos			
Interest income and expense					
Interest income	2,446,412	1,271,278	1,045,602	21.6	%
Interest expense	(1,083,660)	(563,124)	(337,748)	66.7	%
Net interest income	1,362,752	708,154	707,854	0.0	%
Fees and income from services					
Fees and commission income	522,546	271,541	247,346	9.8	%
Fees and commission expense	(119,525)	(62,111)	(53,401)	16.3	%
Net fees and commission income	403,021	209,430	193,945	8.0	%
Other operating income					
Net income from financial operations	295,458	153,535	51,946	195.6	%
Foreign exchange profit (losses), net	(144,838)	(75,265)	24,381	(408.7	%)
Financial transactions, net	150,620	78,270	76,327	2.5	%
Other operating income	2,240	1,164	25,826	(95.5	%)
Total other operating income	152,860	79,434	102,153	(22.2	%)
Net operating profit before loan losses	1,918,633	997,018	1,003,952	(0.7	%)
Provision for loan losses	(446,343)	(231,942)	(208,826)	11.1	%
Net operating profit	1,472,290	765,076	795,126	(3.8	%)
Operating expenses					
Personnel salaries and expenses	(399,076)	(207,380)	(184,921)	12.1	%
Administrative expenses	(234,924)	(122,078)	(109,743)	11.2	%
Depreciation and amortization	(76,278)	(39,638)	(36,227)	9.4	%
Impairment	(210)	(109)	(4,665)	(97.7	%)
Other operating expenses	(66,469)	(34,540)	(36,822)	(6.2	%)
Total operating expenses	(776,957)	(403,745)	(372,378)	8.4	%
Operating income	695,333	361,331	422,748	(14.5	%)
Other non-operating results					
Income from investments in other companies	3,219	1,673	1,175	42.4	%
Total other non-operating results	3,219	1,673	1,175	42.4	%
Income before tax	698,552	363,004	423,923	(14.4	%)
Income tax	(111,503)	(57,943)	(56,752)	2.1	%
Net income for the period	587,049	305,061	367,171	(16.9	%)
Net income attributable to:					
Equity holders of the Bank	580,551	301,684	367,270	(17.9	%)
Non-controlling interests	6,498	3,377	(99)	--	%

(1) Amounts stated in U.S. dollars at and for the nine-month period ended September 30, 2011, have been translated from Chilean pesos at the exchange rate of Ch\$519.65 = US\$1.00 as of September 30, 2011. See “Item 1: A. Selected Financial Data–Exchange Rates” for more information on exchange rate.

Net income for the nine-month period ended September 30, 2011, decreased 16.9% to Ch\$305,061 million. Our return on annualized average equity was 20.6% in the nine-month period ended September 30, 2011 compared to 28.3% in the same period in 2010.

In the nine-month period ended September 30, 2011, net operating profit before loan losses was Ch\$997,018 million, a decrease of 0.7% compared to the corresponding period in 2010. Our net interest income was essentially unchanged at Ch\$708,154 million in the 2011 period. The average balance of our interest-earning assets increased by 17.3% in the nine-month period ended September 30, 2011 compared to the corresponding period in 2010. However, our net interest margin decreased 80 basis points to 4.7% in the same period mainly due to higher funding costs. As discussed in further detail below, the rise in the average rate of interest paid on time deposits from the effect of higher short-term interest rates increased overall funding costs. This was only partially offset by higher volumes and higher asset yields reflecting higher inflation in 2011 compared to 2010.

Net fees and commission income increased 8.0% to Ch\$209,430 million in the nine-month period ended September 30, 2011 compared to the same period in 2010. Net fees were positively affected by the growth of the Chilean economy and the Bank's marketing and promotion efforts to increase product usage. Fees from credit, debit and ATM cards increased 9.8%, fees from insurance brokerage fees increased by 15.8% and securities brokerage fees increased 30.0% in the periods being analyzed. These increases were partially offset by a 6.5% decrease in fees from checking accounts and lines of credit. This decline was due to the reduction in the amount of lines of credit and overdraft lines made available to clients, following an increase in Chilean Bank GAAP of provisioning requirements for unused lines of credit.

Results of financial transactions, net, which is the sum of trading activities, fair value adjustments and foreign exchange transactions, totaled Ch\$78,270 million in the nine-month period ended September 30, 2011, an increase of 2.5% compared to the corresponding period in 2010. These results include the results of our Treasury Department's trading business and financial transactions with customers, Santander Global Connect (SGC) as well the results of our Financial Management Division. The results from SGC, a specialized platform designed to facilitate the sale of derivatives to a broad range of companies in all segments through our branch network and through market-making, increased 4.6%. Our proprietary trading results totaled a gain of Ch\$13,895 million in the nine-month period ended September 30, 2011, which represented an increase of 98.5% compared to the corresponding period in 2010. This was mainly due to positive results in the foreign exchange market. The results from the Financial Management Division were a loss of Ch\$8,545 million in the nine-month period ended September 30, 2011 compared to a gain of Ch\$2,295 million in the nine-month period ended September 30, 2010. Throughout 2011, the Bank has maintained above average levels of liquidity, part of which is generated from US\$ liabilities, as a conservative measure given the uncertainty surrounding global financial markets. These dollar liabilities are hedged through derivatives (short term foreign currency swaps), but as the short term interest rate differential between USD and CLP has increased, this has produced a higher cost registered in financial transactions, net. This higher cost is partially offset in net interest income where the interest earned on the short-term liquid asset is registered and the interest expense of the US\$ liabilities is also recorded.

Other operating income totaled a gain of Ch\$1,164 million in the nine-month period ended September 30, 2011, a 95.5% decrease from Ch\$25,826 million in the corresponding period in 2010. This decline was mainly due to the gain from sale of branches recorded in 2010 which did not occur in 2011 as well as lower recoveries of provisions for contingencies and a decrease in insurance payments relating to the earthquake. In the nine-month period ended September 30, 2010, the Bank sold 16 branches for a gain of Ch\$12,975 million recognized as income from the sale of Bank property, plant and equipment. These branches are now rented to us. The Bank did not finance this acquisition and the acquirers were non-related parties.

Charge-offs of non-performing loans increased 28.4% in the periods being analyzed, totaling Ch\$194,222 million. Consumer loan charge-offs increased 37.5% in the nine-month period ended September 30, 2011 compared to the corresponding period in 2010. The rise was mainly due to the growth in consumer lending, which in the same period, increased 14.5%. The tightening of renegotiation policies for consumer loans also led to a greater amount of impaired consumer loans entering non-performing status and subsequently being charged-off. The ratio of non-performing

consumer loans to total consumer loans rose from 2.87% as of September 30, 2010 to 3.84% as of September 30, 2011. Coverage of consumer non-performing loans was 217.6% as of September 30, 2011 compared to 294.9% as of September 30, 2010. The ratio of impaired consumer loans to total consumer loans decreased from 17.8% as of September 30, 2010 to 14.5% as of September 30, 2011.

Net provision expense increased by 11.1% to Ch\$231,942 million in the nine-month period ended September 30, 2011 compared to the nine-month period ended September 30, 2010. This was mainly due to the 28.4% increase in charge-offs. Gross provisions on the other hand decreased 33.8% to Ch\$53,739 million. This decrease was mainly due to lower gross provisions in consumer lending. In the nine-month period ended September 30, 2010, we recognized Ch\$30,466 million in provisions mainly for consumer loans as a result of improvements made to credit scoring models. The effect of non-recurrence in 2011 of this change in our model was offset in part by an increase in gross provision for residential mortgage loans. The total impact of this change on loan loss reserves was Ch\$13,006 million or 0.3% of the Bank's total residential mortgage portfolio.

As a result of the factors mentioned above, net operating profit decreased 3.8% in the nine-month period ended September 30, 2011 compared to the nine-month period ended September 30, 2010 and totaled Ch\$765,076 million.

Operating expenses in the nine-month period ended September 30, 2011 increased 8.4% compared to the corresponding period in 2010. Personnel salaries and expenses increased by 12.1% mainly due to higher headcount, as well as higher severance payments. Administrative expenses increased 11.2%. The main reason for this rise in administrative expenses was the greater business activity as well as the expenses related to IT projects being carried out to improve productivity. An additional factor was the 25.5% rise in branch rental expenses to Ch\$16,437 million in the nine month period ended September 30, 2011 due to our branch sales in 2010. Our efficiency ratio was 40.5% in the nine-month period ended September 30, 2011 compared to 37.1% in the same period in 2010.

Other operating expenses were Ch\$34,540 million in the nine-month period ended September 30, 2011, a 6.2% decrease compared to the same period in 2010. The decrease in other expenses was due in part to lower earthquake related expenses, lower expenses related to repossessed assets and lower credit card expenses.

Our income tax expense increased by 2.1% in the nine-month period ended September 30, 2011 compared to the same period in 2010. The effective tax rate paid was 16.0% in the nine-month period ended September 30, 2011 compared to 13.4% in the corresponding period in 2010. The statutory tax rate in Chile in 2011 was 20% compared to 17% in 2010. The higher effective tax rate is mainly due to this rise in the statutory corporate tax rate. The Chilean government and Congress in 2010 approved a temporary increase in the corporate tax rate to 20% in 2011, 18.5% in 2012 and back to 17% in 2013, as part of the plan to finance the reconstruction of public works in the zones most affected by the February 2010 earthquake and tsunami. The Bank's effective tax rate tends to be below the statutory rate since for tax purposes the Bank must still recognize the effects of price level restatement on equity even though inflation accounting is no longer required by Chilean Bank GAAP.

Results of operations by business segments

For internal information, Banco Santander Chile maintained in 2011 the general criteria used in 2010 for business segmentation, with the following exception:

The system for calculating the internal transfer rate (ITR) changed. Prior to 2011, Banco Santander Chile's management model applied an ITR to each operation on the basis of its maturity, regardless of whether it was an operation for assets or liabilities. During and since the financial and liquidity crisis, the real cost of liquidity has consistently and significantly differed from the reference yield curve. Therefore, the Bank decided to revise the system for measuring the spread by changing the ITR applied by the corporate centre to the units. This change makes the model more in line with the requirements of regulators, ensures a better pricing of operations and enables the market to better assess the profitability of businesses.

This change was not significant for the Bank and does not materially alter its results.

As a result of the above mentioned change in the ITR calculation in 2011, in order to compare homogeneous financial information, the income statement for the nine months period ended September 30, 2010 of the business segments should be adjusted, in the net interest income line, as follows:

§ Individuals: a decrease of Ch\$4,719 million;

§ Small and mid-sized companies: a decrease of Ch\$27,065 million;

§ Institutional: a decrease of Ch\$4,414 million;

§ Middle-market: a decrease of Ch\$7,276;

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§ Global banking and markets: an increase of Ch\$18,566; and

§ Other: an increase of Ch\$24,908.

There was no effect to the reported amounts in net fee and commission income, ROF, provisions, support expenses, and loans and accounts receivables from customers as a result of the change in the ITR calculation.

Net interest income, before adjustments

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Individuals	416,739	400,204	4.1	%
Small and mid-sized companies	149,164	171,833	(13.2)	%
Institutional	19,531	19,172	1.9	%
Middle-market	99,999	103,401	(3.3)	%
Global banking & markets	35,369	16,836	110.1	%
Other net interest income (1)	(12,648)	3,592	--	%
Net interest income	708,154	707,854	0.0	%

Figures in the Unaudited Condensed Consolidated Interim Income Statement do not reflect these adjustments. However, in order to explain the variations of comparable periods, the explanations below do consider the adjustments when these are significant.

Net interest income, adjusted

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in Ch\$ million, except percentages)			
Individuals	416,739	395,485	5.4	%
Small and mid sized companies	149,164	144,768	3.0	%
Institutional	19,531	14,758	32.3	%
Total middle-market	99,999	96,125	4.0	%
Global banking & markets	35,369	35,402	(0.1)	%)
Other net interest income (1)	(12,648)	21,316	--	%
Net interest income	708,154	707,854	0.0	%
Average interest-earning assets	20,091,577	17,135,052	17.3	%
Net interest margin (2)	4.7	%	5.5	%
Average shareholders' equity and average non-interest-bearing demand deposits to total average interest-earning assets	27.5	%	28.2	%

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

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

Our net interest income totaled Ch\$708,154 million in the nine-month period ended September 30, 2011, substantially unchanged from the corresponding period in 2010. Average interest earning assets increased 17.3% in the nine-month period ended September 30, 2011, driven mainly by consumer and SME lending. Net interest margin

in the same period in 2011 was 4.7% compared to 5.5% in the same period in 2010. Net interest margins were negatively affected by the rise in average short-term interest rates. As interest-bearing liabilities generally have shorter terms than interest-earning assets, a rise in short-term rates has a negative effect on our margins. The average nominal rate we paid on our peso denominated interest-bearing liabilities was 4.6% in the nine-month period ended September 30, 2011 compared to 1.6% in the nine-month period ended September 30, 2010. The average nominal rate we paid on our peso denominated time deposits was 4.0% in the nine-month period ended September 30, 2011 compared to 1.3% in the nine-month period ended September 30, 2010. As a result, interest expense in the nine-month period ended September 30, 2011 increased 66.7% compared to interest expense in the nine-month period ended September 30, 2010.

The impact of interest rate increases was partially offset by a higher local inflationary environment. In the nine-month period ended September 30, 2011, the value of the UF increased by 2.6% compared to a rise of 1.9% in the corresponding period in 2010. As we have more interest-earning assets than liabilities linked to the UF, our net interest income was positively affected by this change in inflationary trends. At the same time, the higher interest rate environment also pushed upward the nominal rate earned over our interest earning assets, albeit to a lesser extent than the rise of our funding costs. The average nominal rate earned over interest earning assets increased to 6.3% in the nine-month period ended September 30, 2011 from 6.1% in the nine-month period ended September 30, 2010.

The changes in net interest income by segment in the nine-month period ended September 30, 2011 as compared to the nine-month period ended September 30, 2010 were as follows:

- Net interest income from individuals increased 5.4%, mainly as a result of the 14.3% increase in loan volumes in this segment. This was partially offset by higher funding costs and lower yields earned on consumer loans. The average nominal rate earned over consumer loans grew from 14.2% in the in the nine-month period ended September 30, 2010 to 15.4% in in the nine-month period ended September 30, 2011. This was due to the normalization of loan spreads as economic growth gained momentum and following a period of high consumer loan yields and risk during the 2009 recession and the 2010 earthquake. Interest income from residential mortgage loans increased 21.2% as a result of the rise in inflation rate as the majority of these loans are linked to inflation.
- Net interest income from small and mid-sized companies increased 3.0% mainly as a result of a 9.6% increase in loans to this segment in the same period. This was partially offset by the normalization of loan spreads as was the case in consumer loans and the increase in average short-term interest rates, which affected funding costs.
- Net interest income from the total middle-market segment increased 4.0%, mainly as a result of the 18.1% increase in loans to this segment in the same period due to the general economic recovery. This was partially offset by the rise in funding costs.
- Loans in the Global Banking and Markets segment increased 35.5% in the nine-month period ended September 30, 2011 compared to the same period in 2010. Net interest income from the Global Banking and Markets segment decreased 0.1% in the same period. This was mainly due to the higher short-term interest rates that tend to affect this segment more than others as these loans are also short-term in duration and, therefore, have lower yields.
- Other net interest income consists mainly of net interest income from the available for sale investment portfolio and deposits in the Central Bank and the financial cost of supporting our cash position and investment portfolio for trading, the interest income from which is recognized as net income from financial operations and not interest income. The net interest income included as “other” totaled a loss of Ch\$12,648 million in the nine month period ended September 30, 2011 compared to a gain of Ch\$21,316 million in the nine-month period ended September 30, 2010. As short-term interest rates increased, the financial cost of maintaining these lower yielding assets rose. Simultaneously, the yield obtained on low yielding assets did not rise as the Bank increased its short-term liquidity as a proactive measure given the uncertainty surrounding global financial markets, since the second quarter of 2011. This segment reflects the impact of higher funding costs that finance the Bank’s financial investments and cash position.

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

Loans by segment (Ch\$ million)	At September 30,		% Change	
	2011	2010	2011/2010	
Individuals	9,187,526	8,035,617	14.3	%
Small and mid-sized companies	2,522,698	2,301,536	9.6	%
Institutional	351,644	340,274	3.3	%
Middle-market	3,731,980	3,160,681	18.1	%
Global banking & markets	1,905,005	1,406,210	35.5	%
Other	69,541	59,933	16.0	%
Total loans (1)	17,768,394	15,304,251	16.1	%

(1) Includes interbank loans.

We expect continued loan growth in 2011 and 2012, although not necessarily at levels similar to the first nine months of 2011. If GDP does not grow in line with forecasts this could have a negative input on us.

Fee and commission income

The following table sets forth certain components of our income from services (net of fees paid to third parties directly connected to providing those services, principally fees relating to credit card processing and ATM network administration) in the nine-month periods ended September 30, 2011 and 2010.

	Nine-Month Period		% Change	
	Ended September 30, 2011	2010	2011/2010	
	(in Ch\$ million, except percentages)			
Collections	46,387	43,372	7.0	%
Credit, debit and ATM cards	45,249	41,222	9.8	%
Checking accounts and lines of credit	30,223	32,340	(6.5)	%)
Asset management	29,928	29,111	2.8	%
Insurance brokerage	26,344	22,750	15.8	%
Letters of credit	17,849	17,351	2.9	%
Brokerage and custody services	8,323	6,404	30.0	%
Office banking	1,883	1,344	40.1	%
Other fees	3,244	51	6,260.8	%
Total fees and commission income, net	209,430	193,945	8.0	%

Net fees and commission income increased 8.0% to Ch\$209,430 million in the nine-month period ended September 30, 2011 compared to the same period in 2010.

Fees from collections increased by 7.0% in the nine-month period ended September 30, 2011 compared to the same period in 2010. This was mainly due to an increase in collection of insurance premiums for loan related insurance as loan origination increased in the year. Going forward, this line item could be negatively impacted by proposed legislation to modify the mandatory loan insurance market. (See Item 1- Risk Factors—"Chile's banking regulatory and capital markets environment is continually evolving and may change.").

Fees from credit, debit and ATM cards increased by 9.8%, reflecting increased usage of our credit cards. Usage measured in terms of monetary purchases was up 21.2% in the nine-month period ended September 30, 2011 compared to the corresponding period in 2010. As of September 30, 2011, the Bank, which has a 25.4% market share of all bank credit card accounts, had generated 37.6% of all bank monetary purchases year-to-date.

Fees from checking accounts and lines of credit, which includes the maintenance fee for checking accounts and lines of credit and fees charged for the unauthorized overdraft of lines of credit, decreased 6.5% in the nine-month period ended September 30, 2011 compared to the nine-month period ended September 30, 2010. This decrease was due to the 27.4% decline in fees from lines of credit and authorized overdrafts, which totaled Ch\$8,862 million in the nine month period ended September 30, 2011. This decrease was a result of an industry wide reduction in the amount of lines of credit and overdraft lines available to clients, following an increase in Chilean Bank GAAP of provisioning requirements for unused lines of credit. Fees from checking accounts increased 6.1% in the period

being analyzed and totaled Ch\$21,361 million. This in line with the 7.3% increase in total checking accounts to 739,671 in the 12 month period being analyzed.

Fees from our asset management business increased 2.8% in the nine-month period ended September 30, 2011 compared to the same period in 2010. Total funds under management decreased 13.8% in the period being analyzed and totaled Ch\$2,849,198 million (US\$5.5 billion). The positive performance of our international equity funds managed by this subsidiary had a positive impact on fees, especially in the first half of the year. As global markets weakened the rate of growth of fees from asset management and total assets under management began to decelerate in the third quarter.

Insurance brokerage fees increased by 15.8%. This was mainly due to greater business volumes in our insurance brokerage subsidiary and higher sales of insurance products through our website and branch network.

Fees from letters of credit and other contingent operations increased 2.9%. This was mainly due to positive performance of our international and foreign trade financing businesses with clients.

Brokerage and custody fees increased 30.0% in the nine-month period ended September 30, 2011 as compared to the corresponding period in 2010. This was primarily due to higher stock brokerage fees, which increased 33.7% to Ch\$7,160 million as more clients have used our online and branch-network brokerage services.

Fees from office banking increased 40.1% as more companies used this product. Other fee income increased by 6,260.8% mainly due to higher financial advisory and other services for corporations.

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

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Individuals	140,905	138,506	1.7	%
Small and mid-sized companies	28,702	25,973	10.5	%
Institutional	1,382	1,848	(25.2	%)
Middle-market	18,265	16,304	12.0	%
Global banking and markets	17,689	17,497	1.1	%
Other	2,487	(6,183)	--	%
Total fees and commission income, net	209,430	193,945	8.0	%

Fees from individuals increased 1.7% in the nine-month period ended September 30, 2011 compared to the same period in 2010 mainly as a result of the increase in fees from credit cards, collections and insurance brokerage partially offset by the fall in fees from lines of credit.

The rise in fees by 10.5% from small and mid-sized companies and the middle market was mainly due to higher fees from office banking, brokerage and custody and foreign trade related business.

Fees from institutions decreased 25.2% primarily as a result of lower business activity with universities.

Fees from the Global Banking and Markets segment increased by 1.1%, mainly as a result of a slight increase in fees from investment banking activities.

Financial transactions, net

The following table sets forth information regarding our income (expenses) from financial transactions in the nine-month periods ended September 30, 2011 and 2010.

	Nine-Month Period		% Change	
	Ended September 30,			
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Net income from financial operations	153,535	51,946	195.6	%
Foreign exchange profit (loss), net	(75,265)	24,381	--	%
Total financial transactions, net	78,270	76,327	2.5	%

Total financial transactions, net, which is the sum of trading activities, fair value adjustments in our securities portfolio and foreign exchange transactions, totaled Ch\$78,270 million in the nine-month period ended September 30, 2011, an increase of 2.5% compared to the same period in 2010. These results include the results of our Treasury's trading business and financial transactions with customers as well the results of our Financial Management Division.

Net income from financial operations was Ch\$153,535 million in the nine-month period ended September 30, 2011 compared to Ch\$51,946 million in the corresponding period in 2010. In the nine-month period ended September 30, 2011, the Chilean peso depreciated 10.0% compared to a 4.2% appreciation in the same period in 2010. This explains the difference in results from derivatives classified as trading which totaled Ch\$111,492 million in the nine-month period ended September 30, 2011 compared to Ch\$27,686 million in 2010. Derivatives are mainly composed of forwards and swap contracts that hedge our spot position in foreign currency. Our spot position includes all assets and liabilities in foreign currency and in Ch\$ linked to US\$ that are not derivatives. For more details see "Item 9—Quantitative and Qualitative Disclosures About Market Risk—Market risk management—Market risk – local and foreign financial management". As the Chilean peso appreciates, we usually record a low or negative result from the fair value of derivatives held for trading. As the Chilean peso depreciates, we usually record a high result from the fair value of derivatives held for trading. This is offset by foreign exchange transaction results, which includes the mark-to-market of our spot foreign currency position.

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Derivatives classified as trading	111,492	27,686	302.7	%
Trading investments	31,466	26,596	18.3	%
Sale of loans	5,578	3,867	44.2	%
Available-for-sale instruments sales	(1,912)	(6,244)	(69.4	%)
Other results	6,911	41	16,756.1	%
Net income from financial operations	153,535	51,946	195.6	%

In the nine-month period ended September 30, 2011, we also recorded a gain of Ch\$5,578 million from the sale of loans, mainly loans that have been previously charged-off compared to Ch\$3,867 million in 2010. These loans were sold to various non-related collection companies and asset managers. The Bank also sold in 2011 shares it held in Visa Inc. and recorded a one-time gain from this sale of Ch\$5,705 million in other results in net income from financial transactions.

The higher results from trading investments is mainly due to high interest income from this portfolio as 71% of this assets are denominated in UFs and, therefore, when inflation rises interest income from these assets increases. The negative result from the available for sale portfolio is mainly due to higher interest rates, which has a negative impact on the realized losses of these financial investments. The interest income from the available for sale portfolio is

recorded as net interest income and interest income from the trading portfolio is recorded as income in net income from financial operations.

Foreign exchange activities produced a net loss of Ch\$75,265 million in the nine-month period ended September 30, 2011 compared to a gain of Ch\$24,381 million in the corresponding period in 2010. This decrease is mainly the result of the depreciation of the Chilean peso against the dollar in the nine-month period ended September 30, 2011 compared to an appreciation in the same period in 2010. The effects on net income from the

change in value of our spot foreign currency position should continue to be negative if the peso continues to depreciate as our spot funding base in foreign currency is larger than our spot asset position in foreign currency.

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Foreign exchange transactions	(259,037)	156,904	--	%
Hedge-accounting derivatives	179,209	(132,343)	--	%
Translation gains and losses over assets and liabilities indexed to foreign currencies, net	4,563	(180)	--	%
Net results from foreign exchange profit (loss)	(75,265)	24,381	--	%

Foreign exchange transactions totaled a net loss of Ch\$259,037 million in the nine-month period ended September 30, 2011 compared to a gain of Ch\$156,905 million in the corresponding period in 2010. This lower result was mainly due to the depreciation of the Chilean peso against the dollar in the nine-month period ended September 30, 2011 compared to an appreciation in the same period in 2010. This is largely offset by the fair value of foreign exchange derivatives in net gains from trading and fair value as described above in net income from financial operations. The derivatives included in this line item are mainly cross-currency swaps that hedge the interest rate risk of bonds issued abroad. Excluding interest rate and other derivatives that qualify for hedge accounting, the conversion and fair value of foreign currency derivatives are for the most part recognized as a gain or loss in the net results from fair value and trading and not as foreign exchange transactions. This distorts the results from fair value and trading and foreign exchange transactions. In order to more easily compare the results from financial transactions, net, we present the following table that separates the results by line of business.

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Santander Global Connect (1)	40,847	39,044	4.6	%
Market-making and other client activities	26,495	24,120	9.8	%
Client treasury services	67,342	63,164	6.6	%
Sale of loans and charged-off loans	5,578	3,867	44.2	%
Proprietary trading	13,895	7,001	98.5	%
Financial Management (ALCO) (2)	(8,545)	2,295	--	%
Non-client treasury income	10,928	13,163	(17.0	%)
Total financial transactions, net	78,270	76,327	2.5	%

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

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

Client treasury services increased 6.6% in the nine-month period ended September 30, 2011 compared to client treasury service income in the nine-month period ended September 30, 2010. The results from Santander Global Connect and market-making mainly include the results from the sale of derivatives, foreign exchange and fixed income instruments to our client base. Santander Global Connect is a specialized platform designed to facilitate the sale of derivatives to a broad range of companies in all segments and through the branch network. In the nine-month period ended September 30, 2011, the results from Santander Global Connect increased 4.6%. The results from market-making and other client services increased 9.8% in the period being analyzed, mainly due to growth in tailor

made treasury services sold to specific corporate clients. Market making, on the other hand, decreased 10.2% and totaled Ch\$19,999 million in the nine month period ended September 30, 2011.

The results from non-client treasury income totaled a gain of Ch\$10,928 million in the nine-month period ended September 30, 2011 and decreased 17.0% compared to the same period in 2010. Throughout 2011, the Bank has maintained above average levels of liquidity, part of which is generated from US\$ liabilities, as a conservative measure given the uncertainty surrounding global financial markets. These dollar liabilities are hedged through derivatives (short term foreign currency swaps), but as the short term interest rate differential between US dollars and Chilean pesos has increased, this has produced a higher cost registered in financial transactions, net. This higher cost is partially offset in net interest income where the interest earned on the short-term liquid asset is registered and the interest expense of the US\$ liabilities is also recorded. In addition, we recorded a gain in this line item of Ch\$5,743 million from the one-time sale of shares in Visa Inc.

Other operating income

	Nine-Month Period		% Change	
	Ended September 30,	2010	2011/2010	
	2011			
	(in Ch\$ million, except percentages)			
Income from assets received in lieu of payment	(235)	1,247	--	%
Operational leases	209	308	(88.3	%)
Gain on sale of Bank premises and equipment	830	13,243	(93.7	%)
Recovery of provisions for contingencies	5	7,029	(99.9	%)
Insurance coverage for earthquake	315	3,611	(91.3	%)
Other	40	388	(44.1	%)
Sub-total other income	1,399	24,579	(94.3	%)
Total other operating income	1,164	25,826	(95.5	%)

Total other operating income totaled a gain of Ch\$1,164 million in the nine-month period ended September 30, 2011, a 95.5% decrease from Ch\$25,826 million in the corresponding period in 2010.

The main reason for this decrease was that in the nine-month period ended September 30, 2010, the Bank sold 16 branches for a gain of Ch\$12,975 million recognized as income from the sale of Bank property, plant and equipment. These branches are now rented to us. The Bank did not finance this acquisition and the acquirers were non-related parties. In 2011, the Bank has sold only one branch.

Gains from the recovery of provisions not related to any specific risk and non-credit contingencies, such as legal and tax contingencies, decreased to Ch\$5 million in the nine-month period ended September 30, 2011 compared to Ch\$7,029 million in the nine-month period ended September 30, 2010. Gains from the recovery of provisions for contingencies in the nine-month period ended September 30, 2010 were mainly due to the reversal of provisions recognized in the early part of 2010 in anticipation of the potential negative impact of various events such as the February 2010 earthquake and tsunami and changes in our collective bargaining agreements; these negative impacts did not materialize to the extent initially estimated. However, this gain in 2010 was offset in part by higher provisions of Ch\$5,951 million recognized for non-specific contingencies in other operating expenses in the nine-month period ended September 30, 2010.

The Bank also recognized in the nine-month period ended September 30, 2011 lower insurance claims from earthquake damage to branches and other installations. In the nine-month period ended September 30, 2011, these claims totaled Ch\$315 million compared to Ch\$3,611 million in the nine-month period ended September 30, 2010.

Provision for loan losses

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

	Nine-Month Period Ended				
	September 30,		% Change		
	2011	2010	2011/2010		
	(in Ch\$ million, except percentages)				
Gross provision expenses(1)	(53,739)	(81,149)	(33.8	%)	
Charge-offs	(194,222)	(151,232)	28.4	%	
Recoveries of loans previously charged-off	16,019	23,555	(32.0	%)	
Provision expenses, net	(231,942)	(208,826)	11.1	%	
Period-end loans(2)	17,768,394	15,304,251	16.1	%	
Non-performing loans (3)	496,786	407,831	21.8	%	
Impaired loans (4)	1,326,621	1,488,116	(10.9	%)	
Loan loss allowance (5)	484,580	428,881	13.0	%	
Non-performing loans / period-end loans	2.80	%	2.66	%	—
Loan loss allowances /Total loans	2.73	%	2.80	%	—
Coverage ratio non-performing loans (6)	97.54	%	105.16	%	—

(1) Net of the reversal of allowances on loans charged off during the period. Gross provision expenses without such netting was Ch\$284,706 million in the 2011 period and Ch\$248,563 in the 2010 period.

(2) Includes Ch\$88,038 million as of September 30, 2011 and Ch\$72,232 million as of September 30, 2010 in interbank loans.

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

(4) Impaired loans defined as of September 30, 2011 and 2010 include: (A) for loans whose allowance is determined on an individual basis: (1) all loans to a debtor that are rated C1 through D2 and (2) total loans to single debtors with a loan that is non-performing, excluding residential mortgage loans if the non-performance of the mortgage loans is less than 90 days; (B) for loans whose loan loss allowance is determined on a group basis: (1) total loans to a debtor, when a loan to that debtor is non-performing or has been renegotiated, excluding performing residential mortgage loans and (2) if the loan that is non-performing or renegotiated is a residential mortgage loan all loans to that debtor are considered impaired. See Note 10(a) of the Consolidated Financial Statements included in our 2010 Form 20-F.

(5) Includes Ch\$19 million as of September 30, 2011 and Ch\$48 million as of September 30, 2010 in allowances for loan losses for interbank loans.

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

Net provision expense increased by 11.1% to Ch\$231,942 million in the nine-month period ended September 30, 2011 compared to the nine-month period ended September 30, 2010.

Gross provision expense decreased 33.8% to Ch\$53,739 million. This decrease was mainly due to lower gross provisions in consumer lending. In the nine-month period ended September 30, 2010, we recognized Ch\$30,466 million in provisions mainly for consumer loans as a result of improvements made to credit scoring

models. The minimum provision required for clients in most risk profiles was increased for performing consumer loans and this effect was recognized as a larger provision expenses and greater provision for loan losses. The effect of non-recurrence in 2011 of this change in our model was offset in part by an increase in gross provision for residential mortgage loans. In June 2011, the bank updated the data used in its provisioning model for residential mortgage loans in 2010. As of June 2011, residential mortgage loans are assigned an allowance level based on credit risk profiles, which are determined utilizing a statistical model that considers: (i) a borrower's credit history, (ii) if a client is a new client or an existing client, (iii) if the client is a Bank client or a Banefe client and (iv) if this client has been renegotiated in the system. The total impact of this change on loan loss reserves was Ch\$13,006 million or 0.3% of the Bank's total residential mortgage portfolio. An additional impact of Ch\$3,252 from this change will be recognized in the fourth quarter. The decrease in gross provisions in commercial loans was mainly due to a favorable evolution of asset quality among companies given the positive economic environment. We believe our allowance for loan loss is sufficient on the date hereof to cover all known losses in our credit portfolio.

The rise in the ratio of non-performing loans to total loans from 2.66% as of September 30, 2010 to 2.80% as of September 30, 2011 was mainly due to the 14.5% year-over-year increase in consumer loans that tend to be riskier loans. The following table shows gross provision expense by type of loan:

Gross provision expense by loan product

	Nine-Month Period Ended			% Change	
	September 30, 2011	September 30, 2010		2011	
	(in millions of Ch\$, except percentages)				
Consumer loans	(18,809)	(49,760)		(62.2	%)
Residential mortgage loans	(15,528)	(1,098)		1,314.2	%)
Commercial loans	(19,750)	(29,455)		(32.9	%)
Contingent loans (off-balance sheet)	313	(830)		--	%)
Interbank loans	35	(6)		--	%)
Total gross provisions	(53,739)	(81,149)		(33.8	%)

For a description of the provisions related to our residential mortgage loans, please see “New Provisioning Model for Residential Mortgage Loans.”

Charge-offs increased 28.4% in the periods being analyzed, totaling Ch\$194,222 million. Consumer loan charge-offs increased 37.5% in the nine-month period ended September 30, 2011 compared to the corresponding period in 2010. The rise was mainly due to the growth in consumer lending, which in the same period, increased 14.5%. The tightening of renegotiation policies for consumer loans also led to a greater amount of impaired consumer loans entering non-performing status and subsequently being charged-off. The ratio of non-performing consumer loans to total consumer loans rose from 2.87% as of September 30, 2010 to 3.84% as of September 30, 2011. Coverage of consumer non-performing loans was 217.6% as of September 30, 2011 compared to 294.9% as of September 30, 2010. The ratio of impaired consumer loans to total consumer loans decreased from 17.8% as of September 30, 2010 to 14.5% as of September 30, 2011. The rise in charge-offs in commercial loans was mainly due to the 19.1% rise in total commercial loans and greater charge-offs in the SME segment. Charge-offs in residential mortgage loans did not vary significantly. The following table shows charge-offs by type of loan:

Charge-offs by loan product

	Nine-Month Period Ended			% Change	
	September 30, 2011	September 30, 2010		2011	
	(in millions of Ch\$, except percentages)				
Consumer loans	(125,416)	(91,219)		37.5	%)
Residential mortgage loans	(10,506)	(10,589)		(0.8	%)
Commercial loans	(58,300)	(49,424)		18.0	%)
Total charge-offs	(194,222)	(151,232)		28.4	%)

Recoveries on loans previously charged-off decreased by 32.0% in the nine-month period ended September 30, 2011 compared to the corresponding period in 2010. In previous periods, we have sold charged-off loans to third parties,

recognizing a gain in financial transactions, net. We view this as a more efficient manner to recover value from the older stock of charged-off loans as this decreases our costs of collections; however, this leads to a decrease in recoveries recognized in this line item. The following table shows recoveries by type of loan:

Recovery of loans previously charged-off

	Nine-Month Period Ended		% Change	
	September 30, 2011	2010	2011	
	(in millions of Ch\$, except percentages)			
Consumer loans	9,430	17,067	(44.7	%)
Residential mortgage loans	1,213	1,229	(1.3	%)
Commercial loans	5,376	5,259	2.2	%)
Total recoveries	16,019	23,555	(32.0	%)

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

In some instances, we will sell a portfolio of charged-off loans to a third party. Gain (losses) on these charged-off loans is recognized as net income from financial transactions as disclosed in Note 24 of our Unaudited Condensed Consolidated Interim Financial Statements. The following table sets forth information about our sale of charged-off loans for the nine-month period ended September 30, 2011 and 2010.

Gains on sale of loans previously paid-off

	Nine-Month Period Ended		% Change	
	September 30, 2011	2010	2011	
	(in millions of Ch\$, except percentages)			
Sale of charged-off loans	5,578	3,926	42.1	%)

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

	Nine-Month Period Ended		% Change	
	September 30, 2011	2010	2011	
	(in millions of Ch\$, except percentages)			
Individuals	(157,586)	(144,697)	8.9	%)
Small and mid-sized companies (SME)	(49,450)	(46,255)	8.0	%)
Institutional	(209)	(428)	51.2	%)
Total middle-market (Companies)	(30,021)	(16,536)	81.5	%)
Global banking & markets	4,788	(955)	--	%)
Other	536	45	1,091.1	%)
Total gross provisions	(231,942)	(208,826)	11.1	%)

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

Operating expenses

The following table sets forth information regarding our operating expenses in the nine-month period year ended September 30, 2011 and 2010.

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011	
	(in millions of Ch\$, except percentages)			
Personnel salaries and expenses	(207,380)	(184,921)	12.1	%
Administrative expenses	(122,078)	(109,743)	11.2	%
Depreciation and amortization	(39,638)	(36,227)	9.4	%
Impairment	(109)	(4,665)	(97.7	%)
Other operating expenses	(34,540)	(36,822)	(6.2	%)
Total operating expenses	(403,745)	(372,378)	8.4	%
Efficiency ratio(1)	40.5	% 37.1	%	

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

Operating expenses in the nine-month period ended September 30, 2011 increased 8.4% compared to the corresponding period in 2010. The efficiency ratio was 40.5% in the nine-month period ended September 30, 2011 compared to 37.1% in the same period in 2010.

The 12.1% increase in personnel salaries and expenses was mainly due to higher salaries and headcount. Headcount as of September 30, 2011 totaled 11,706, an increase of 5.9% in the last twelve months. Total salary expenses increased 13.4% to Ch\$132,453 million. The other important rise was in severance expenses, which increased 65.0% in the period being analyzed to Ch\$7,459 million, mainly reflecting severance payments at the management level.

Administrative expenses increased 11.2%. The main reason for this rise in administrative expenses was the greater business activity as well as the expenses related to IT projects being carried out to improve productivity. An additional factor was the 25.5% rise in branch rental expenses to Ch\$16,437 million in the nine month period ended September 30, 2011, since in 2010, the Bank sold 43 branches that are now rented by us.

Depreciation and amortization expense increased 9.4%, mainly due to higher amortization expenses of intangible assets such as software and other computer systems.

The rise in operating expenses was partially offset by the 97.7% decrease in impairment charges. These charges in 2010 included impairment charges directly related to earthquake related effects on our installations.

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

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011	

	(in millions of Ch\$, except percentages)			
Individuals	(237,911)	(214,325)	11.0	%
Small and mid-sized companies	(55,260)	(49,987)	10.5	%
Institutional	(8,232)	(7,463)	10.3	%
Total middle-market	(30,039)	(24,984)	20.2	%
Global banking & markets	(25,788)	(23,354)	10.4	%
Other	(11,975)	(15,443)	(22.5	%)
Total personnel, administrative expense, depreciation and amortization and impairment	(369,205)	(335,556)	10.0	%

By business segments, the 10.0% increase in costs in the nine-month period ended September 30, 2011 compared to the corresponding period in 2010 was mainly due to greater expenses incurred as a result of increased business activity associated with an improved economy, the rise in headcount and salaries and the increase in branch rental expenses. The decrease in Other is mainly due to the decrease in the impairment charges due to the earthquake recognized in 2010.

Other operating expenses

The following table sets forth information regarding other operating expenses in the nine-month periods ended September 30, 2011 and 2010.

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011/2010	
	(in millions of Ch\$, except percentages)			
Reposessed asset expenses	4,291	5,793	(25.9	%)
Credit card expenses	4,819	5,175	(6.9	%)
Customer service expenses	6,998	6,528	7.2	%)
Earthquake related expenses	-	2,544	(100.0	%)
Provision for contingencies	2,644	5,951	(7.3	%)
Other expenses	15,788	10,831	19.2	%)
Total	34,540	36,822	(6.2	%)

Other operating expenses were Ch\$34,540 million in the nine-month period ended September 30, 2011, a 6.2% decrease compared to the same period in 2010. Other operating expenses include provisions and expenses related to reposessed assets, expenses related to our credit card business, customer service expenses mainly related to our call-center and other expenses such as non-credit charge-offs, the cost of insurance policies (mainly life insurance) for products, and tax paid on interest of foreign debt issued by us. The decrease in other expenses was due in part to lower earthquake related expenses, lower expenses related to reposessed assets and lower credit card expenses. Other operating expenses also include provisions for contingencies that may be related to non-specific credits or other impairments such as tax, legal and labor contingencies, which were similar in 2011 and 2010. The 19.2% increase in other expenses was mainly due to higher expenses related to operating charge-offs, mainly robbed or vandalized ATMs.

Income tax

	Nine-Month Period Ended September 30,		% Change	
	2011	2010	2011	
Income before tax	363,004	423,923	(14.4	%)
Income tax	(57,943)	(56,752)	2.1	%)
Effective tax rate(1)	16.0 %	13.4 %		

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

Our income tax expense increased by 2.1% in the nine-month period ended September 30, 2011 compared to the same period in 2010. The effective tax rate paid was 16.0% in the nine-month period ended September 30, 2011 compared to 13.4% in the corresponding period in 2010. The statutory tax rate in Chile in 2011 reached 20% compared to 17% in 2010. The higher effective tax rate in 2011 is mainly due to this rise in the statutory corporate tax rate.

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

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

D. Liquidity and Capital Resources

Sources of Liquidity

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

The following table sets forth our contractual obligations and commercial commitments by time remaining to maturity. As of the date of the filing of this report, we do not have significant purchase obligations. As of September 30, 2011, the scheduled maturities of our contractual obligations and of other commercial commitments, including accrued interest, were as follows:

	Demand (MCh\$)	Up to 1 month (MCh\$)	Between 1 and 3 months (MCh\$)	Between 3 and 12 months (MCh\$)	Subtotal up to 1 year (MCh\$)	Between 1 and 5 years (MCh\$)	More than 5 years (MCh\$)	Subtotal after 1 year (MCh\$)	Total (MCh\$)
Contractual Obligations									
Investments under repurchase agreements	-	222,090	3,957	996	227,043	-	-	-	227,043
Time deposits and other time liabilities	104,667	4,403,631	2,372,548	2,106,023	8,986,869	382,859	25,518	408,377	9,395,246
Financial derivative contracts	-	232,812	137,528	363,897	734,237	547,419	343,618	891,037	1,625,274
Interbank borrowings	195,850	159,220	360,111	1,177,107	1,892,288	132,768	-	132,768	2,025,056
Issued debt instruments	21	549,536	60,660	181,910	792,127	2,302,748	1,418,031	3,720,779	4,512,906
Other financial liabilities	36,995	409	3,508	3,472	44,384	40,225	82,384	122,609	166,993
Total	337,533	5,567,698	2,938,312	3,833,405	12,676,948	3,406,019	1,869,551	5,275,570	17,952,518

Operational Leases

Certain bank premises and equipment are leased under various operating leases. Future minimum rental commitments as of September 30, 2011, under non-cancelable leases are as follows:

As of
September
30, 2011
(in
millions of

	Ch\$)
Due within 1 year	14,489
Due after 1 year but within 2 years	12,942
Due after 2 years but within 3 years	11,594
Due after 3 years but within 4 years	10,302
Due after 4 years but within 5 years	8,533
Due after 5 years	57,283
Total	115,143

Risk-Weighted Assets and Regulatory Capital

We currently have regulatory capital in excess of the minimum requirement under the current Chilean regulations. According to the General Banking Law, a bank is required to have regulatory capital of at least 8% of its risk weighted assets, net of required loan loss allowances, and paid in capital and reserves (i.e., the basic capital, as defined above) of at least 3% of its total assets, net of required loan loss allowances. For these purposes, the regulatory capital of a bank is the sum of (1) the bank's basic capital, (2) subordinated bonds issued by the bank valued at their placement price for an amount up to 50% of its basic capital; provided that the value of the bonds is required to be decreased by 20% for each year that elapses during the period commencing six years prior to their maturity, and (3) its voluntary allowances for loan losses, for an amount of up to 1.25% of its risk weighted assets. Santander Chile does not have goodwill, but if it did, this value would be required to be deducted from regulatory capital. When calculating risk weighted assets, we also include off-balance sheet contingent loans. The merger of Old Santander Chile and Santiago on August 1, 2002 required a special regulatory pre-approval of the SBIF, which was granted on May 16, 2002. The resolution granting this pre-approval imposed a regulatory capital to risk weighted assets ratio of 12% for the merged bank. This requirement was reduced to 11% by the SBIF effective January 1, 2005. For purposes of weighing the risk of a bank's assets, the General Banking Law considers five different categories of assets, based on the nature of the issuer, the availability of funds, and the nature of the assets and the existence of collateral securing such assets.

The following table sets forth our consolidated and risk-weighted assets and regulatory capital as of September 30, 2011 and December 31, 2010.

	Consolidated assets as of		Risk-weighted assets	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(Ch\$ million)			
Asset Balance (Net of allowances)(1)				
Cash and deposits in bank	1,812,784	1,762,198	-	-
Unsettled transactions	816,601	374,368	159,774	126,083
Trading investments	503,813	379,670	60,743	57,588
Investments under resale agreements	12,157	170,985	12,157	98,323
Financial derivative contracts	1,379,903	1,452,068	917,611	871,872
Interbank loans	87,894	69,672	17,579	13,934
Loans and accounts receivables from customers	17,159,790	15,175,975	15,123,033	13,350,182
Available for sale investments	2,104,644	1,473,980	69,870	101,875
Investments in other companies	8,232	7,275	8,232	7,275
Intangibles assets	77,229	77,990	77,229	77,990
Property, plant and equipment	153,116	154,985	153,116	154,985
Current taxes	27,746	12,499	2,775	1,250
Deferred taxes	143,438	117,964	14,344	11,796
Other assets	704,126	640,937	585,649	474,135
Off-balance sheet assets				
Contingent loans	2,937,850	3,173,789	1,752,035	1,897,977
Total	27,929,323	25,044,355	18,954,147	17,245,265

	Ratio (2) (3)			
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
	(Ch\$ million)		%	%
Basic capital	1,927,498	1,831,798	6.90	7.30
Regulatory capital	2,642,682	2,503,898	13.94	14.52

(1) As required by local regulations.

(2) As a percentage of total assets.

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

In line with the future adoption of Basel II regulations in Chile, the SBIF has recently proposed to increase the minimum regulatory capital ratio from 8% to 10%, which would require an amendment to the General Banking Law. Although we currently have a regulatory capital ratio of 13.94%, this change could require us to inject additional capital to our business in the future. According to initial estimates of the impact of market risk on regulatory capital, published by the SBIF, our regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, including an initial estimate of the adjustments for market risk set forth under Basel II was 12.53% as of July 31, 2011, the latest date this figure was published. No assurance can be given that these changes will not have a material impact on our capitalization ratio.

Financial Investments

The following table sets forth our investment in Chilean government and corporate securities and certain other financial investments at the dates indicated. Financial investments that have a secondary market are carried at market value. All other financial investments are carried at acquisition cost, plus accrued interest and indexation readjustments, as applicable. Interest income from the trading portfolio is no longer included as interest income, but as income from trading and mark-to-market of securities.

a) Trading

	As of	
	September 30, 2011	December 31, 2010
	(in millions of Ch\$)	
Chilean Central Bank and Government Securities		
Chilean Central Bank bonds	342,545	247,019
Chilean Central Bank notes	27,589	68,985
Other Chilean Central Bank and government securities	81,040	7,123
Subtotal	451,174	323,127
Other Chilean Securities		
Time deposits in Chilean financial institutions	-	-
Mortgage bonds of Chilean financial institutions	-	-
Chilean financial institutions bonds	-	19,628
Chilean financial institution bonds	25,132	11,404
Other Chilean securities	-	-
Subtotal	25,132	31,032
Foreign Financial Securities	-	-
Other foreign financial instruments	2,654	-
Subtotal	2,654	-
Investments in mutual funds	24,853	-
Funds managed by related entities	-	25,511
Subtotal	24,853	25,511
Total	503,813	379,670

b) Available for sale

	As of	
	September 30, 2011	December 31, 2010
	(in millions of Ch\$)	
Chilean Central Bank and Government Securities		
Chilean Central Bank bonds	448,262	555,981
Chilean Central Bank notes	1,302,975	366,210
Other Chilean Central Bank and government securities	123,386	175,296
Subtotal	1,874,623	1,097,487
Other Chilean Securities		
Time deposits in Chilean financial institutions	149,151	-
Mortgage bonds of Chilean financial institutions	68,673	218,112

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Chilean financial institution bonds	-	-
Other Chilean securities	11,868	-
Chilean corporate bonds	329	147,833
Subtotal	230,021	365,945
Others Financial Securities		
Central Bank and Government Foreign Securities	-	-
Other Foreign financial securities	-	10,548
Subtotal	-	10,548
Total	2,104,644	1,473,980

The following table sets forth an analysis of our investments as of September 30, 2011 by remaining maturity and the weighted average nominal rates of such investments.

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five years but within ten years	Weighted average Nominal Rate	Weighted Average After ten years Nominal Rate		Total	Weighted average Nominal Rate
(in millions of Ch\$, except rates)										
Held for Trading										
Central Bank and Government Securities										
Central Bank bonds	130,110	2.2	197,104	2.2	15,331	0.6	-	-	342,545	5.0
Central Bank notes	20,432	0.2	7,095	0.1	62	0.0	-	-	27,589	0.3
Other Chilean Central Bank and Treasury securities	-	-	34,804	0.3	46,236	1.7	-	-	81,040	2.0
Subtotal	150,542		239,003		61,629				451,174	
Other Chilean Securities										
Mortgage finance bonds	-	-	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	12,281	0.1	15,505	0.7	-	-	27,786	0.8
Subtotal	-	-	12,281		15,505		-		27,786	
Investment in mutual funds										
Mutual funds administered by related parties	24,853	-	-	-	-	-	-	-	24,853	-
Subtotal	24,853		-		-		-		24,853	
Total	175,395		251,284		77,134		-		503,813	

			After one year		After five years						
	Within one year	Weighted average Nominal Rate	but within five years	Weighted average Nominal Rate	years but ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate	
(in millions of Ch\$, except rates)											
Available for sale Investments											
Chilean Central Bank Notes	1,256,346	0.6 %	46,629	0.1 %	-	-- %	-	-- %	1,302,975	0.5 %	
Chilean Central Bank Bonds	106,549	0.6 %	311,542	1.6 %	30,171	3.9 %	-	-- %	448,262	1.5 %	
Chilean Treasury Bonds (Bonos)	-	-- %	-	-- %	-	-- %	-	-- %	-	8.5 %	
Other Chilean Central Bank and Treasury	2,738	0.0 %	38,834	0.8 %	81,563	7.2 %	251	0.5 %	123,386	5.0 %	
Subtotal	1,365,633		397,005		111,734		251		1,874,623		
Other Financial Securities											
Chilean Corporate Bonds	-	-- %	-	-- %	-	-- %	-	-- %	-		
Mortgage Finance Bonds	51	0.0 %	1,885	0.0 %	5,200	0.1 %	61,537	0.9 %	68,673	0.8 %	
Chilean Financial Institutions Bonds	-	-- %	-	-- %	-	-- %	-	-- %	-		
Deposit in Chilean Financial Institutions	148,862	2.2 %	289	0.3 %	-	-- %	-	-- %	149,151	2.2 %	
Other Chilean Securities		-- %	329	7.4 %		-- %	-	-- %	329	7.4 %	
Central Bank and Government Foreign Securities	-	-- %	-	-- %	-	-- %	-	-- %	-		
Others Foreign Securities	-	-- %	11,868	1.6 %	-	-- %	-	-- %	11,868	1.6 %	
Subtotal	148,913		14,731		5,200		61,537		230,021		
Total	1,514,546		441,376		116,934		61,788		2,104,644		

c) Held-to-maturity

No financial investments were classified as held-to-maturity as of September 30, 2011 and December 31, 2010.

Working Capital

As a bank, we satisfy our working capital needs through general funding, the majority of which derives from deposits and other borrowings from the public. (See “Item 3: D. Liquidity and Capital Resources—Deposits and Other Borrowings”). In our opinion, our working capital is sufficient for our present needs.

Liquidity Management

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

Our general policy is to maintain liquidity adequate to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital needs. Our minimum amount of liquidity is determined by the statutory reserve requirements of the Central Bank. Deposits are subject to a statutory reserve requirement of 9% for demand deposits and 3.6% for Chilean peso, UF-denominated and foreign currency denominated time deposits with a term of less than a year. The Central Bank has statutory authority to increase these percentages to up to 40% for demand deposits and up to 20% for time deposits. In addition, a 100% special reserve (reserva técnica) applies to demand deposits, deposits in checking accounts, other demand deposits received or obligations payable on sight and incurred in the ordinary course of business, other than deposits

unconditionally payable immediately. This special reserve requirement applies to the amount by which the total of such deposits exceeds 2.5 times the amount of a bank's regulatory capital. Interbank loans are deemed to have a maturity of more than 30 days, even if payable within the following 10 days.

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

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

We have set other liquidity limits and ratios that minimize liquidity risk. See "Item 9: Quantitative and Qualitative Disclosure About Market Risk."

Cash Flow

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

	Nine-Month Period Ended September 30,	
	2011	2010
	Millions of Ch\$	
Net cash provided by operating activities	713,623	(330,908)

Operating activities provided cash of Ch\$713,623 million in the nine-month period ended September 30, 2011 mainly as a result of a greater rate of growth of deposits and other funding sources compared to loan growth. The Ch\$330,908 million in cash consumed by operating activities in the nine-month period ended September 30, 2010 was mainly due to a higher increase in our loan book and financial investments compared to our deposit base.

	Nine-Month Period Ended September 30,	
	2011	2010
	Millions of Ch\$	
Net cash provided by investing activities	(31,777)	(5,214)

Net cash used in investing activities in the nine-month period ended September 30, 2011 totaled Ch\$31,777 million. The largest consumption of cash involved the purchase of intangible assets mainly software and the purchase of property, plant and equipment. In the nine-month period ended September 30, 2010, the consumption of cash for investing totaled Ch\$5,214 million due to the purchase of intangible assets mainly software and the purchase of property, plant and equipment partially offset by the sale of fixed and intangible assets.

	Nine-Month Period Ended September 30,	
	2011	2010
	Millions of Ch\$	
Net cash provided by financing activities	(289,416)	(258,756)

In the nine-month period ended September 30, 2011, the net cash used by financing activities totaled Ch\$289,416 million and the main consumption being dividends paid. In the nine-month period ended September 30, 2010, the consumption of cash by financing activities was due to similar reasons.

Deposits and Other Borrowings

The following table sets forth our average daily balance of liabilities for the nine-month periods ended September 30, 2011 and 2010, in each case together with the related average nominal interest rates paid thereon.

	September 30, 2011					September 30, 2010				
	Average Balance	% of Total Average Liabilities		Average Nominal Rate		Average Balance	% of Total Average Liabilities		Average Nominal Rate	
	(millions of Ch\$ except percentages)									
Savings accounts	103,142	0.4	%	2.4	%	102,260	0.5	%	0.7	%
Time deposits	8,939,789	37.6	%	3.5	%	7,373,762	35.9	%	2.1	%
Central Bank borrowings	1,985	0.0	%	0.6	%	406,397	2.0	%	0.4	%
Repurchase agreements	207,540	0.9	%	2.3	%	199,076	1.0	%	0.7	%
Mortgage finance bonds	177,887	0.8	%	6.6	%	232,638	1.1	%	5.8	%
Other interest bearing liabilities	6,051,857	25.5	%	3.8	%	4,964,893	24.2	%	3.4	%
Subtotal interest bearing liabilities	15,482,200	65.1	%	3.6	%	13,279,026	64.6	%	2.5	%
Non-interest bearing liabilities										
Non-interest bearing deposits	3,548,298	14.9	%			3,112,688	15.1	%		
Derivatives	1,476,427	6.2	%			1,279,839	6.2	%		
Other non-interest bearing deposits	1,292,787	5.4	%			1,160,984	5.7	%		
Shareholders' equity	1,974,640	8.3	%			1,727,841	8.4	%		
Subtotal non-interest bearing liabilities	8,292,152	34.9	%			7,281,352	35.4	%		
Total liabilities	23,774,352	100.0	%			20,560,378	100.00	%		

Our most important source of funding is our time deposits. Average time deposits represented 37.6% of our average total liabilities and shareholders' equity as of September 30, 2011. Our current funding strategy is to continue to utilize all sources of funding in accordance with their costs, their availability and our general asset and liability management strategy. Special emphasis is being placed on lengthening the maturities of time deposits with institutional clients and increasing in general our deposits from retail customers. We also intend to continue to broaden our customer deposit base and to emphasize core deposit funding. We have also followed the strategy in matching long-term mortgage loan growth with the issuance of senior and subordinated bonds. We believe that broadening our deposit base by increasing the number of account holders has created a more stable funding source.

Composition of Deposits

The following table sets forth the composition of our deposits and similar commitments at September 30, 2011 and December 31, 2010.

	As of September 30, 2011	As of December 31, 2010
	(in millions of Ch\$)	
Demand deposits and other demand obligations		

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Current accounts	3,375,207	3,330,352
Other deposits and demand accounts	363,009	368,934
Other demand obligations	758,541	537,148
Subtotals (1)	4,496,757	4,236,434
Time deposits and other time deposits		
Time deposits	9,291,339	7,154,396
Time saving accounts	102,636	103,191
Other time deposits	1,271	1,170
Subtotals	9,395,246	7,258,757
Total deposits and other commitments	13,892,003	11,495,191

(1) Of which Ch\$81,997 million are from affiliated companies.

Borrowings

The following table presents the long-term and short-term portions of our principal sources of borrowings during the periods indicated.

	As of September 30, 2011		
	Short-term	Long-term	Total
	(in millions of Ch\$)		
Mortgage finance bonds(a)	8,098	159,706	167,804
Senior bonds (b)	658,364	2,827,708	3,486,072
Subordinated bonds (c)	125,665	733,365	859,030
Foreign interbank borrowings (d)	1,892,288	132,768	2,025,056
Other borrowings (e)	44,384	122,609	166,993
Total Borrowings	2,728,799	3,976,156	6,704,955

(a) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a real weighted-average annual interest rate of 5.88% as of September 30, 2011. The following table sets forth the remaining maturities of our mortgage finance bonds at the same date.

	As of September 30, 2011 (in millions of Ch\$)
Due within 1 year	8,098
Due after 1 year but within 2 years	7,406
Due after 2 years but within 3 years	10,749
Due after 3 years but within 4 years	20,632
Due after 4 years but within 5 years	16,258
Due after 5 years	104,661
Total mortgage finance bonds	167,804

(b) Senior Bonds

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

	As of September 2011 (in millions of Ch\$)	December 2010
Santander bonds denominated in UF	1,880,919	1,952,051
Santander bonds denominated in US\$	1,254,136	936,134
Santander bonds denominated in CHF\$	130,737	174,297

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Santander bonds denominated in \$	220,280	248,197
Total bonds	3,486,072	3,310,679

The maturities of these bonds are as follows:

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	As of Sept. 30, 2011 (in millions of Ch\$)
Due within 1 year	658,364
Due after 1 year but within 2 years	668,343
Due after 2 years but within 3 years	541,908
Due after 3 years but within 4 years	315,776
Due after 4 years but within 5 years	535,565
Due after 5 years	766,116
Total bonds	3,486,072

During the nine-month period ended September 30, 2011, the Bank also issued senior bonds for UF 9,718,000 and Ch\$26,800 million in local markets and US\$500 million in international markets, detailed as follows:

Series	Amount	Term	Issue rate	Issue date	Maturity date
FRN (144a)	USD 500,000,000	5 years	Libor (3M) + 125 bp	01-11-2011	01-19-2016
Total	USD 500,000,000				
BSTDFA0410	UF 160,000	4 years	3.0 % annual simple	04-01-2010	04-01-2014
BSTDFD0810	UF 1,274,000	5 years	3.0 % annual simple	09-01-2010	09-01-2015
BSTDFA0810	UF 2,750,000	6 years	3.0 % annual simple	08-01-2010	08-01-2016
BSTDE10211	UF 896,000	5 years	3.0 % annual simple	02-01-2011	04-01-2016
BSTDE20111	UF 3,048,000	7.5 years	3.5 % annual simple	01-01-2011	07-01-2018
BSTDE30111	UF 1,590,000	8.5 years	3.5 % annual simple	01-01-2011	07-01-2019
Total	UF 9,718,000				
BSTDE40611	CLP 26,800,000,000	5 years	6.75% annual simple	06-01-2011	06-01-2016
Total	CLP 26,800,000,000				

(c) Subordinated bonds

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

As of

	September 2011 (in millions of Ch\$)	December 2010
Subordinated bonds denominated in US\$	333,044	244,957
Subordinated bonds linked to the UF	525,986	441,118
Total subordinated bonds	859,030	686,075

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

	As of Sept. 30, 2011 (in millions of Ch\$)
Due within 1 year	125,665
Due after 1 year but within 2 years	5,410
Due after 2 years but within 3 years	5,751
Due after 3 years but within 4 years	170,667
Due after 4 years but within 5 years	4,283
Due after 5 years	547,254
Total bonds	859,030

In the nine-month period ended September 30, 2011, we issued subordinated bonds on the local market for UF 5,100,000, which is broken down as follows:

Bonds Series	Amount	Term	Issue Rate	Issue Date	Maturity Date
G3	UF 3,000,000	25 years	3.9% annual simple	07-01-2010	07-01-2035
G5	UF 2,100,000	20 years	3.9% annual simple	04-01-2011	04-01-2031
Total	UF 5,100,000				

(d) Foreign interbank borrowings

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

	As of September 30, 2011 (in millions of Ch\$)
Due within 1 year	1,892,288
Due after 1 year but within 2 years	132,768
Total loans from foreign financial institutions	2,025,056

(e) Other borrowings

The principal categories of our other borrowings are repurchase agreements, obligations with the Central Bank and other domestic obligations. Central Bank borrowings include credit lines for the renegotiations of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank for the renegotiations of loans due to the need to refinance debts as a result of the economic recession and crisis of the banking system in the early 1980s. The maturities of the outstanding amounts are as follows:

	As of September 30, 2011 (in millions of Ch\$)
Due within 1 year	44,384
Due after 1 year but within 2 years	4,434
Due after 2 years but within 3 years	29,190
Due after 3 years but within 4 years	3,509
Due after 4 years but within 5 years	3,092
Due after 5 years	82,384
Total other borrowings	166,993

Other Off-Balance Sheet Arrangements and Commitments

In the ordinary course of our business, we are party to transactions with off balance sheet risk in the normal course of our business. These transactions expose us to credit risk in addition to amounts recognized in the unaudited condensed consolidated interim financial statements. The most important off-balance sheet item are contingent loans. Contingent loans consist of guarantees granted by us in Chilean peso, UF and foreign currencies (principally US\$), unused letters of credit and commitments to extend credit such as overdraft protection and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to the customer compliance with the contractual terms. Since a substantial portion of these commitments is expected to expire

without being drawn upon, the total amount of commitments does not necessarily represent our actual future cash requirements. We use the same credit policies in making commitments to extend credit as we do for granting loans. In the opinion of our management, our outstanding commitments do not represent an unusual credit risk.

The following table presents the Bank's outstanding contingent loans as of September 30, 2011 and December 31, 2010:

	As of	
	September 30, 2011	December 31, 2010
	(in millions of Ch\$)	
Issued and documented letters of credit	206,536	209,532
Confirmed foreign letters of credit	53,094	85,739
Documented guarantees	888,653	898,751
Other guarantees	153,585	166,550
Subtotals	1,301,868	1,360,572
Lines of credit with immediate availability	4,496,281	4,832,359
Other irrevocable obligations	103,604	129,428
Totals	5,901,753	6,322,359

Asset and Liability Management

Please refer to "Item 9: Quantitative and Qualitative Disclosure about Market Risk—Market Risk Exposure Categories" regarding our policies with respect to asset and liability management.

E. Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with our Unaudited Condensed Interim Consolidated Financial Statements as well as the discussion in the section entitled "Operating and Financial Review and Prospects." The UF is linked to, and is adjusted daily to, reflect changes in the previous month's Chilean consumer price index. See "Item 3: C. Operating Results—Impact of Inflation." The following tables show, by currency of denomination, average balances and, where applicable, interest amounts and real rates for our assets and liabilities for the nine-month periods ended September 30, 2011 and 2010.

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

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

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

Where:

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

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

N_p = nominal average rate for peso-denominated assets and liabilities for the period;

N_d = nominal average rate for foreign currency-denominated assets and liabilities for the period;

D = devaluation rate of the Chilean peso to the U.S. dollar for the period; and

I = inflation rate in Chile for the period (based on the variation of the Chilean Consumer Price Index).

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

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

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

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

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

The following tables show, by currency of denomination, average balances and, where applicable, interest amounts and real rates for our assets and liabilities for the nine-month periods ended September 30, 2011 and 2010.

	Nine-Month Period Ended September 30,							
	2011				2010			
	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Average	Average Real Rate	Average Nominal Rate
(in millions of Ch\$, except for rate data)								
ASSETS								
INTEREST-EARNING ASSETS								
Deposits in Central Bank								
Ch\$	549,267	13,530	(0.5 %)	2.50 %	399,950	3,186	(1.8 %)	0.8 %
UF	-	-	-- %	-- %	-	-	-- %	-- %
Foreign currency	-	-	-- %	-- %	-	-	-- %	-- %
Total	549,267	13,530	(0.5 %)	2.50 %	399,950	3,186	(1.8 %)	0.8 %
Financial investments								
Ch\$	1,566,146	48,599	0.1 %	3.1 %	1,037,887	16,676	(1.0 %)	1.6 %
UF	257,603	18,570	4.1 %	7.2 %	580,310	27,226	2.0 %	4.7 %
Foreign currency	825,968	(16,104)	4.7 %	(1.9)%	635,114	14,421	(4.7 %)	2.3 %
Total	2,649,717	51,065	2.3 %	2.3 %	2,253,311	58,323	(1.3 %)	2.6 %
Commercial loans								
Ch\$	4,523,099	299,084	3.5 %	6.6 %	4,106,786	276,186	3.9 %	6.7 %
UF	3,194,246	188,043	2.8 %	5.9 %	2,757,147	143,823	2.5 %	5.2 %
Foreign currency	1,619,174	31,703	8.9 %	2.0 %	895,681	22,825	(4.4 %)	2.5 %
Total	9,336,519	518,830	4.2 %	5.6 %	7,759,614	442,834	2.4 %	5.7 %
Consumer loans								
Ch\$	2,506,733	395,010	12.4 %	15.8 %	2,048,698	299,408	11.6 %	14.6 %
UF	96,700	6,967	4.1 %	7.2 %	99,444	6,298	3.6 %	6.3 %
Foreign currency	13,591	-	6.8 %	0.0 %	11,212	-	(6.8 %)	0.0 %
Total	2,617,024	401,977	12.1 %	15.4 %	2,159,354	305,706	11.1 %	14.2 %
Mortgage loans								
Ch\$	27,526	345	(1.7 %)	1.3 %	28,605	1,704	3.2 %	6.0 %
UF	4,743,208	277,819	2.8 %	5.9 %	4,212,954	227,838	2.7 %	5.4 %
Foreign currency	-	-	-- %	-- %	-	-	-- %	-- %
Total	4,770,734	278,164	2.8 %	5.9 %	4,241,559	229,542	2.7 %	5.4 %
Interbank loans								
Ch\$	67,542	2,265	0.3 %	3.4 %	37,906	340	(1.7 %)	0.9 %
UF	-	-	-- %	-- %	-	-	-- %	-- %
Foreign currency	6,923	-	6.8 %	0.0 %	1,643	-	(6.8 %)	0.0 %
Total	74,465	2,265	0.9 %	3.1 %	39,549	340	(1.9 %)	0.9 %
Other Outstanding Loans								
Ch\$	22,140	4,596	17.2 %	20.8 %	33,795	5,117	12.1 %	15.1 %
UF	18,258	761	1.1 %	4.2 %	14,759	234	(1.1 %)	1.6 %
Foreign currency	-	-	-- %	-- %	1,877	22	(5.7 %)	1.2 %
Total	40,398	5,357	9.9 %	13.3 %	50,431	5,373	7.6 %	10.7 %
Threshold								
Ch\$	-	-	-- %	-- %	-	-	-- %	-- %
UF	-	-	-- %	-- %	-	-	-- %	-- %
Foreign currency	53,453	90	7.0 %	0.2 %	231,284	298	(6.7 %)	0.1 %
Total	53,453	90	7.0 %	0.2 %	231,284	298	(6.7 %)	0.1 %

Total interest earning assets

(1)

Ch\$	9,262,453	763,429	5.1 %	8.2 %	7,693,627	602,617	5.0 %	7.8 %
UF	8,310,015	492,160	2.8 %	5.9 %	7,664,614	405,419	2.5 %	5.3 %
Foreign currency	2,519,109	15,689	7.5 %	0.6 %	1,776,811	37,566	(4.8 %)	2.1 %
Total	20,091,577	1,271,278	4.4 %	6.3 %	17,135,052	1,045,602	2.9 %	6.1 %

NON-INTEREST-EARNING

ASSETS

Cash

Ch\$	441,930	415,441
UF	-	-
Foreign currencies	16,296	13,466
Total	458,226	428,907

Allowance for loan losses

Ch\$	(531,179)	(432,827)
UF	-	-

	Nine-Month Period Ended September 30,							
	2011				2010			
	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Average	Average Real Rate	Average Nominal Rate
(in millions of Ch\$, except for rate data)								
Foreign currencies	-				-			
Total	(531,179)				(432,827)			
Property, plant and equipment								
Ch\$	161,913				181,461			
UF	40				-			
Foreign currencies	-				-			
Total	161,953				181,461			
Derivatives (1)								
Ch\$	1,570,153				1,422,574			
UF	-				-			
Foreign currencies	-				-			
Total	1,570,153				1,422,574			
Financial investments trading (1)								
Ch\$	170,783				110,900			
UF	442,332				761,062			
Foreign currencies	12,101				22,388			
Total	625,216				894,350			
Other assets								
Ch\$	951,856				705,716			
UF	94,164				65,359			
Foreign currencies	352,387				159,786			
Total	1,398,407				930,861			
Total non-interest earning assets								
Ch\$	2,765,456				2,403,265			
UF	536,536				826,421			
Foreign currencies	380,784				195,640			
Total	3,682,776				3,425,326			
TOTAL ASSETS								
Ch\$	12,027,909	763,429			10,096,892	602,617		
UF	8,846,551	492,160			8,491,035	405,419		
Foreign currencies	2,899,893	15,689			1,972,451	37,566		
Total	23,774,353	1,271,278			20,560,378	1,045,602		
LIABILITIES AND SHAREHOLDERS' EQUITY								
INTEREST-BEARING LIABILITIES								
Savings accounts								
Ch\$	1,141	2	(2.7 %)	0.2 %	1,067	3	(2.2 %)	0.3 %

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UF	102,001	2,478	(0.6 %)	2.4 %	101,193	724	(1.7 %)	0.7 %
Foreign currencies	-	-	-- %	-- %	-	-	-- %	-- %
Total	103,142	2,480	(0.6 %)	2.4 %	102,260	727	(1.7 %)	0.7 %
Time deposits								
Ch\$	4,988,330	200,035	1.0 %	4.0 %	3,833,097	51,103	(1.3 %)	1.3 %
UF	2,135,223	100,986	1.7 %	4.7 %	2,163,557	92,819	1.6 %	4.3 %
Foreign currencies	1,816,236	10,357	7.4 %	0.6 %	1,377,108	9,382	(12.7 %)	0.7 %
Total	8,939,789	311,378	2.5 %	3.5 %	7,373,762	153,304	(2.5 %)	2.1 %
Central Bank borrowings								
Ch\$	919	5	(2.4 %)	0.5 %	404,852	1,633	(2.0 %)	0.4 %
UF	1,066	6	(2.4 %)	0.6 %	1,545	8	(1.9 %)	0.5 %
Foreign currencies	-	-	-- %	-- %	-	-	-- %	-- %
Total	1,985	11	(2.4 %)	0.6 %	406,397	1,641	(2.0 %)	0.4 %
Repurchase agreements								
Ch\$	178,756	4,177	(0.6 %)	2.3 %	141,055	486	(2.1 %)	0.3 %
UF	19,438	653	0.3 %	3.4 %	55,878	970	(0.7 %)	1.7 %

	Nine-Month Period Ended September 30,							
	2011				2010			
	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Average	Average Real Rate	Average Nominal Rate
	(in millions of Ch\$, except for rate data)							
Foreign currencies	9,346	22	7.0 %	0.2 %	2,143	1	(13.3 %)	0.1 %
Total	207,540	4,852	(0.2 %)	2.3 %	199,076	1,457	(1.8 %)	0.7 %
Mortgage finance bonds								
Ch\$	-	-	-- %	-- %	-	-	-- %	-- %
UF	177,887	11,817	3.5 %	6.6 %	232,638	13,584	3.3 %	5.8 %
Foreign currencies	-	-	-- %	-- %	-	-	-- %	-- %
Total	177,887	11,817	3.5 %	6.6 %	232,638	13,584	3.3 %	5.8 %
Other interest-bearing liabilities								
Ch\$	352,891	48,594	10.5 %	13.8 %	105,485	18,677	14.8 %	17.7 %
UF	2,395,448	156,407	3.4 %	6.5 %	2,017,463	114,963	3.1 %	5.7 %
Foreign currencies	3,303,518	27,585	7.7 %	0.8 %	2,841,945	33,395	(12.3 %)	1.2 %
Total	6,051,857	232,586	6.2 %	3.8 %	4,964,893	167,035	(5.5 %)	3.4 %
Total interest-bearing liabilities								
Ch\$	5,522,037	252,813	1.5 %	4.6 %	4,485,556	71,902	(0.9 %)	1.6 %
UF	4,831,063	272,347	2.6 %	5.6 %	4,572,274	223,068	2.3 %	4.9 %
Foreign currencies	5,129,100	37,964	7.6 %	0.7 %	4,221,196	42,778	(12.4 %)	1.0 %
Total	15,482,200	563,124	3.9 %	3.6 %	13,279,026	337,748	(3.4 %)	2.5 %
NON-INTEREST-BEARING LIABILITIES								
Non-interest-bearing demand deposits								
Ch\$	3,519,024				3,095,549			
UF	16,441				15,114			
Foreign currencies	12,833				2,025			
Total	3,548,298				3,112,688			
Derivatives								
Ch\$	1,476,428				1,279,839			
UF	-				-			
Foreign currencies	-				-			
Total	1,476,428				1,279,839			
Other non-interest-bearing liabilities								
Ch\$	618,899				514,729			
UF	288,867				348,744			
Foreign currencies	385,021				297,511			
Total	1,292,787				1,160,984			
Shareholders' Equity								
Ch\$	1,974,640				1,727,841			
UF	-				-			
Foreign currencies	-				-			
Total	1,974,640				1,727,841			

Total non-interest-bearing liabilities and shareholders' equity				
Ch\$	7,588,991		6,617,958	
UF	305,308		363,858	
Foreign currencies	397,854		299,536	
Total	8,292,153		7,281,352	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				
Ch\$	13,111,028	252,813	11,103,514	71,902
UF	5,136,371	272,347	4,936,132	223,068
Foreign currencies	5,526,954	37,964	4,520,732	42,778
Total	23,774,353	563,124	20,560,378	337,748

(1) Associated interest is recorded as a gain in financial transactions.

Interest-Earning Assets: Net Interest Margin

The following table analyzes, by currency of denomination, the levels of average interest-earning assets and net interest earned by Santander-Chile, and illustrates the comparative margins obtained, for each of the nine-month periods ended September 30, 2011 and 2010.

	Nine-Month Period Ended September 30,			
	2011		2010	
	(in millions of Ch\$)			
Total average interest-earning assets				
Ch\$	9,262,453		7,693,627	
UF	8,310,015		7,664,614	
Foreign currencies	2,519,109		1,776,811	
Total	20,091,577		17,135,052	
Net interest earned (1)				
Ch\$	510,616		530,715	
UF	219,813		182,351	
Foreign currencies	(22,275)		(5,212)	
Total	708,154		707,854	
Net interest margin (2)				
Ch\$	7.4	%	9.2	%
UF	3.5	%	3.2	%
Foreign currencies	(1.2	%)	(0.4	%)
Total	4.7	%	5.5	%

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

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

Return on Equity and Assets; Dividend Payout

The following table presents certain information and selected financial ratios for Santander-Chile for the nine-month periods ended September 30, 2011 and 2010.

Ch\$ million	Nine-Month Period ended September 30,			
	2011		2010	
Net income	305,061		367,171	
Average total assets	23,771,353		20,560,378	
Average equity	1,974,640		1,727,841	
Net income (1) as a percentage of:				
Average total assets	1.7	%	2.4	%
Average equity	20.6	%	28.3	%
Average equity as a percentage of:				
Average total assets	8.3	%	8.4	%

(1)

Annualized

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

Year	Dividend Ch\$ mn	Per share Ch\$/share (1)	Per ADR Ch\$/ADR (2)	% over earnings (3)	% over earnings (4)
2010	258,752	1.37	1,426.63	60	60
2011	286,294	1.52	1,579.28	60	57

(1)

Calculated on the basis of 188,446 million shares.

- (2) Calculated on the basis of 1,039 shares per ADS.
- (3) Calculated by dividing dividend paid in the year by net income attributable to shareholders for the previous year under Chilean Bank GAAP
- (4) Calculated by dividing dividend paid in the year by net income attributable to shareholders for the previous year under IFRS.

Loan Portfolio

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

	As of	
	September 30, 2011	December 31, 2010
	(Ch\$ million)	
Commercial Loans:		
Commercial loans	7,147,476	6,107,117
Foreign trade loans	1,058,228	783,552
Loans with mortgage guarantee	56,343	67,956
Factoring operations	242,753	206,140
Leasing contracts	1,231,720	1,122,916
Other loans and accounts receivables from customers	1,757	17,948
Subtotal	9,738,277	8,305,629
Mortgage loans:		
Draft loans	171,589	138,094
Mortgage finance bonds	119,573	184,364
Other mortgage mutual loans	4,725,258	4,328,679
Leasing contracts	-	-
Subtotal	5,016,420	4,651,137
Consumer loans:		
Installment consumer loans	1,715,815	1,604,603
Credit card loans	906,769	794,216
Consumer leasing contracts	3,746	3,735
Other consumer loans	299,329	298,236
Subtotal	2,925,659	2,700,790
Subtotal Loans to customers	17,680,356	15,657,556
Interbank loans	88,038	69,726
Total	17,768,394	15,727,282

Our loan categories are as follows:

Commercial loans

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

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

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

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

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

Other outstanding loans include other loans and accounts payable.

Residential mortgage loans

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

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

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

Consumer loans

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

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

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

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

Non-client loans

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

Maturity and Interest Rate Sensitivity of Loans

The following table sets forth an analysis by type and time remaining to maturity of our loans at September 30, 2011.

	Due in 1 year or less	Due after 1 year through 5 years (in millions of Ch\$)	Due after 5 years	Total balance at September 30, 2011
General commercial loans	3,024,650	2,738,385	1,384,441	7,147,476
Foreign trade loans	916,179	101,445	40,604	1,058,228
Leasing contracts	289,148	592,504	350,068	1,231,720
Other outstanding loans	300,853	-	-	300,853
Subtotal commercial loans	4,530,830	3,432,334	1,775,113	9,738,277
Residential loans backed by mortgage bonds	23,798	45,391	50,384	119,573
Other residential mortgage loans	278,917	904,214	3,713,716	4,896,847
Subtotal residential mortgage loans	302,715	949,605	3,764,100	5,016,420
Consumer loans	1,483,951	1,326,543	115,165	2,925,659
Subtotal	6,317,496	5,708,482	5,654,378	17,680,356
Interbank loans	88,038	-	-	88,038
Total loans	6,405,534	5,708,482	5,654,378	17,768,394

The following tables present the interest rate sensitivity of outstanding loans due after one year at September 30, 2011. (See also “Item 3: C. Operating Results—Interest Rates”).

	As of September 30, 2011 (in millions of Ch\$)
Variable Rate	
Ch\$	-
UF	2,008,312
Foreign currencies	156
Subtotal	2,008,468
Fixed Rate	
Ch\$	3,310,717
UF	5,359,339
Foreign currencies	684,336
Subtotal	9,354,392
Total	11,362,860

Loans by Economic Activity

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

Foreign loans as of, Total loans as of,

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	Domestic loans (*) as of,				% of total loans as of,			
	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011, %	Dec. 31, 2010, %
	(in millions of Ch\$)							
Commercial loans								
Manufacturing	987,830	838,324	-	-	987,830	838,324	5.56	5.33
Mining	281,259	106,119	-	-	281,259	106,119	1.58	0.67
Electricity, gas and water	264,924	149,907	-	-	264,924	149,907	1.49	0.95
Agriculture and livestock	762,510	679,159	-	-	762,510	679,159	4.29	4.32
Forestry	88,291	84,375	-	-	88,291	84,375	0.50	0.54
Fishing	166,995	133,930	-	-	166,995	133,930	0.94	0.85
Transport	502,786	449,508	-	-	502,786	449,508	2.83	2.86
Communications	260,871	214,881	-	-	260,871	214,881	1.47	1.37
Construction	953,090	839,316	-	-	953,090	839,316	5.36	5.34
Commerce	2,067,261	1,732,800	88,029	69,709	2,155,290	1,802,509	12.13	11.46
Services	375,543							