

BANCO SANTANDER CHILE
Form 20-F
June 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-14554

BANCO SANTANDER-CHILE

(d/b/a Santander, Banco Santander, Banco Santander Santiago, and Santander Santiago)
(Exact name of Registrant as specified in its charter)

SANTANDER-CHILE BANK

(d/b/a Santander, Banco Santander, Santander Santiago Bank, and Santander Santiago)
(Translation of Registrant's name into English)

Chile

(Jurisdiction of incorporation)

Bandera 140

Santiago, Chile

Telephone: 011-562 320-2000

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares ("ADS"), each representing the right to receive 1,039 Shares of Common Stock without par value	New York Stock Exchange
Shares of Common Stock, without par value*	New York Stock Exchange

*

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Santander-Chile's shares of common stock are not listed for trading, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

7.375% Subordinated Notes due 2012

The number of outstanding shares of each class of common stock of Banco Santander-Chile at December 31, 2008, was:

188,446,126,794 Shares of Common Stock, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-Accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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CAUTIONARY STATEMENT CONCERNING
FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report on Form 20-F that constitute forward looking statements within the meaning of 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:
 - 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 Annual Report which contain forward-looking statements include, without limitation, “Item 3: Key Information—Risk Factors,” “Item 4: Information on the Company—Strategy,” “Item 5: Operating and Financial Review and Prospects,” “Item 8: Financial Information—Legal Proceedings,” and “Item 11: 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,” “objective,” “future” or similar expressions.

You should understand that the following important factors, in addition to those discussed elsewhere in this Annual 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 Central Bank
 - inflation
 - deflation
 - unemployment

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- 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 that they were made. The forward looking statements contained in this document speak only as of the date of this Annual 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

As used in this Annual Report, “Santander-Chile”, “the Bank”, “we,” “our” and “us” refer to Banco Santander-Chile 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 Annual Report, the term “billion” means one thousand million (1,000,000,000).

In this Annual 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 5: Operating and Financial Review and Prospects” and Note 1(d) to the Audited Consolidated Financial Statements.

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In this Annual Report, references to the Audit Committee are to the Bank's Comité de Directores y Auditoría.

In this Annual 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 prepares its audited consolidated financial statements in accordance with generally accepted accounting principles in Chile and the rules of the Superintendencia de Bancos e Instituciones Financieras de Chile (the Superintendency of Banks and Financial Institutions, which is referred to herein as the "Superintendency of Banks"), which together differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). References to "Chilean GAAP" in this Annual Report are to generally accepted accounting principles in Chile, as supplemented by the applicable rules of the Superintendency of Banks. Our consolidated financial statements have been translated into English, certain reclassifications have been made and certain subtotals and clarifying account descriptions have been added in order to present them in accordance with the requirements of U.S. Securities Act of 1933, as amended, or the Securities Act, and the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. See Note 27 to the audited consolidated financial statements of Santander-Chile as of December 31, 2007 and 2008, and for the years ended December 31, 2006, 2007 and 2008, contained elsewhere in this Annual Report (together with the notes thereto, the "Audited Consolidated Financial Statements") for a description of the significant differences between Chilean GAAP and U.S. GAAP, as they relate to Santander-Chile, and a reconciliation to U.S. GAAP of net income and shareholders' equity.

On November 9, 2007, the Superintendency of Banks issued Circular No. 3410, which became effective on January 1, 2008, requiring the application of the new presentation format for consolidated financial statements. Santander-Chile consolidated annual financial statements as of and for the year ended December 31, 2008 included in the Audited Consolidated Financial Statements have been prepared under Chilean GAAP and the new financial statement models. Such consolidated annual financial statements are the first annual financial statements prepared by Santander-Chile on such basis. The information as of and for the years ended December 31, 2007 and 2006 contained in the Audited Consolidated Financial Statements is presented on the same basis as the information as of and for the year ended December 31, 2008. The selected consolidated financial information included herein as of and for the year ended December 31, 2008, together with selected consolidated financial information as of and for the years ended December 31, 2007, 2006, 2005 and 2004 are derived from, and presented on the same basis as in, the Audited Consolidated Financial Statements and should be read together with the Audited Consolidated Financial Statements. As the Audited Consolidated Financial Statements and such selected consolidated financial information have been prepared under Chilean GAAP and the new financial statement models, they are not directly comparable with financial information prepared by Santander-Chile as of and for the years ended December 31, 2007 and 2006 included in our Annual Report for 2007 on Form 20-F.

Preparation of the Audited Consolidated Financial Statements under Chilean GAAP and taking into consideration the new financial statement models required by Circular No. 3410 affected both the "Net Income" line item in the consolidated statement of income and the "Total Shareholders' Equity" line item. As required by Circular No. 3410, total shareholders' equity and net income includes the equity attributable to the shareholders of both the parent company and the minority interest. Unless otherwise indicated herein, as used hereafter "the rules of the Superintendency of Banks" refers to such rules as amended or supplemented from time to time, including by Circular No. 3410.

Currency

Pursuant to Chilean GAAP, amounts expressed in the Audited Consolidated Financial Statements and all other amounts included elsewhere throughout this Annual Report for all periods expressed in Chilean pesos are expressed in constant Chilean pesos as of December 31, 2008. See Note 1.c to the Audited Consolidated Financial Statements.

Loans

Unless otherwise specified, all references herein (except in the Audited Consolidated 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 Superintendency of Banks. Non-performing loans include loans for which either principal or interest is overdue, and which do not accrue interest. Restructured loans for which no payments are overdue are not ordinarily classified as non-performing loans. Past due loans include, with respect to any loan, only the portion of principal and interest that is overdue for 90 or more days, and do not include the installments of such loan that are not overdue or that are

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overdue for less than 90 days, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days after initiation of such proceedings. This practice differs from that normally followed in the United States, where the amount classified as past due would include the entire amount of principal and interest on any and all loans which have any portion overdue. See “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio Based on the Borrower’s Payment Performance.”

According to the regulations established by the Superintendency of Banks, Santander-Chile is required to charge-off commercial loan installments no later than 24 months after being classified as past due, if unsecured, and if secured, no later than 36 months after being classified as past due. When an installment of a past due corporate loan (whether secured or unsecured) is charged-off, we must charge-off all installments which are overdue, notwithstanding our right to charge-off the entire amount of the loan. Once any amount of a loan is charged off, each subsequent installment must be charged off as it becomes overdue, notwithstanding our right to charge-off the entire amount of the loan. In the case of past due consumer loans, a similar practice applies, except that after the first installment becomes three months past due, Santander-Chile must charge-off the entire remaining part of the loan. We may charge-off any loan (whether commercial or consumer) before the first installment becomes overdue, but only in accordance with special procedures established by the Superintendency of Banks. Loans are charged off against the loan loss reserve to the extent of any required allowances for such loans; the remainder of such loans is charged off against income. See “Item 5: F. Selected Statistical Information—Analysis of Loan Loss Allowance.”

Outstanding loans and the related percentages of Santander-Chile’s loan portfolio consisting of corporate and consumer loans in the section entitled “Item 4: C. Business Overview” are categorized based on the nature of the borrower. Outstanding loans and related percentages of the loan portfolio of Santander-Chile consisting of corporate and consumer loans in the section entitled “Item 5: F. Selected Statistical Information” are categorized in accordance with the reporting requirements of the Superintendency of Banks, which are based on the type and term of loans.

Effect of Rounding

Certain figures included in this Annual Report and in the Audited Consolidated Financial Statements have been rounded for ease of presentation. Percentage figures included in this Annual 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 Annual Report may vary from those obtained by performing the same calculations using the figures in the Audited Consolidated Financial Statements. Certain other amounts that appear in this Annual Report may not sum due to rounding.

Economic and Market Data

In this Annual Report, unless otherwise indicated, all macroeconomic data related to the Chilean economy is based on information published by the Banco Central de Chile (the “Central Bank”), and all market share and other data related to the Chilean financial system is based on information published by the Superintendency of Banks 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 Annual 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 Audited Consolidated 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 year end or for any full year have been translated from Chilean pesos based on the interbank market rate published by Reuters at 1:30pm on the last business day of the year. The market rate informed by Reuters on December 31, 2008, was Ch\$641.25 per US\$1.00. Our subsidiaries use the first observed exchange rate published by the Central Bank for 2009 on January 2, 2009. The observed exchange rate reported by the Central Bank on December 31, 2008, was Ch\$629.11 per US\$1.00 and Ch\$636.45 on January 2, 2009. 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 3: A. Selected Financial Data—Exchange Rates.”

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. 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 Consolidated Financial Statements appearing elsewhere in this Annual Report. Our Audited Consolidated Financial Statements are prepared in accordance with Chilean GAAP, which differs in certain significant respects from U.S. GAAP. Note 27 to our Audited Consolidated Financial Statements provides a description of the material differences between Chilean GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of net income for the years ended December 31, 2006, 2007 and 2008, and shareholders' equity at December 31, 2007 and 2008.

We have selected the following financial information from our consolidated financial statements. You should read this information in connection with, and this information is qualified in its entirety by reference to, our consolidated financial statements included in this Annual Report. The formats of the consolidated financial statements presented in this report differ only with respect to presentation criteria from those presented in our 2007 Annual Report, because the former were prepared in accordance with the models contained in Circular No. 3410 issued by the Superintendency of Banks, which became effective on January 1, 2008, which prescribed new accounting formats for financial statements. This required reclassifying certain gains and losses among line items in the income statement as well as assets and liabilities, but did not involve a change in accounting standards. We have restated the figures for the twelve month period ended December 31, 2004, 2005, 2006 and 2007 in order to make them comparable to the 2008 figures.

	At and for the years ended December 31,					
	2004	2005	2006	2007	2008	2008
						(in thousands of US\$)(1)
	(in millions of constant Ch\$ of December 31, 2008)(1)					
CONSOLIDATED INCOME STATEMENT DATA						
Chilean GAAP:						
Net interest revenue (3)	513,656	566,998	635,821	775,758	897,041	1,398,000
Provision for loan losses	(92,605)	(77,959)	(142,956)	(224,667)	(285,953)	(445,000)
Fee income	190,738	192,362	197,647	217,857	223,593	348,000
Operating costs (4)	(333,783)	(343,739)	(381,762)	(401,470)	(423,055)	(659,000)
Other income, net (3) (5)	(88,521)	(110,647)	93,620	30,921	(16,881)	(26,000)

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Income before taxes	189,485	227,015	402,370	398,399	394,745	615,000
Income tax	(56,843)	(59,531)	(68,088)	(60,075)	(63,728)	(99,000)
Net income	246,328	286,546	334,282	338,324	331,017	516,000
Net income attributable to:						
Net income attributable to shareholders	246,102	286,387	334,106	336,086	328,146	511,000
Minority interest	226	159	176	2,238	2,871	4,000
Net income attributable to shareholders per share	1.31	1.52	1.77	1.78	1.74	2.00
Net income attributable to shareholders per ADS (7)	1,356.89	1,579.00	1,842.10	1,853.01	1,809.24	2,820.00
Dividends per share (8)	1.05	0.83	0.99	1.06	1.13	1.00
Dividends per ADS (8)	1,096.06	859.07	1,023.46	1,106.12	1,176.00	1,830.00
Weighted-average shares outstanding (in millions)	188,446.13	188,446.13	188,446.13	188,446.13	188,446.13	
Weighted-average ADS outstanding (in millions)	181.373	181.373	181.373	181.373	181.373	
U.S. GAAP:						
Net interest income (9)	555,342	660,825	666,060	763,559	960,615	1,498,000
Provision for loan losses	(80,635)	(77,132)	(142,956)	(234,226)	(285,953)	(445,000)

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	2004	2005	2006	At and for the years ended December 31,		
				2007	2008	2008
	(in millions of constant Ch\$ of December 31, 2008)(1)					
	(in thousands of US\$)(1)(2)					
CONSOLIDATED INCOME STATEMENT DATA						
Net income	246,266	270,059	276,002	247,839	332,942	519,208
Net income per Share (10)	1.31	1.43	1.46	1.32	1.77	2.76
Net income per ADS (7)(10)	1,357.79	1,488.97	1,521.74	1,366.46	1,835.68	2,862.66
Weighted-avg. shares outstanding (in millions)	188,446.13	188,446.13	188,446.13	188,446.13	188,446.13	-
Weighted-avg. ADS outstanding (in millions)	181.373	181.373	181.373	181.373	181.373	-
CONSOLIDATED BALANCE SHEET DATA						
Chilean GAAP:						
Cash and balances from the Central Bank						
	541,871	1,161,354	1,081,033	1,206,985	854,838	1,333,081
Financial investments (11)	2,462,914	1,492,792	1,223,661	2,072,872	2,741,871	4,275,822
Loans (not contingent)	9,592,801	11,039,535	12,623,992	13,398,281	14,700,374	22,924,560
Loan loss allowance	214,522	176,657	203,640	250,887	285,505	445,232
Derivatives (12)	-	489,954	436,013	850,186	1,846,509	2,879,546
Other assets (12)	172,211	206,011	294,397	516,238	520,348	811,458
Total assets	14,940,682	15,647,339	16,171,717	18,542,877	21,137,134	32,962,392
Deposits	2,822,164	2,591,113	2,838,774	3,123,803	2,949,757	4,600,011
Other interest bearing liabilities	12,270,645	13,043,892	8,083,344	8,589,131	9,756,266	15,214,450
Derivatives (12)	0	458,400	416,399	847,401	1,469,724	2,291,967
Equity (13)	1,278,858	1,294,126	1,458,719	1,587,714	1,602,610	2,499,197
Shareholders' equity (14)	1,277,275	1,292,483	1,456,939	1,565,885	1,578,045	2,460,889
U.S. GAAP:						
Total assets (9)	13,565,343	14,936,809	17,046,240	19,323,821	21,928,984	34,197,246
Long-term borrowings	2,234,567	1,705,669	1,855,024	1,473,041	2,347,380	3,660,632
Shareholders' equity	2,283,901	2,267,885	2,362,827	2,392,095	2,512,447	3,918,048
Goodwill	943,561	943,561	943,561	943,561	943,561	1,471,440

	At and for the year ended December 31,				
	2004	2005	2006	2007	2008
CONSOLIDATED RATIOS					

Chilean GAAP:

Profitability and performance:

Net interest margin (15)	3.9%	4.1%	4.7%	5.6%	5.7%
Return on average total assets (16)	1.7%	1.8%	2.1%	1.9%	1.8%
Return on average equity (17)	20.3%	24.1%	24.8%	23.6%	24.0%

Capital:

Average equity as a percentage of average total assets (18)	8.2%	7.4%	8.3%	8.2%	7.4%
Total liabilities as a multiple of equity (18)	10.7	11.1	10.1	10.7	12.2

Credit Quality:

Substandard loans as a percentage of total loans (19)	4.13%	2.88%	3.20%	3.54%	4.63%
Allowance for loan losses as percentage of total loans (20)	2.24%	1.60%	1.61%	1.87%	1.94%
Past due loans as a percentage of total loans (21)	1.69%	1.15%	0.86%	0.95%	1.09%

Operating Ratios:

Operating expenses /operating revenue (22)	44.0%	41.5%	43.1%	39.4%	38.0%
Operating expenses /average total assets (23)	2.2%	2.1%	2.6%	2.6%	2.5%
Ratio of earnings to fixed charges (24):					
Including interest on deposits	1.77	1.65	1.61	1.43	1.34
Excluding interest on deposits	2.26	2.46	2.56	2.22	1.89

U.S. GAAP(25):

Profitability and performance:

Net interest margin (26)	4.3%	4.8%	4.9%	5.5%	6.1%
Return on average total assets (27)	1.7%	1.7%	1.7%	1.4%	1.8%
Return on average shareholders' equity (28)	20.3%	22.7%	20.5%	17.3%	24.2%

Ratio of earnings to fixed charges (24):

Including interest on deposits	1.87	1.71	1.60	1.38	1.38
Excluding interest on deposits	2.43	2.51	2.52	1.99	1.90

OTHER DATA

Inflation Rate(29)	2.4%	3.7%	2.6%	7.8%	7.1%
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	At and for the year ended				
	2004	2005	2006	2007	2008
Revaluation (devaluation) rate (Ch\$/US\$) at period end (29)	(6.6%)	(8.1%)	3.9%	(7.2%)	26.9%
Number of employees at period end	7,380	7,482	8,184	9,174	9,169
Number of branches and offices at period end (30)	315	364	413	464	477

- (1) Except per share data, percentages and ratios, share numbers, employee numbers and branch numbers.
- (2) Amounts stated in U.S. dollars at and for the year ended December 31, 2008, have been translated from Chilean pesos at the interbank market exchange rate of Ch\$641.25 = US\$1.00 as of December 31, 2008. See “Item 3: A. Selected Financial Data—Exchange Rates” for more information on the observed exchange rate.
- (3) In accordance with Circular No. 3345 issued by the Superintendency of Banks, which became effective on June 30, 2006, the accounting standards for valuing financial instruments acquired for trading or investment purposes, including derivative instruments on the balance sheets, were amended. The new accounting standards require that these instruments be carried at their market or fair value, and the historical differences in valuation of such instruments recognized with respect to any dates prior to 2006 be adjusted directly against the Bank’s equity. Banks were required to adopt the new accounting standards set forth in Circular No. 3345 in preparing their financial statements at and for the six-months ended June 30, 2006, and going forward. In order to implement these new accounting standards, we have created a new line item “derivatives” under both “assets” and “liabilities” in our consolidated balance sheet, and reclassified certain other items within other assets, other liabilities, financial instruments, interest income, interest expenses and other operating income, net, in our consolidated balance sheet and income statement at and for the year ended December 31, 2006, 2007 and 2008. For comparison purposes, we have also retrospectively reclassified these items at December 31, 2005, but did not retrospectively apply the new accounting standards to these items. We did not reclassify any of these items at any date or for any period prior to 2005. See “Item 5: A. Accounting Standards for Financial Investments and Derivatives.”
- (4) Operating costs is equal to the sum of personnel expenses, administrative expenses and depreciation and amortizations.
- (5) Other income, net is the sum of other operating income, other operating expenses, net gains (losses) from mark-to-market and trading and foreign exchange transactions, loss from price level restatement and investment in other companies.
- (7) 1 ADS = 1,039 shares of common stock.
- (8) The dividend per share and dividend per ADS in year t is calculated as the dividend approved and paid to shareholders in period t+1 divided by the number of shares outstanding at the end of the applicable period in period t. Dividends per ADS has been calculated on the basis of 1,039 shares per ADS and does not reflect any deduction for Chilean withholding taxes or for the foreign currency expenses of the Depositary.
- (9)

Net interest income and total assets on a U.S. GAAP basis have been determined by applying the relevant U.S. GAAP adjustments to net interest income and total assets presented in accordance with Article 9 of Regulation S-X. See Note 28 to our Consolidated Financial Statements at and for the years ended December 31, 2004, 2005, 2006, 2007 and Note 27 to the Audited Consolidated Financial Statements for the twelve-month period ended December 31, 2008, included in our Annual Report on Form 20-F.

- (10) Net income per share and per ADS in accordance with U.S. GAAP has been calculated on the basis of the weighted-average number of shares or ADSs, as applicable, outstanding during the period.
- (11) Includes financial investment held for trading, repos, financial investments available for sale and financial investments held to maturity.
- (12) For figures at December 31, 2006, 2007 and 2008, derivatives are valued at market price and classified as a separate line item on the balance sheet. Our derivatives holdings at December 31, 2005, have been reclassified from "other assets" and "other liabilities" to "derivatives", but have not been marked to market as would be required under currently applicable accounting principles. At prior dates, derivatives are classified under "other assets" or "other liabilities", and generally recorded at net notional amount. See Note 1 to the Audited Consolidated Financial Statements.
- (13) Equity includes shareholders' equity plus minority interest. Equity is calculated according to the new guidelines established in Circular No. 3410 issued by the Superintendency of Banks. According to this new format, equity must include minority interest and a minimum provision for mandatory dividends equal to 30% of net income.
- (14) Shareholders' equity is calculated according to the new guidelines established in Circular No. 3410 issued by the Superintendency of Banks. The main difference being the provision for mandatory dividends equal to 30% of net income.
- (15) Net interest revenue divided by average interest earning assets (as presented in "Item 5: F. Selected Statistical Information").
- (16) Net income divided by average total assets (as presented in "Item 5: F. Selected Statistical Information").
- (17) Net income divided by average equity (as presented in "Item 5: F. Selected Statistical Information").
- (18) This ratio is calculated using total equity including minority interest.

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- (19) Substandard loans include all consumer and mortgage loans rated B- or worse and all commercial loans rated C2 or worse. See “Item 5: F. Selected Statistical Information—Analysis of Substandard Loans and Amounts Past Due.”
- (20) Total loans exclude contingent loans.
- (21) Past due loans are loans the principal or interest amount of which is overdue for 90 or more days, and do not include the installments of such loans that are not overdue or that are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan. Total loans exclude contingent loans.
- (22) The efficiency ratio is equal to operating expenses over operating revenue. Operating expenses includes personnel expenses, administrative expenses, depreciation and amortizations, and other operating expenses. Operating revenue includes net interest revenue, fee income, net gain (loss) from mark-to-market and trading, foreign exchange transactions and other operating income.
- (23) Operating expenses includes personnel expenses, administrative expenses, depreciation and amortizations, and other operating expenses.
- (24) For the purpose of computing the ratios of earnings to fixed charges, earnings consist of earnings before income tax and fixed charges. Fixed charges consist of gross interest expense and the proportion deemed representative of the interest factor of rental expense.
- (25) The following ratios have been calculated using U.S. GAAP figures except for net interest margin.
- (26) Net interest margin has been determined by applying the relevant U.S. GAAP adjustments to net interest income for the years ended December 31, 2004, 2005, 2006, 2007 and 2008, presented in accordance with Article 9 of Regulation S-X divided by average interest earning assets calculated on a Chilean GAAP basis. See Note 28(y) to our Consolidated Financial Statements at and for the years ended December 31, 2004 and 2005, and Note 28(v) to our Consolidated Financial Statements for the years ended December 31, 2006 and 2007 and Note 27(v) to the Audited Consolidated Financial Statements for the twelve-month period ended December 31, 2008.
- (27) Net income divided by average total assets. Average total assets were calculated as an average of the beginning and ending balances for each year, and total assets on a U.S. GAAP basis have been determined by applying the relevant U.S. GAAP adjustments to total assets presented in accordance with Article 9 of Regulation S-X. See Note 27 to the Audited Consolidated Financial Statements.
- (28) Average shareholders’ equity was calculated as an average of the beginning and ending balances for each year. Shareholders’ equity on a U.S. GAAP basis has been determined by applying the relevant U.S. GAAP adjustments to shareholders’ equity presented in accordance with Article 9 of Regulation S-X. See Note 27 to the Audited Consolidated Financial Statements.
- (29) Based on information published by the Central Bank.
- (30) Figures prior to 2005 do not include special payment centers.

New Accounting Format in 2008

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Circular No. 3410 issued by the Superintendence of Banks, which became effective on January 1, 2008, prescribed new accounting formats for financial statements. The new accounting formats are congruent with International Accounting Standards, but do not involve a change in accounting standards. Banks are required to adopt the new accounting formats in 2008. The main changes are presented in the table below.

Main changes	Previous format	New format
Income statement	Items that were re-classified	Where items have been reclassified
Net interest income	1 Interest income contingent operations 2 Interest income trading portfolio	5 Interest income efficient portion of derivatives for hedging inflation and interest rate risk
Provision expense	3 Provisions for repossessed assets 4 Sale of charge-off loans	
Fee income		1 Interest income contingent operations
Financial transactions, net	5 Interest income efficient portion of derivatives for hedging inflation and interest rate risk	2 Interest income trading portfolio 4 Sale of charge-off loans
Other op. expenses	6 Sales force expenses	3 Provisions for repossessed assets
Operating expenses		6 Sales force expenses in administrative expenses

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Main changes	Previous format	New format
Balance sheet	Items that change	What change will be
Assets	1 Contingent loans	1 Contingent loans are held off balance sheet
	2 Past due loans	2 Included in each loan product. Not disclosed separately. We disclose it for information purposes
	3 Loan loss allowances	3 Loans are presented net of loan loss allowances. We disclose it separately for information purposes
Liabilities	4 Shareholders' Equity	4 Shareholders' Equity will include a provision for future dividends of 30% of net income. Liabilities will also include a new item "Provision for dividends". Shareholders' equity also includes minority interests

Previous format:

At and for the years ended December 31,
2004 2005 2006 2007

CONSOLIDATED INCOME STATEMENT DATA

Chilean GAAP:

Net interest revenue	587,893	653,123	716,285	899,013
Provision for loan losses	(99,971)	(75,903)	(143,925)	(198,627)
Fee income	149,754	165,309	190,169	210,076
Other operating income net	17,246	(15,904)	21,811	(86,814)
Other income and expenses, net	(5,024)	(25,647)	(4,188)	6,995
Operating expenses	(332,119)	(333,389)	(361,833)	(373,149)
Loss from price level restatement	(14,834)	(21,671)	(16,123)	(61,332)
Income before taxes	302,945	345,918	402,196	396,162
Income tax	(56,843)	(59,531)	(68,088)	(60,076)
Net income	246,102	286,387	334,108	336,086

New format

At and for the years ended December 31,
2004 2005 2006 2007

CONSOLIDATED INCOME STATEMENT DATA

Chilean GAAP:

Net interest revenue	513,656	566,998	635,821	775,758
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Provision for loan losses	(92,605)	(77,959)	(142,956)	(224,667)
Fee income	190,738	192,362	197,647	217,857
Operating costs	(333,783)	(343,739)	(381,763)	(401,470)
Other income, net	(88,521)	(110,647)	93,623	30,921
Income before taxes	189,485	227,015	402,372	398,399
Income tax	(56,843)	(59,531)	(68,088)	(60,075)
Net income	246,328	286,546	334,284	338,324
Net income attributable to:				
Net income attributable to shareholders	246,102	286,387	334,108	336,086
Minority interest	226	159	176	2,238

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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 conversion from pesos to U.S. dollars of all payments and distributions with respect to the ADSs described in this Annual Report must be transacted at the spot market rate in the Formal Exchange Market. Current regulations require that the Central Bank be informed of certain transactions and that they be effected through the Formal Exchange Market.

Purchases and sales of foreign currencies performed 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. On December 31, 2008, and May 29, 2009, the exchange rate in the Informal Exchange Market as published by Reuters at 1:30pm on these days was Ch\$641.25 and Ch\$561.30, or 1.9% more expensive and 0.76% cheaper, respectively, than the published observed exchange rate for such date of Ch\$629.11 and Ch\$565.60, 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.

Year	Daily Observed Exchange Rate Ch\$ Per US\$(1)			
	Low(2)	High(2)	Average(3)	Period End(4)
2004	559.21	649.45	609.55	559.83
2005	509.70	592.75	559.86	514.21
2006	511.44	549.63	530.26	534.43
2007	493.14	548.67	522.69	495.82
2008	431.22	676.75	521.79	629.11
Month				
November 2008	629.19	675.57	651.51	659.43
December 2008	625.59	674.83	649.32	629.11
January 2009	610.09	643.87	623.01	612.43
February 2009	583.32	623.87	606.00	595.76
March 2009	572.39	614.85	592.93	582.1
April 2009	583.18	601.04	583.18	588.62
May 2009	565.72	580.10	565.72	565.60

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 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 2008 dividend must be proposed and approved during the first four months of 2009. Following shareholder approval, the proposed dividend is declared and paid. Historically, the dividend for a

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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 dated 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 the infringement of 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 depository (the "Depository") 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").

Under the Foreign Investment Contract (as defined herein), the Depository, 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."

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

Year Paid	Dividend			% over earnings (4)
	Ch\$ mn (1)	Per share Ch\$/share (2)	Per ADR Ch\$/ADR (3)	
2005	198,795	1.05	1,096.06	100
2006	155,811	0.83	859.06	65
2007	185,628	0.99	1,023.46	65
2008	200,620	1.06	1,106.12	65
2009	213,295	1.13	1,176.02	65

(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 for the previous year.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the following risk factors, which should be read in conjunction with all the other information presented in this Annual Report. The risks and uncertainties described below 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

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also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.

We are subject to market risks that are presented both in this subsection and in “Item 5: Operating and Financial Review and Prospects” and “Item 11: Quantitative and Qualitative Disclosures about Market Risk.”

Risks Associated with Our Business

We are vulnerable to the current disruptions and volatility in the global financial markets.

In the past two years, the global financial system has experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Global economic conditions deteriorated significantly in the second half of 2008, and many countries, including the United States, are currently in recession. Many major financial institutions, including some of the world’s largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, have been experiencing significant difficulties. Around the world, there have also been runs on deposits at several financial institutions, numerous institutions have sought additional capital and many lenders and institutional investors have reduced or ceased providing funding to borrowers (including to other financial institutions).

Continued or worsening disruption and volatility in the global financial markets 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 interest margins.

In Chile, the continued economic recession has also caused a rise in unemployment, a fall in consumer spending, a fall in real estate prices and a general decline in economic activity. All these may lead a decrease in demand for individual and corporate borrowings, a decrease in demand for financial services and a decrease in credit card spending, which may in turn materially adversely affect our financial condition and results of operation.

Increased competition and industry consolidation may adversely affect results of our operations.

The Chilean market for financial services is highly competitive. We compete with other Chilean private sector domestic and foreign banks, with Banco del Estado, a public sector bank, with department stores and the larger supermarket chains that make consumer loans and sell other financial products to a large portion of the Chilean population. The lower middle to middle income segments of the Chilean population and the small and medium sized corporate segments have become the target markets of several banks, and competition in these segments is likely to increase. As a result, net interest margins in these segments are likely to decline. Although we believe that demand for financial products and services from individuals and for small and medium sized companies will continue to grow during the remainder of the decade, we cannot assure you that net interest margins will be maintained at their current levels.

We also face competition from non-bank and non-finance competitors (principally department stores and the larger supermarket chains) 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 from mutual funds, pension funds and insurance companies, with respect to savings products.

The increase in competition within the Chilean banking industry in recent years has led to, among other things, consolidation in the industry. We expect the trends of increased competition and consolidation to continue and result in the formation of new large financial groups. Consolidation, which can result in the creation of larger and stronger competitors, may adversely affect our financial condition and results of operations by decreasing the net interest margins we are able to generate. In addition, Law No. 19,769 allows insurance companies to participate and compete with banks in the residential mortgage and credit card businesses.

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Our allowances for impairment losses may not be adequate to cover our future actual losses to our loan portfolio.

At December 31, 2008, our allowance for impairment losses on loans was Ch\$285,505 million, and the ratio of our allowance for impairment losses to total loans was 1.9%. The amount of allowances is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial conditions, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Chile's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis has demonstrated, many of these factors are beyond our control. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates, our allowance for impairment losses may not be adequate to cover actual losses and we may need to make additional provisions for impairment losses, which may materially and adversely affect our results of operations and financial condition.

Our exposure to individuals and small businesses could lead to higher levels of past due loans, allowances for loan losses and charge-offs.

A substantial number of our customers consist of individuals (approximately 46.7% of the value of the total loan portfolio at December 31, 2008) and, to a lesser extent, small and medium sized companies (those with annual sales of less than US\$1.9 million), which comprised approximately 16.5% of the value of the total loan portfolio at December 31, 2008. As part of our business strategy, we seek to increase lending and other services to small companies and individuals. Small companies and individuals are, however, more likely to be adversely affected by downturns in the Chilean economy than large corporations and high income individuals. In addition, at December 31, 2008, our residential mortgage loan book totaled Ch\$3,981,346 million, representing 27.1% of our total loans. (See "Item 5: F. Selected Statistical Information—Loan Portfolio" and "Item 5: F. Selected Statistical Information—Loans by Economic Activity" for a description and presentation of residential mortgages in the balance sheet). If the economic conditions and real estate market in Chile experience a significant downturn, as it may in 2009 due to the global financial and economic crisis, this could materially adversely affect the liquidity, businesses and financial conditions of our customers, which may in turn cause us to experience higher levels of past due loans, thereby resulting in higher provisions for loan losses and subsequent write-offs. This may in turn materially and adversely affect our asset quality, results of operations and financial condition.

If we are unable to maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

At December 31, 2008, our past due loans were Ch\$160,824 million, and the ratio of our past due loans to total loans was 1.1%. For additional information on our asset quality, see "Item 5: F. Selected Statistical Information—Analysis of Substandard Loans and Amounts Past Due." We seek to continue to improve our credit risk management policies and procedures. However, we cannot assure you that our credit risk management policies, procedures and systems are free from any deficiency. Failure of credit risk management policies may result in an increase in the level of non-performing loans and adversely affect the quality of our loan portfolio. In addition, the quality of our loan portfolio may also deteriorate due to various other reasons, including factors beyond our control such as the macroeconomic factors affecting Chile's economy. If such deterioration were to occur, it would materially and adversely affect our financial conditions and results of operations.

The value of the collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

The value of the collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Chile's economy. The real estate market is particularly vulnerable in the current economic climate and this may affect us as real estate represents a significant portion of the collateral securing our residential mortgages loan portfolio. We may also not have current information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If this were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

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Additionally, there are certain provisions under Chilean law that may affect our ability to foreclose or liquidate residential mortgages granted to us by our customers if the real estate in question has been declared as “family property” by a court. If any party occupying the real estate files a petition with the court requesting that such real estate be declared as family property, our ability to foreclose will be very limited.

The growth of our loan portfolio may expose us to increased loan losses.

From December 31, 2004 to December 31, 2008, our aggregate loan portfolio grew by 53.2% in real terms to Ch\$14,700,374 million (US\$22.9 billion), while our consumer loan portfolio grew by 66.7% in real terms to Ch\$2,248,996 (US\$3,507 million). The further expansion of our loan portfolio (particularly in the consumer, small and mid sized companies and real estate segments) can be expected to expose us to a higher level of loan losses and require us to establish higher levels of provisions for loan losses.

Our loan portfolio may not continue to grow at the same rate. The current economic turmoil may lead to a contraction in our loan portfolio.

There can be no assurance that in the future our loan portfolio will continue to grow at similar rates to the historical growth rate. A reversal of the rate of growth of the Chilean economy, a slowdown in the growth of customer demand, an increased in market competition or changes in governmental regulations, could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses. The continued economic turmoil could materially adversely affect the liquidity, businesses and financial condition of our customers as well as a general decline in consumer spending and rise in unemployment. All this could in turn lead to decreased demand for borrowings in general. Our loan portfolio may thus contract in 2009, given the economic environment.

The effectiveness of our credit risk management is affected by the quality and scope of information available in Chile.

In assessing customers’ creditworthiness, we rely largely on the credit information available from our own internal databases, the Superintendency of Banks, Dicom (a nationwide credit bureau) and other sources. Due to limitations in the availability of information and the developing information infrastructure in Chile, our assessment of the credit risks associated with a particular customer may not be based on complete, accurate or reliable information. In addition, although we have been improving our credit scoring systems to better assess borrowers’ credit risk profiles, we cannot assure you that our credit scoring systems collect complete or accurate information reflecting the actual behavior of customers or that their credit risk can be assessed correctly. Without complete, accurate and reliable information, we have to rely on other publicly available resources and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk may be materially and adversely affected.

Fluctuations in the rate of inflation may affect our results of operations.

Inflation in Chile gained momentum in 2007 and 2008. In 2007 and 2008, inflation reached 7.1% and 7.8%, respectively. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. In 2009, the possibility of a deflationary environment could also have an adverse effect on our business, financial condition and results of operations.

Our assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. The UF is revalued in monthly cycles. On each day in the period beginning on the tenth day of any given 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 Consumer Price Index during the prior calendar month.

For more information regarding the UF see “Item 5: F. Selected Statistical Information—Average Balance Sheets, Income Earned from Interest-Earning Assets And Interest Paid on Interest Bearing Liabilities.” Although we currently benefit from inflation in Chile, 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 our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation, including from extended periods of inflation that adversely affect economic growth or periods of deflation.

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Our results of operations are affected by interest rate volatility.

Our results of operations depend to a great extent on our net interest revenue. In 2008, net interest revenue represented 73.3% of our operating revenue. Changes in market interest rates could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities leading to a reduction in our net interest revenue or result in a decrease in customer's demand for our loan or deposit products. Interest rates are highly sensitive to many factors beyond our control, including the reserve policies of the Central Bank, deregulation of the financial sector in Chile, domestic and international economic and political conditions and other factors. In the current economic climate, there is a greater degree of uncertainty and unpredictability in the policy decisions and the setting of interest rates by the Central Bank. Any changes in interest rates could adversely affect our business, our future financial performance and the price of our securities. The following table shows the yields on the Chilean government's 90-day notes as reported by the Central Bank of Chile at year-end 2004 – 2008 and up to May 2009.

Year	Period-end 90 day note (%)
2004	2.32
2005	4.75
2006	5.10
2007	6.15
2008	8.18
May 2009	1.20

Source: Central Bank.

Since our principal sources of funds are short-term deposits, a sudden shortage of funds could cause an increase in costs of funding and an adverse effect on our revenues.

Customer deposits are our primary source of funding. At December 31, 2008, 87.4% of our customer deposits had remaining maturities of one year or less, or were payable on demand. A significant portion of our assets have longer maturities, resulting in a mismatch between the maturities of liabilities and the maturities of assets. If a substantial number of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, our liquidity position, results of operations and financial condition may be materially and adversely affected. We cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, any money markets in which we operate will be able to maintain levels of funding without incurring high funding costs or the liquidation of certain assets. If this were to happen, our results of operations and financial condition may be materially and adversely affected.

The legal restrictions on the exposure of Chilean pension funds may affect our access to funding.

Chilean regulations impose restrictions on the share of assets that a Chilean pension fund management company (Administrador de Fondos de Pension, an "AFP") may allocate to a single issuer, which is currently 7% per fund managed by an AFP (including any securities issued by the issuer and any bank deposits with the issuer). If the exposure of an AFP to a single issuer exceeds the 7% limit, the AFP is required to reduce its exposure below the limit within three years. At December 31, 2008, the aggregate exposure of AFPs to us was approximately US\$4.4 billion or

5.5% of their total assets. If the exposure of any AFP to us exceeds the regulatory limit, we would need to seek alternative sources of funding, which could be more expensive and, as a consequence, may have a material adverse effect on our financial condition and results of operations.

Pension funds must also comply with other investment limits. Recently approved legislation in Chile (Reformas al Mercado de Capitales II (also known as MK2) relaxed the limits on making investments abroad in order to permit pension funds to further diversify their investment portfolios. As of December 31, 2008, the limit on making investments abroad was 50%. In 2009, this limit will gradually increase to 60% and in 2011 it will reach 80%. As a result, pension funds may change the composition of their portfolios, including reducing their deposits with local banks. At December 31, 2008, 20.0% of the Bank's time deposits were from AFPs. Although the legislation referred to above is intended to promote a gradual relaxation of the investment limits, and we may be able to substitute the reduced institutional funds with retail deposits, there can be no assurance that this occurrence will not have a material adverse impact on our business, financial condition and results of operations.

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We may be unable to meet requirements relating to capital adequacy.

Chilean banks are required by the General Banking Law to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid in capital and reserves (“basic capital”) of at least 3% of our total assets, net of required loan loss allowances. As a result of the merger between Old Santander-Chile and Santiago, we are required to maintain a minimum regulatory capital to risk-weighted assets ratio of 11%. At December 31, 2008, the ratio of our basic capital to total assets, net of loan loss allowance, was 7.2%, and the ratio of our regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, was 13.8%. Certain developments could affect our ability to continue to satisfy the current capital adequacy requirements applicable to us, including:

- the increase of risk-weighted assets as a result of the expansion of our business;
 - the failure to increase our capital correspondingly;
 - losses resulting from a deterioration in our asset quality;
 - declines in the value of our investment instrument portfolio;
 - changes in accounting rules;
- and changes in the guidelines regarding the calculation of the capital adequacy ratios of banks in Chile.

On January 30, 2009, the Superintendency of Banks issued Circular No. 3,465 that modified the guidelines for risk weighting derivatives. If the Bank has a net liability in a derivative position and if this derivative, under certain stress and volatility measures, becomes a net asset position, then the Bank must also include this derivative as a risk weighted asset and this should have an adverse impact on regulatory capital ratios. In 2009, the adoption of accounting standards in line with International Accounting Standards will also have an impact on the level of the Bank’s restated shareholders’ equity and capitalization levels. The main impacts are the elimination of the price level restatement of capital and the revaluation of fixed assets. In 2010, the Chilean banks will most likely adopt the guidelines set forth under Basel II with adjustments incorporated by the Superintendency of Banks. This should result in a different level of minimum capital required to be maintained by the Bank. No assurance can be given that these events will not have a material impact on the Bank’s capitalization ratio.

We may also be required to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required levels. Our ability to raise additional capital may be limited by numerous factors, including: our future financial condition, results of operations and cash flows; any necessary government regulatory approvals; our credit ratings; general market conditions for capital raising activities by commercial banks and other financial institutions; and domestic and international economic, political and other conditions.

If we require additional capital in the future, we cannot assure you that we will be able to obtain such capital on favorable terms, in a timely manner or at all. Furthermore, the Superintendency of Banks may increase the minimum capital adequacy requirements applicable to us. Accordingly, although we currently meet the applicable capital adequacy requirements, we may face difficulties in meeting these requirements in the future. If we fail to meet the capital adequacy requirements, we may be required to take corrective actions. These measures could materially and adversely affect our business reputation, financial condition and results of operations. In addition, if we are unable to raise sufficient capital in a timely manner, the growth of our loan portfolio and other risk weighted assets may be restricted, and we may face significant challenges in implementing our business strategy. As a result, our prospects,

results of operations and financial condition could be materially and adversely affected.

Our business is highly dependant on proper functioning and improvement of information technology systems.

Our business is highly dependant on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. We have backup data for our key data processing systems that could be used in the event of a catastrophe or a failure of our primary systems, and have established alternative communication networks where available. However, we do not operate all of our redundant systems on a real time basis and cannot assure you that our business activities would not be materially disrupted if

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there were a partial or complete failure of any of these primary information technology systems or communication networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost effective basis. Any substantial failure to improve or upgrade information technology systems effectively or on timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

Operational problems or errors can have a material adverse impact on our business, financial condition and results of operations.

Santander-Chile, like all large financial institutions, is exposed to many types of operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures and errors by employees. Fraud or other misconduct by employees or third parties may be difficult to detect and prevent and could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Although Santander-Chile maintains a system of operational controls, there can be no assurance that operational problems or errors will not occur and that their occurrence will not have a material adverse impact on our business, financial condition and results of operations.

Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations.

We are subject to regulation by the Superintendency of Banks. In addition, we are subject to regulation by the Central Bank with regard to certain matters, including reserve requirements and interest rates and foreign exchange mismatches and market risks. During the Chilean financial crisis of 1982 and 1983, the Central Bank and the Superintendency of Banks strictly controlled the funding, lending and general business matters of the banking industry in Chile.

Pursuant to the Ley General de Bancos, Decreto con Fuerza de Ley No. 3 de 1997, or the General Banking Law, all Chilean banks may, subject to the approval of the Superintendency of Banks, engage in certain businesses other than commercial banking depending on the risk associated with such business and the financial strength of the bank. Such additional businesses include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The General Banking Law also applies to the Chilean banking system a modified version of the capital adequacy guidelines issued by the Basel Committee on Banking Regulation and Supervisory Practices and limits the discretion of the Superintendency of Banks to deny new banking licenses. There can be no assurance that regulators will not in the future impose more restrictive limitations on the activities of banks, including us, than those currently in effect. Any such change could have a material adverse effect on our financial condition or results of operations.

Historically, Chilean banks have not paid interest on amounts deposited in checking accounts. However, since June 1, 2002, the Central Bank has allowed banks to pay interest on checking accounts. Currently, there are no applicable restrictions on the interest that may be paid on checking accounts. We have begun to pay interest on some checking accounts under certain conditions. If competition or other factors lead us to pay higher interest rates on checking accounts, to relax the conditions under which we pay interest or to increase the number of checking accounts on which we pay interest, any such change could have a material adverse effect on our financial condition or results of

operations.

We must maintain higher regulatory capital to risk-weighted assets than other banks in Chile. Our required minimum regulatory capital to risk weighted assets ratio is 11%. Although we have not failed in the past to comply with our capital maintenance obligations, there can be no assurance that we will be able to do so in the future.

Beginning January 1, 2009, Chilean banks will adopt accounting standards more congruent with International Accounting Standards and we will be restating 2008 figures under these new accounting principles. Although the

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exact impact of this change is still under discussion, there can be no assurance that this will not have a material impact on our financial condition or results of operation.

We are subject to regulatory inspections and examinations.

We are also subject to various inspections, examinations, inquiries, audits and other regulatory requirements by Chilean regulatory authorities. We cannot assure you that we will be able to meet all the applicable regulatory requirements and guidelines, or that we will not be subject to sanctions, fines and other penalties in the future as a result of non compliance. If sanctions, fines and other penalties are imposed on us for failure to comply with applicable requirements, guidelines or regulations, our business, financial condition, results of operations and our reputation and ability to engage in business may be materially and adversely affected.

Risks Relating to Chile

Our growth and profitability depend on the level of economic activity in Chile.

A substantial amount of our loans are to borrowers doing business in Chile. Accordingly, the recoverability of these loans in particular, our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Chile. Our results of operations and financial condition could be affected by changes in economic or other policies of the Chilean government, which has exercised and continues to exercise a substantial influence over many aspects of the private sector, or other political or economic developments in Chile. Chile's economy may not continue to grow in the future and future developments could negatively affect Chile's exports and economic activity. In line with the current global economic climate, we expect Chile's economy to contract in 2009 for the first time since 1999. All this may materially and adversely affect our business, financial condition or results of operations.

Economic and political problems encountered by other countries may adversely affect the Chilean economy, our results of operations and the market value of our securities.

The prices of securities issued by Chilean companies, including banks, are to varying degrees influenced by economic and market considerations in other countries. We cannot assure you that future developments in or affecting the Chilean economy, including consequences of economic difficulties in other markets, will not materially and adversely affect our business, financial condition or results of operations. At December 31, 2008, approximately 3.7% of our assets were held abroad.

We are directly exposed to risks related to the weakness and volatility of the economic and political situation in other parts of the world, mainly, the United States, Europe, China, Brazil and Argentina. A significant economic deterioration in one of these countries or regions could result in lower economic growth in Chile, lower loan growth, an increase our loan allowances, and therefore, this could affect our financial results, our results of operations and the price of our securities. The global financial and sub-prime crisis has had a significant impact on the growth rate of the Chilean economy and is expected to continue to negatively impact growth, consumption, unemployment, investment and the price of exports in 2009 and 2010.

Chile is also involved in an international litigation with Peru regarding maritime borders and has other conflict with neighboring countries in the past. We cannot assure you that crisis and political uncertainty in other Latin American countries will not have an adverse effect on Chile, the price of our securities or our business.

Currency fluctuations could adversely affect our financial condition and results of operations and the value of our securities.

Any future changes in the value of the Chilean peso against the U.S. dollar could affect the U.S. dollar value of our securities. The peso has been subject to large devaluations and appreciations in the past and could be subject to significant fluctuations in the future. Our results of operations may be affected by fluctuations in the exchange rates between the peso and the dollar despite our policy and Chilean regulations relating to the general avoidance of material exchange rate exposure. In order to avoid material exchange rate exposure, we enter into forward exchange transactions. The following table shows the value of the Chilean peso relative to the U.S. dollar as reported by the Central Bank at year end for the last four years.

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Year	Exchange rate (Ch\$) Year-end	Devaluation (Revaluation) (%)
2004	559.83	(6.6%)
2005	514.21	(8.1%)
2006	534.43	3.9%
2007	495.82	(7.2%)
2008	629.11	26.9%
May 2009	565.72	(10.1%)

Source: Central Bank.

We may decide to change our policy regarding exchange rate exposure. Regulations that limit such exposures may also be amended or eliminated. Greater exchange rate risk will increase our exposure to the devaluation of the peso, and any such devaluation may impair our capacity to service foreign currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate exposures, the economic policies of the Chilean government and any future fluctuations of the peso against the dollar could affect our financial condition and results of operations.

Furthermore, Chilean trading in the shares underlying our ADSs will be conducted in pesos. Cash distributions with respect to our shares of common stock are received in Chilean pesos by the Depositary, which will then convert such amounts to U.S. dollars at the then prevailing exchange rate for the purpose of making payments in respect of our ADSs. If the value of the Chilean peso falls relative to the U.S. dollar, the dollar value of our ADSs and any distributions to be received by our ADS holders from the Depositary will be reduced.

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

Changes in banking regulations may materially and adversely affect the bank's 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. In 2007, regulations governing the Chilean capital markets were approved (Reformas al Mercado de Capitales II; also known as MK2). These modifications, among other things, modified certain provisions set forth in the General Banking Law. Under new legislation, the limit in 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 the bank's regulatory capital (and up to 30% of the bank's 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 as they are less constrained by this requirement.

Increased regulation of the financial services industry in Chile could increase our costs and result in lower profits.

As a result of the current financial crisis, there has been an increase in government regulation of the financial services industry in many countries. Such regulation may also be increased in Chile, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. In addition, novel regulatory proposals abound in the current environment. If enacted, new regulations could require us to inject further capital into our business as well as in businesses we acquire, restrict the type or volume of transactions we

enter into, or set limits on or require the modification of rates or fees that we charge on certain loan or other products, any of which could lower the return on our investments, assets and equity. We may also face increased compliance costs and limitations on our ability to pursue certain business opportunities.

A worsening of labor relations in the Chile could impact our business.

As of December 31, 2008, on a consolidated basis we had 9,169 employees of which 45.3% were unionized. In March 2007, a new collective bargaining agreement became effective that will expire on March 1, 2011, but this may be negotiated ahead of schedule with the agreement of management and the union. We generally apply the terms of our collective bargaining agreement to unionized and non-unionized employees. We have traditionally enjoyed good relations with our employees and their unions, but we cannot assure you that in the future a

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strengthening of cross-industry labor movements will not materially and adversely affect our business, financial condition or results of operations.

Any downgrading of Chile's debt credit rating for domestic and international debt and/or our parent company's ratings by international credit rating agencies may also affect our ratings, our business, our future financial performance, stockholder's equity and the price of our shares and ADSs.

Our foreign currency deposit ratings are equivalent to the Chilean sovereign ratings. In the case of Moody's, our senior and subordinated debt denominated in foreign currency pierce the sovereign ceilings. In 2007, Standard and Poor's improved their ratings for us. In 2007 and March 2009 Moody's improved their rating for us, but in May 2009, Moody's placed our foreign currency senior and subordinated bond ratings, local currency deposit ratings and Bank Financial Strength Rating under review for possible downgrade, following a similar action on the ratings of our parent company, Banco Santander Spain. Any adverse revisions to our parent company'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 equity shares and ADSs.

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

Accounting, financial reporting and securities disclosure requirements in Chile differ from those in the United States. Accordingly, the information about us available to you will not be the same as the information available to shareholders of a U.S. financial institution. There are also material differences between Chilean and U.S. accounting and financial reporting standards. As a result, Chilean financial statements and reported earnings generally differ from those reported based on U.S. accounting and reporting standards. Beginning January 1, 2009, Chilean banks will adopt accounting standards adopted by the Superintendency of Banks, and more congruent with International Accounting Standards.

As a regulated financial institution, we are required to submit to the Superintendency of Banks unaudited unconsolidated balance sheets and income statements, excluding any note disclosure, prepared in accordance with Chilean GAAP and the rules of the Superintendency of Banks on a monthly basis. Such disclosure differs in a number of significant respects from information generally available in the United States with respect to U.S. financial institutions.

The securities laws of Chile, which govern open or publicly listed companies such as us, aims to promote disclosure of all material corporate information to the public. Chilean disclosure requirements, however, differ from those in the United States in some material respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States and in certain respects the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

Our status as a controlled company and a foreign private issuer exempts us from certain of the corporate governance standards of the New York Stock Exchange ("NYSE"), limiting the protections afforded to investors.

We are a "controlled company" and a "foreign private issuer" within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a controlled company is exempt from certain NYSE corporate governance requirements. In addition, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain NYSE corporate governance requirements, including the requirements that (1) a majority of the Board of Directors consist of independent directors, (2) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee's

purpose and responsibilities, (3) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee's purpose and responsibilities and (4) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken. We currently use these exemptions and intend to continue using these exemptions. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements. For more details on the differences between our corporate governance standards and the NYSE standards, please see "Item 6: C. Board Practices – Summary Comparison of Corporate Governance Standards and NYSE Listed Company Standards."

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Chile imposes controls on foreign investment and repatriation of investments that may affect your investment in, and earnings from, our ADSs.

Equity investments in Chile by persons who are not Chilean residents have generally been subject to various exchange control regulations which restrict the repatriation of the investments and earnings therefrom. In April 2001, the Central Bank eliminated the regulations that affected foreign investors except that investors are still required to provide the Central Bank with information relating to equity investments and conduct such operations within Chile's Formal Exchange Market. The ADSs are subject to a contract, dated May 17, 1994, among the Depositary, us and the Central Bank (the "Foreign Investment Contract") that remains in full force and effect. The ADSs continue to be governed by the provisions of the Foreign Investment Contract subject to the regulations in existence prior to April 2001. The Foreign Investment Contract grants the Depositary and the holders of the ADSs access to the Formal Exchange Market, which permits the Depositary to remit dividends it receives from us to the holders of the ADSs. The Foreign Investment Contract also permits ADS holders to repatriate the proceeds from the sale of shares of our common stock withdrawn from the ADR facility, or that have been received free of payment as a consequence of spin offs, mergers, capital increases, wind ups, share dividends or preemptive rights transfers, enabling them to acquire the foreign currency necessary to repatriate earnings from such investments. Pursuant to Chilean law, the Foreign Investment Contract cannot be amended unilaterally by the Central Bank, and there are judicial precedents (although not binding with respect to future judicial decisions) indicating that contracts of this type may not be abrogated by future legislative changes or resolutions of the Advisory Council of the Central Bank. Holders of shares of our common stock, except for shares of our common stock withdrawn from the ADS facility or received in the manner described above, are not entitled to the benefits of the Foreign Investment Contract, may not have access to the Formal Exchange Market, and may have restrictions on their ability to repatriate investments in shares of our common stock and earnings therefrom.

Holders of ADSs are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by holders of ADSs will be paid net of foreign currency exchange fees and expenses of the Depositary and will be subject to Chilean withholding tax, currently imposed at a rate of 35.0% (subject to credits in certain cases). If for any reason, including changes in Chilean law, the Depositary were unable to convert Chilean pesos to U.S. dollars, investors would receive dividends and other distributions, if any, in Chilean pesos.

We cannot assure you that additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them or the repatriation of the proceeds from such disposition or the payment of dividends will not be imposed in the future, nor can we advise you as to the duration or impact of such restrictions if imposed.

ADS holders may not be able to effect service of process on, or enforce judgments or bring original actions against, us, our directors or our executive officers, which may limit the ability of holders of ADSs to seek relief against us.

We are a Chilean corporation. None of our directors are residents of the United States and most of our executive officers reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors and executive officers are located outside the United States. As a result, it may be difficult for ADS holders to effect service of process outside Chile upon us or our directors and executive officers or to bring an action against us or such persons in the United States or Chile to enforce liabilities based on U.S. federal securities laws. It may also be difficult for ADS holders to enforce in the United States or in Chilean courts money judgments obtained in United States courts against us or our directors and executive officers based on civil liability provisions of the U.S. federal securities laws. If a U.S. court grants a final money judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of this money judgment in Chile will be subject to the obtaining of the relevant "exequatur" (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law currently in force, and consequently, subject to the satisfaction of certain factors. The most important of

these factors are the existence of reciprocity, the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances and the Chilean courts' determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant and that enforcement would not violate Chilean public policy. Failure to satisfy any of such requirements may result in non-enforcement of your rights.

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We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this report with respect to Chile, its economy and global banking industries.

Facts, forecasts and statistics in this document relating to Chile, Chile's economy and Chilean global banking industries, including market share information, are derived from various official and other publicly available sources that we generally believe to be reliable. However, we cannot guarantee the quality and reliability of such official and other sources of materials. In addition, these facts, forecasts and statistics have not been independently verified by us and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of Chile and may not be complete or up to date. We have taken reasonable care in reproducing or extracting the information from such sources. However, because of possible flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts or statistics may be inaccurate and may not be comparable from period to period or to facts, forecasts or statistics produced for other economies, and you should not unduly rely upon them.

Risks Relating to our ADSs

There may be a lack of liquidity and market for our shares and ADSs.

Our ADSs are listed and traded on the NYSE. Our common stock is listed and traded on the Santiago Stock Exchange, the Chile Electronic Stock Exchange and the Valparaiso Stock Exchange, which we refer to collectively as the Chilean Stock Exchanges, although the trading market for the common stock is small by international standards. At December 31, 2008, we had 188,446,126,794 shares of common stock outstanding. The Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. According to Article 14 of the Ley de Mercado de Valores, Ley No. 18,045, or the Chilean Securities Market Law, the Superintendencia de Valores y Seguros, or the Superintendency of Securities and Insurance, may suspend the offer, quotation or trading of shares of any company listed on one or more Chilean Stock Exchanges for up to 30 days if, in its opinion, such suspension is necessary to protect investors or is justified for reasons of public interest. Such suspension may be extended for up to 120 days. If, at the expiration of the extension, the circumstances giving rise to the original suspension have not changed, the Superintendency of Securities and Insurance will then cancel the relevant listing in the registry of securities. In addition, the Santiago Stock Exchange may inquire as to any movement in the price of any securities in excess of 10% and suspend trading in such securities for a day if it deems necessary.

Although our common stock is traded on the Chilean Stock Exchanges, there can be no assurance that a liquid trading market for our common stock will continue to exist. Approximately 23.09% of our outstanding common stock is held by the public (i.e., shareholders other than Banco Santander Spain and its affiliates), including our shares that are represented by ADSs trading on the NYSE. A limited trading market in general and our concentrated ownership in particular may impair the ability of an ADS holder to sell in the Chilean market shares of common stock obtained upon withdrawal of such shares from the ADR facility in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADSs.

You may be unable to exercise preemptive rights.

The Ley Sobre Sociedades Anónimas, Ley No. 18,046 and the Reglamento de Sociedades Anónimas, which we refer to collectively as the Chilean Companies Law, and applicable regulations require that whenever we issue new common stock for cash, we grant preemptive rights to all of our shareholders (including holders of ADSs), giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Such an offering would not be possible in the United States unless a registration statement under the U.S. Securities Act of

1933 (“Securities Act”), as amended, were effective with respect to such rights and common stock or an exemption from the registration requirements thereunder were available.

Since we are not obligated to make a registration statement available with respect to such rights and the common stock, you may not be able to exercise your preemptive rights in the United States. If a registration statement is not filed or an applicable exemption is not available under U.S. securities law, the Depositary will sell such holders’ preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of any such sale.

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You may have fewer and less clearly defined shareholders' rights than with shares of a company in the United States.

Our corporate affairs are governed by our estatutos, or by-laws, and the laws of Chile. Under such laws, our shareholders may have fewer or less clearly defined rights than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. For example, under legislation applicable to Chilean banks, our shareholders would not be entitled to appraisal rights in the event of a merger or other business combination undertaken by us.

ITEM 4. 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, loans and shareholders' equity. At December 31, 2008, we had total assets of Ch\$21,137,134 million (US\$32,962 million), loans net of allowances outstanding of Ch\$14,319,370 million (US\$22,330 million), total deposits of Ch\$12,704,023 million (US\$19,811 million) and shareholders' equity of Ch\$1,602,610 million (US\$2,499 million). As of December 31, 2008, we employed 9,169 people (on a consolidated basis) and had the largest private branch network in Chile with 477 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 Annual Report. Our agent for service of process in the United States is Puglisi &

Associates.

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 Chilean banks. Banco Santander Spain is one of the largest financial groups in Brazil and the rest of Latin America, in terms of total assets measured on a region-wide basis. It is the largest financial group in Spain and is a major player elsewhere in Europe, including the United Kingdom through its Abbey subsidiary and Portugal, where it is the third-largest banking group. Through Santander Consumer, it also

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operates a leading consumer finance franchise in the United States as well as in Germany, Italy, Spain, and several other European countries.

Our relationship with Banco Santander Spain provides us with access to the group's client base, while its multinational focus allows us to offer international solutions to our clients' financial needs. We also have the benefit of selectively borrowing from Banco Santander Spain's product offerings in other countries as well as benefiting from their know-how in systems management. We believe that our relationship with Banco Santander Spain will also enhance our ability to manage credit and market risks by adopting policies and know-how developed by Banco Santander Spain. Our internal auditing function has been strengthened and is more independent from management as a result of the addition of an internal auditing department that concurrently reports directly to our Audit Committee and the audit committee of Banco Santander Spain. We believe that this structure leads to improved monitoring and control of our exposure to operational risks.

Banco Santander Spain's support includes the assignment of managerial personnel to key supervisory areas of Santander-Chile, like Risks, Auditing, Accounting and Financial Control. Santander-Chile does not pay any management fees to Banco Santander Spain in connection with these support services.

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. This gives Banco Santander Spain control over 76.91% of the shares of the Bank and actual participation when excluding minority shareholders that participate in Santander Chile Holding is 76.74%.

Shareholder	Number of Shares	Percentage
Teatinos Siglo XXI Inversiones Ltda.	78,108,391,607	41.45%
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.

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C. Business Overview

We have 477 total branches, 256 of which operated under the Santander brand name, 109 under the Santander Banefe brand name, 46 that operate under the brand name SuperCaja, 18 that operate under the BancaPrime brand name and 41 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) Retail (individuals, small businesses and institutional), (ii) Middle-market, and (iii) Global Banking and Market.

The Retail segment is comprised of the following sub-segments:

Lower-middle to middle-income (Santander Banefe), consisting of individuals with monthly income between Ch\$ 120,000 (US\$187) and Ch\$ 400,000 (US\$624), which are served through our Banefe branch network. This segment accounts for 5.0% of our loans at December 31, 2008. 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.

Middle- and upper-income, consisting of individuals with a monthly income greater than Ch\$ 400,000 (US\$624). Clients in this segment account for 41.8% of our loans at December 31, 2008 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 businesses, consisting of small companies with annual sales less than Ch\$ 1,200 million (US\$ 1.9 million). At December 31, 2008, small companies represented approximately 15.8% 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 organizations such as universities, government agencies, municipalities and regional governments. At December 31, 2008, these clients represented 1.5% of our total loans outstanding and offer customers a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, savings products, mutual funds and insurance brokerage.

The Middle-market comprised of mid-sized companies, companies in the real estate sector and large companies as follows:

Mid-sized companies, consisting of companies with annual sales over Ch\$1,200 million (US\$1.9 million) and up to Ch\$3,500 million (US\$ 5.5 million). Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking

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accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. At December 31, 2008, these clients represented 7.6% of our total loans outstanding.

Real estate. This segment also includes all companies in the real estate sector. At December 31, 2008, these clients represented 3.6% of our total loans outstanding. To clients in the real estate sector we offer apart from traditional banking services, specialized services for financing primarily residential projects in order to increase the sale of residential mortgage loans.

Large companies, consisting of companies with annual sales over Ch\$ 3,500 million (US\$5.5 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. At December 31, 2008, these clients represented 8.5% of our total loans outstanding.

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The Global Banking and Markets segment is comprised of:

Wholesale banking, consisting of companies that are foreign multinationals or part of a large Chilean economic group with sales over Ch\$3,500 million (US\$5.5 million). At December 31, 2008, these clients represented 15.3% 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 the Bank's trading positions.

The table below sets forth our lines of business and certain statistical information relating to each of them for the year ended December 31, 2008. Please see Note 27(u) to our Audited Consolidated Financial Statements for details of revenue by business segment in the last three years.

For the twelve month period ended December 31, 2008
(millions of constant Ch\$ as of December 31, 2008)

Segment	Loans	Net interest revenue	Fees	Net loan loss allowances (1)	Financial transactions, net (2)	Net segment contribution (3)
Individuals	6,870,509	531,820	144,182	(211,875)	-	464,127
Santander Banefe	732,016	184,647	31,722	(90,503)	-	125,866
Middle-upper income	6,138,493	347,173	112,460	(121,372)	-	338,261
SMEs	2,428,779	184,149	40,657	(54,360)	-	170,446
Institutional	224,738	12,273	1,728	(290)	-	13,711
Total Retail	9,524,026	728,242	186,567	(266,525)	-	648,284
Middle-market	2,882,069	98,717	16,041	(16,189)	-	98,569
Mid-sized companies	1,124,480	41,266	8,064	(8,557)	-	40,773
Real estate	522,399	16,224	1,522	(597)	-	17,149
Large companies	1,235,190	41,227	6,455	(7,035)	-	40,647
Global Banking and Markets	2,242,389	117,190	11,497	(759)	108,475	236,403
Wholesale	2,242,389	51,550	10,488	(759)	-	61,279
Treasury (4)	-	65,640	1,009	-	108,475	175,124
Others (5)	51,890	(47,108)	9,488	(2,480)	(22,433)	(62,533)
Total	14,700,374	897,041	223,593	(285,953)	86,042	920,723

Other operating income, net	
Income (loss) attributable to investments in other companies	851
Operating expenses	(465,314)
Price level restatement	(78,027)
Net income before taxes	394,745

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

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

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

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

(5) Includes contribution of non-segmented items such as interbank loans, the cost of the Bank's capital and fixed assets. Financial transactions, net included in other is 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 the Bank complies with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

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Operations through Subsidiaries

Today, the General Banking Law permits us to provide directly the leasing and financial advisory services 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 year ended December 31, 2008, our subsidiaries collectively accounted for approximately 9.4% of our consolidated net income. The assets and operating income of these subsidiaries as of and for the year ended December 31, 2008, represented 4.0% and 8.8% of our total assets and operating income, respectively.

Subsidiary	Percentage Owned					
	December 2007			December 2008		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander S.A. Corredores de Bolsa (1) (2) (3)	50.59	0.41	51.00	50.59	0.41	51.00
Santander Corredores de Seguro Ltda. (Ex-Santander Leasing S.A.) (3) (4)	99.50	-	99.50	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	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	99.64	-	99.64	99.64	-	99.64
Santander Corredora de Seguros Limitada (3) (4) (5)	99.99	-	99.99	-	-	-
Santander Servicios de Recaudación y Pagos Limitada	99.90	0.10	100.00	99.90	0.10	100.00

- (1) In conformity with the established in Articles 9 and 10 of Law No. 18.045 and Chapter 18-10 of the Recopilación Actualizada de Normas de la Superintendencia de Bancos e Instituciones Financieras, in the Extraordinary Shareholders' Meeting held on January 15, 2007 by Santander Investment S.A. Corredores de Bolsa, a related company to Banco Santander Chile, the merger between Santiago Corredores de Bolsa Limitada, a subsidiary of Banco Santander Chile, into Santander Investment S.A. Corredores de Bolsa was approved and became effective January 1, 2007. Santander Investment S.A. Corredores de Bolsa, as of January 15, 2007, became a subsidiary of Banco Santander Chile and the legal successor of Santiago Corredores de Bolsa Limitada.
- (2) The merger of Santiago Corredores de Bolsa Limitada and Santander Investment S.A. Corredores de Bolsa was accounted as a business combination of entities under common control, thus the lower value determined in the transaction was recorder as a charge to the Bank Shareholders' Equity in an amount of Ch\$1,903 million.
- (3) During 2008 the following subsidiaries changed their commercial registry:
- Santander Corredores de Seguro Ltda. (ex-Santander Leasing S.A.)
 - Santander S.A. Corredores de Bolsa
- (4) On December 4, 2007, the Superintendency of Bank, authorized the statutes modification, social rights sell and merged of the subsidiaries Santander Leasing S.A. (formerly Santiago Leasing S.A.) and Santander Corredora de Seguros Limitada (formerly Santander Santiago Corredora de Seguros Limitada).
- (5) In conformity with the regulations established in Articles 9 and 10 of Law No. 18.045 and Chapter 18-10 of the Recopilación Actualizada de Normas by the Superintendence of Bank, at the Extraordinary Shareholder's Meeting held on October 1, 2008 by Santander Corredora de Seguros S.A., a company related to Banco Santander Chile, approved the merger which incorporated the affiliated Santander Corredora de Seguros Limitada with Santander

Corredora de Seguro S.A. (previously Santander Leasing S.A.). The merger had effect and force from January 1, 2008. At the time of above-mentioned merger, Santander Corredora de Seguros S.A. became a legal extension of Santander Corredora de Seguros Limitada. The merger of Santander Corredora de Seguros S.A. and Santander Corredora de Seguros Limitada did not result in any changes in accounting for Banco Santander Chile.

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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 23 private-sector banks and one public-sector bank. Five private-sector banks along with the state-owned bank together accounted for 81.3% of all outstanding loans by Chilean financial institutions at December 31, 2008.

The Chilean banking system has experienced increased competition in recent years largely due to consolidation in the industry and new legislation. Effective November 29, 2007, Scotiabank Sud Americano merged with Banco del Desarrollo, while at January 1, 2008, Banco de Chile merged with Citibank Chile. 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.

As shown in the following table, we are the market leader in practically every banking service in Chile:

	Market Share at December 31, 2007	Market Share at December 31, 2008	Rank as of at December 31, 2008
Commercial loans	18.5%	18.5%	2
Consumer loans	26.3	26.2	1
Residential mortgage loans	24.7	24.3	2
Foreign trade loans (loans for export, import and contingent)	18.9	19.5	1
Total loans	21.0	20.8	1
Deposits (1)	21.3	20.8	1
Mutual funds (assets managed)	21.8	19.6	2
Credit card accounts	36.0	33.9	1
Checking Accounts (2)	27.9	27.0	1
Branches (3)	20.2	19.7	1

Source: Superintendency of Banks

- (1) Net of clearance.
- (2) According to latest data available as of November 2008.
- (3) According to latest data available as of December 2008. Excluding special-service payment centers.

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 December 31, 2008.

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Loans

As of December 31, 2008, 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	At December 31, 2008			At December 31, 2007
	Ch\$ million	US\$ million	Market Share	Market Share
Santander-Chile	14,604,840	23,215	20.8%	21.1%
Banco de Chile (1)	13,649,005	21,696	19.4	19.7
Banco del Estado	9,322,591	14,819	13.3	13.5
Banco de Crédito e Inversiones	9,340,574	14,847	13.3	12.3
BBVA, Chile	5,262,417	8,365	7.5	8.3
Corpbanca	4,944,183	7,859	7.0	6.9
Others	13,127,529	20,867	18.7	18.3
Chilean financial system	70,251,139	111,667	100.0%	100.0%

Source: Superintendency of Banks

(1) 2007 figures correspond to pro-forma of Banco de Chile and Citibank Chile NA, as they merged effective January 1, 2008.

Deposits

On a stand alone basis, we had a 21.3% market share in deposits, ranking the first place among banks in Chile at December 31, 2007. 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	At December 31, 2008			At December 31, 2007
	Ch\$ million	US\$ million	Market Share	Market Share
Santander-Chile	12,706,023	20,197	20.8%	21.3%
Banco de Chile (1)	11,479,851	18,248	18.8	19.7
Banco del Estado	9,526,365	15,143	15.6	15.2
Banco de Crédito e Inversiones	8,094,809	12,867	13.2	12.4
BBVA, Chile	4,500,082	7,153	7.4	8.1
Corpbanca	3,708,644	5,895	6.1	5.4
Others	11,088,618	17,626	18.1	17.9
Chilean financial system	61,104,392	97,128	100.0%	100.0%

Source: Superintendency of Banks

(1)

2007 figures correspond to pro-forma of Banco de Chile and Citibank Chile NA, as they merged effective January 1, 2008.

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Shareholders' equity

With Ch\$1,602,609 million (US\$2,499 million) in shareholders' equity, at December 31, 2008, we were the largest commercial bank in Chile in terms of shareholders' equity. The following table sets forth our and our peer group's shareholders' equity at December 31, 2007 and 2008.

Shareholders' Equity (1)	At December 31, 2008			At December 31, 2007
	Ch\$ million	US\$ million	Market Share	Market Share
Santander-Chile	1,602,609	2,499	21.3%	20.7%
Banco de Chile (2)	1,297,743	2,024	17.3	19.8
Banco del Estado	695,307	1,084	9.3	8.4
Banco de Crédito e Inversiones	790,448	1,233	10.5	10.1
BBVA, Chile	450,619	703	6.0	5.3
Corpbanca	483,307	754	6.4	7.0
Others	2,195,970	3,425	29.2	28.7
Chilean financial system	7,516,003	11,721	100.0%	100.0%

Source: Superintendency of Banks.

(1) Percentage of total shareholders' equity of all Chilean banks.

(2) 2007 figures correspond to pro-forma of Banco de Chile and Citibank Chile NA, as they merged effective January 1, 2008.

Efficiency

For the year ended December 31, 2008, 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 revenue, fees and income from services (net), net gains from mark-to-market and trading, exchange differences (net) and other operating income (net)) for the year indicated.

Efficiency ratio (1)	As of December 31, 2008 %	As of December 31, 2007 %
Santander-Chile	38.0%	39.4%
Banco de Chile (2)	49.8	50.1
Banco del Estado	54.9	57.0
Banco de Crédito e Inversiones	48.4	51.1
BBVA, Chile	50.7	62.7
Corpbanca	42.2	42.4
Chilean financial system	47.8%	48.7%

Source: Superintendency of Banks, except Santander Chile.

(1) Figures for 2007 and 2008 not completely comparable due to changes in the Balance and Income Statements presentation formats effective January 1, 2008.

(2)

2007 figures correspond to pro-forma of Banco de Chile and Citibank Chile NA, as they merged effective January 1, 2008.

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Return on average equity

As of December 31, 2008, we were the most profitable bank in our peer group (as measured by return on average 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 for the year ended December 31, 2007 and 2008, and BIS ratio at the dates indicated:

	Return on average equity		BIS Ratio	
	at December 31,		at December 31,	
	2008	2007	2008	2007
	%	%	%	%
Santander-Chile	24.0%	23.6%	13.8%	12.2%
Banco de Chile	22.5	23.0	11.7	10.7
Banco del Estado	8.6	8.5	10.8	10.8
Banco de Crédito e Inversiones	21.1	19.2	11.1	10.4
BBVA, Chile	10.6	8.7	10.9	10.3
Corpbanca	12.3	10.5	10.8	11.3
Chilean Financial System	14.1%	13.9%	12.5%	12.2%

Source: Superintendency of Banks, except Santander-Chile. Calculated by dividing annual net income by monthly average equity. For Santander-Chile, the average equity is calculated on a daily basis by the Bank (see "Item 5: F. Selected Statistical Information—Average Balance Sheets, Income Earned from Interest-Earning Assets And Interest Paid on Interest Bearing Liabilities"). Figures for 2007 and 2008 not completely comparable due to changes in the Balance and Income Statement presentation formats effective January 1, 2008.

Asset Quality

At December 31, 2008, on a stand alone basis, we had the second highest loan loss allowance to total loans ratio (expected loss ratio) in our peer group. The following table sets forth our and our peer group's loan loss allowance to total loans ratio as defined by the Superintendency of Banks at the dates indicated.

	Loan Loss allowances/total loans	
	at December 31,	
	2008	2007
	%	%
Santander-Chile	1.94%	1.87%
Banco de Chile (1)	1.63	1.39
Banco del Estado	2.15	1.97
Banco de Crédito e Inversiones	1.38	1.32
BBVA, Chile	1.16	0.99
Corpbanca	1.45	1.27
Chilean financial system	1.76%	1.58%

Source: Superintendency of Banks, except Santander Chile. Figures for 2007 and 2008 not completely comparable due to changes in the Balance and Income Statement presentation formats effective January 1, 2008.

(1) 2007 figures correspond to pro-forma of Banco de Chile and Citibank Chile NA, as they merged effective January 1, 2008.

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Regulation and Supervision

General

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations, and together with non-banking financial institutions, accept time deposits. The principal authorities that regulate financial institutions in Chile are the Superintendency of Banks and the Central Bank. Chilean banks are primarily subject to the General Banking Law and secondarily, to the extent not inconsistent with this statute, the provisions of the Chilean Companies Law governing public corporations, except for certain provisions which are expressly excluded.

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in the adoption of a series of amendments to General Banking Law. That law, amended most recently in 2001, granted additional powers to banks, including general underwriting powers for new issues of certain debt and equity securities and the power to create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory and mutual fund services, administration of investment funds, factoring, securitization products and financial leasing services.

The Central Bank

The Central Bank is an autonomous legal entity created by the Chilean Constitution. It is subject to the Chilean Constitution and its own ley orgánica constitucional, or organic constitutional law. To the extent not inconsistent with the Chilean Constitution or the Central Bank's organic constitutional law, the Central Bank is also subject to private sector laws (but in no event is it subject to the laws applicable to the public sector). It is directed and administered by a Board of Directors composed of five members designated by the President of Chile, subject to the approval of the Senate.

The legal purpose of the Central Bank is to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment system. The Central Bank's powers include setting reserve requirements, regulating the amount of money and credit in circulation, establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and banks' deposit-taking activities.

The Superintendency of Banks

Banks are supervised and controlled by the Superintendency of Banks, an independent Chilean governmental agency. The Superintendency of Banks authorizes the creation of new banks and has broad powers to interpret and enforce legal and regulatory requirements applicable to banks and financial companies. Furthermore, in cases of noncompliance with such legal and regulatory requirements, the Superintendency of Banks has the ability to impose sanctions. In extreme cases, it can appoint, with the prior approval of the Board of Directors of the Central Bank, a provisional administrator to manage a bank. It must also approve any amendment to a bank's by-laws or any increase in its capital.

The Superintendency of Banks examines all banks from time to time, generally at least once a year. Banks are also required to submit their financial statements monthly to the Superintendency of Banks, and a bank's financial statements are published at least four times a year in a newspaper with countrywide coverage. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the Superintendency of Banks. A bank's annual financial statements and the opinion of its independent auditors must also be submitted to the Superintendency of Banks.

Any person wishing to acquire, directly or indirectly, 10.0% or more of the share capital of a bank must obtain the prior approval of the Superintendency of Banks. Absent such approval, the acquiror of shares so acquired will not have the right to vote. The Superintendency of Banks may only refuse to grant its approval, based on specific grounds set forth in the General Banking Law.

According to Article 35bis of the General Banking Law, the prior authorization of the Superintendency of Banks is required for:

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- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;
 - the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

Such prior authorization is required solely when the acquiring bank or the resulting group of banks would own a significant market share in loans, defined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the Superintendency of Banks; or, if the acquiring bank or resulting group would own a market share in loans determined to be more than 20.0% of all loans in the Chilean banking system, the purchase, merger, or expansion may be conditioned on one or more of the following:

- that the bank or banks maintain regulatory capital higher than 8.0% and up to 14.0% of their risk-weighted assets;
- that the technical reserve established in Article 65 of the General Banking Law be applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
- that the margin for interbank loans be reduced to 20.0% of the resulting bank's regulatory capital.

If the acquiring bank or resulting group would own a market share in loans determined by the Superintendency of Banks to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining a regulatory capital not lower than 10% of their risks-weighted assets for the period specified by the Superintendency of Banks, which may not be less than one year. The calculation of the risk-weighted assets is based on a five-category risk classification system applied to a bank's assets that is based on the Basel Committee recommendations.

Pursuant to the regulations of the Superintendency of Banks, the following ownership disclosures are required:

- a bank is required to inform the Superintendency of Banks of the identity of any person owning, directly or indirectly, 5.0% or more of such banks' shares;
- holders of ADSs must disclose to the Depositary the identity of beneficial owners of ADSs registered under such holders' names;
- the Depositary is required to notify the bank as to the identity of beneficial owners of ADSs which such Depositary has registered and the bank, in turn, is required to notify the Superintendency of Banks as to the identity of the beneficial owners of the ADSs representing 5.0% or more of such banks' shares; and
- bank shareholders who individually hold 10.0% or more of a bank's capital stock and who are controlling shareholders must periodically inform the Superintendency of Banks of their financial condition.

Limitations on Types of Activities

Chilean banks can only conduct those activities allowed by the General Banking Law: making loans, accepting deposits and, subject to limitations, making investments and performing financial services. Investments are restricted to real estate for the bank's own use, gold, foreign exchange and debt securities. Through subsidiaries, banks may also

engage in other specific financial service activities such as securities brokerage services, equity investments, securities, mutual fund management, investment fund management, financial advisory and leasing activities. Subject to specific limitations and the prior approval of the Superintendency of Banks and the Central Bank, Chilean banks may own majority or minority interests in foreign banks.

Since June 1, 2002, Chilean banks are allowed to offer a new checking account product that pays interest. The Superintendency of Banks also stated that these accounts may be subject to minimum balance limits and different interest rates depending on average balances held in the account and that banks may also charge fees for the use of

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this new product. For banks with a solvency score of less than A the Central Bank has also imposed additional caps to the interest rate that can be paid.

On June 5, 2007, pursuant to Law 20.190, new regulations became effective authorizing banks to enter into transactions involving a wider range of derivatives such as, futures, options, swaps, forwards and other derivative instruments or contracts subject to specific limitations established by the Central Bank of Chile. Previously, banks were able to enter into transactions involving derivatives, but subject to more restrictive guidelines.

Deposit Insurance

The Chilean government guarantees up to 90.0% of the principal amount of certain time and demand deposits and savings accounts held by natural persons with a maximum value of UF120 per person (Ch\$2,574,308 or US\$4,015 at December 31, 2008) per calendar year in the entire financial system.

Reserve Requirements

Deposits are subject to a reserve requirement of 9.0% for peso and foreign currency-denominated demand deposits and 3.6% for UF, peso and foreign currency-denominated time deposits (with terms of less than one year). For purposes of calculating the reserve obligation, banks are authorized to deduct daily from their foreign currency denominated liabilities, the balance in foreign currency of certain loans and financial investments held outside of Chile, the most relevant of which include:

- cash clearance account, which should be deducted from demand deposit for calculating reserve requirement;
 - certain payment orders issued by pension providers;
- the amount set aside for “technical reserve” (as described below), which can be deducted from reserve requirement.

The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank’s regulatory capital, a bank must maintain a 100% “technical reserve” against them: demand deposits, deposits in checking accounts, or obligations payable on sight incurred in the ordinary course of business, and in general all deposits unconditionally payable immediately.

Minimum Capital

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch\$17,162 million and US\$26.7 million as of December 31, 2008) of paid-in capital and reserves, regulatory capital of at least 8% of its risk weighted assets, net of required allowances, and paid in capital and reserves of at least 3% of its total assets, net of required allowances.

Regulatory capital is defined as the aggregate of:

- a bank’s paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches or capital básico;
-

its subordinated bonds, valued at their placement price (but decreasing by 20.0% for each year during the period commencing six years prior to maturity), for an amount up to 50.0% of its basic capital; and

- its voluntary allowances for loan losses for an amount of up to 1.25% of risk weighted-assets.

Capital Adequacy Requirements

According to the General Banking Law, each bank should have regulatory capital of at least 8.0% of its risk-weighted assets, net of required allowances. The calculation of risk weighted assets is based on a five-category risk classification system for bank assets that is based on the Basel Committee recommendations. As of 2009, the third

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pillar of Basel II should become effective in Chile, which includes the implementation of capital limits with market risk and operational risk-weighted assets. These changes must be approved by Congress as it involves a modification to the General Banking Law.

Banks should also have capital básico, or basic capital, of at least 3.0% of their total assets, net of allowances. Basic capital is defined as a bank's paid-in capital and reserves and is similar to Tier 1 capital except that it does not include net income for the period.

Starting in 2008, banks are able to include net income for the period as basic capital, net of a 30% deduction for minimum dividends accrued.

Within the scope of Basel II in Chile, further changes in regulation may occur. See "Risk Factors—Risks Relating to Chile—Chile's banking regulatory and capital markets environment is continually evolving and may change."

Lending Limits

Under the General Banking Law, Chilean banks are subject to certain lending limits, including the following material limits:

- A bank may not extend to any entity or individual (or any one group of related entities), except for another financial institution, directly or indirectly, unsecured credit in an amount that exceeds 10.0% of the bank's regulatory capital, or in an amount that exceeds 30.0% of its regulatory capital if the excess over 10.0% is secured by certain assets with a value equal to or higher than such excess. These limits were raised from 5.0% and 25.0%, respectively, in 2007 by the Reformas al Mercado de Capitales II (also known as MK2). In the case of financing infrastructure projects built by government concession, the 10.0% ceiling for unsecured credits is raised to 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession;
- a bank may not extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its regulatory capital;
- a bank may not directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;
- a bank may not lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and
- a bank may not grant loans to related parties (including holders of more than 1.0% of its shares) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the limitations described in the first bullet point above. In addition, the aggregate amount of loans to related parties may not exceed a bank's regulatory capital.

In addition, the General Banking Law limits the aggregate amount of loans that a bank may grant to its employees to 1.5% of its regulatory capital, and provides that no individual employee may receive loans in excess of 10.0% of this 1.5% limit. Notwithstanding these limitations, a bank may grant to each of its employees a single residential mortgage loan for personal use once during such employee's term of employment.

Allowance for Loan Losses

Chilean banks are required to provide to the Superintendency of Banks detailed information regarding their loan portfolio on a monthly basis. The Superintendency of Banks examines and evaluates each financial institution's credit management process, including its compliance with the loan classification guidelines. Banks are classified into four categories: 1, 2, 3 and 4. Each bank's category depends on the models and methods used by the bank to classify its loan portfolio, as determined by the Superintendency of Banks. Category 1 banks are those banks whose methods and models are satisfactory to the Superintendency of Banks. Category 1 banks will be entitled to continue using the same methods and models they currently have in place. A bank classified as a category 2 bank will have to maintain the minimum levels of reserves established by the Superintendency of Banks while its Board of Directors

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will be made aware of the problems detected by the Superintendency of Banks and required to take steps to correct them. Banks classified as categories 3 and 4 will have to maintain the minimum levels of reserves established by the Superintendency of Banks until they are authorized by the Superintendency of Banks to do otherwise. We are classified in category 1.

Under our loan classification categories loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the purchase of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the purchase, construction or improvements of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans). A detailed description of the models established for determining loan loss allowances is set forth in “Item 5: F. Selected Statistical Information—Classification of Loan Portfolio” and in Note 1 of our Audited Consolidated Financial Statements.

Capital Markets

Under the General Banking Law, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. Likewise, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advice and securities brokerage, as well as in financial leasing, mutual fund and investment fund administration, investment advisory services and merger and acquisition services. These subsidiaries are regulated by the Superintendency of Banks and, in some cases, also by the Superintendency of Securities and Insurance, the regulator of the Chilean securities market, open-stock corporations and insurance companies.

Legal Provisions Regarding Banking Institutions with Economic Difficulties

The General Banking Law provides that if specified adverse circumstances exist at any bank, its Board of Directors must correct the situation within 30 days from the date of receipt of the relevant financial statements. If the Board of Directors is unable to do so, it must call a special shareholders’ meeting to increase the capital of the bank by the amount necessary to return the bank to financial stability. If the shareholders reject the capital increase, or if it is not effected within the term and in the manner agreed to at the meeting, or if the Superintendency of Banks does not approve the Board of Directors’ proposal, the bank will be barred from increasing its loan portfolio beyond that stated in the financial statements presented to the Board of Directors and from making any further investments in any instrument other than in instruments issued by the Central Bank. In such a case, or in the event that a bank is unable to make timely payment in respect of its obligations, or if a bank is under provisional administration of the Superintendency of Banks, the General Banking Law provides that the bank may receive a two-year term loan from another bank. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the Superintendency of Banks, but need not be submitted to the borrowing bank’s shareholders for their approval. In any event, a creditor bank cannot grant interbank loans to an insolvent bank in an amount exceeding 25.0% of the creditor bank’s regulatory capital. The Board of Directors of a bank that is unable to make timely payment of its obligations must present a reorganization plan to its creditors in order to capitalize the credits, extend their respective terms, condone debts or take other measures for the payment of the debts. If the Board of Directors of a bank submits a reorganization plan to its creditors and such arrangement is approved, all subordinated debt issued by the bank, whether or not matured, will be converted by operation of law into common stock in the amount required for the ratio of regulatory capital to risk-weighted assets not to be lower than 12.0% . If a bank fails to pay an obligation, it must notify the Superintendency of Banks, which shall determine if the bank is solvent.

Dissolution and Liquidation of Banks

The Superintendency of Banks may establish that a bank should be liquidated for the benefit of its depositors or other creditors when such bank does not have the necessary solvency to continue its operations. In such case, the Superintendency of Banks must revoke a bank's authorization to exist and order its mandatory liquidation, subject to agreement by the Central Bank. The Superintendency of Banks must also revoke a bank's authorization if the reorganization plan of such bank has been rejected twice. The resolution by the Superintendency of Banks must state the reason for ordering the liquidation and must name a liquidator, unless the Chilean Superintendency of Banks assumes this responsibility. When a liquidation is declared, all checking accounts and other demand deposits received in the ordinary course of business, are required to be paid by using existing funds of the bank, its deposits with the Central Bank or its investments in instruments that represent its reserves. If these funds are insufficient to pay these obligations, the liquidator may seize the rest of the bank's assets, as needed. If necessary and in specified

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circumstances, the Central Bank will lend the bank the funds necessary to pay these obligations. Any such loans are preferential to any claims of other creditors of the liquidated bank.

Obligations Denominated in Foreign Currencies

Foreign currency denominated obligations of Chilean banks are subject to various limits and obligations. The regulations of the Central Bank do not permit the difference, whether positive or negative, between a bank's assets and liabilities denominated in any foreign currency (including assets and liabilities denominated in U.S. dollars but payable in pesos, as well as those denominated in pesos and indexed to the U.S. dollar exchange rate) to exceed 20% of the bank's paid-in capital and reserves; except in the case where the balance of such assets exceeds the balance of such liabilities and the excess difference does not exceed the bank's allowances and reserves denominated in such foreign currency (excluding profits to be remitted abroad). Santander-Chile must also comply with various regulatory and internal limits regarding exposure to movements in foreign exchange rates (See "Item 11: Quantitative and Qualitative Disclosures About Market Risks").

Investments in Foreign Securities

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain securities of foreign issuers. Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would be complementary to the bank's business if such companies were incorporated in Chile. Banks in Chile may also invest in debt securities traded in formal secondary markets. Such debt securities must be (1) securities issued or guaranteed by foreign sovereign states or their central banks or other foreign or international financial entities, and (2) bonds issued by foreign companies. A bank may invest up to 5% of its regulatory capital in securities of foreign issuers. Such securities must have a minimum rating as follows.

Table 1

Rating Agency	Short Term	Long Term
Moody's	P2	Baa3
Standard and Poor's	A3	BBB-
Fitch	F2	BBB-
Duff & Phelps	D2	BBB-

In the event that the sum of the investments in foreign securities which have a: (i) rating that is below that indicated in Table 1 above, but is equal to or exceeds the ratings mentioned in the Table 2 below; and (ii) loans granted to other entities resident abroad exceed 20% (and 30% for banks with a BIS ratio equal or exceeding 10%) of the regulatory capital of such bank, the excess is subject to a mandatory reserve of 100%.

Table 2

Rating Agency	Short Term	Long Term
Moody's	P2	Ba3
Standard and Poor's	A3	BB-
Fitch	F2	BB-
Duff & Phelps	D2	BB-

In addition, banks may invest in foreign securities for an additional amount equal to a 70% of their regulatory capital which ratings are equal or exceeds those mentioned in the following Table 3. This limit constitutes an additional margin and it is not subject to the 100% mandatory reserve.

Additionally, a Chilean Bank may invest in foreign securities whose rating is equal to or exceeds those mentioned in the following Table 3 in: (i) term deposits with foreign banks; and (ii) securities issued or guaranteed by sovereign states or their central banks or those securities issued or guaranteed by foreign entities within the Chilean State; such investment will be subject to the limits by issuer up to 30% and 50%, respectively, of the regulatory capital of the Chilean bank that makes the investment.

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Table 3

Rating Agency	Short Term	Long Term
Moody's	P1	Aa3
Standard and Poor's	A1+	AA-
Fitch	F1+	AA-
Duff & Phelps	D1+	AA-

Chilean banks may invest in securities without ratings issued or guaranteed by sovereign states or their central banks and structured notes issued by investment banks with a rating equal to or above that in the immediately preceding Table 3, which return is linked with a corporate or sovereign note with a rating equal to or above that in Table 2.

Subject to specific conditions, a bank may grant loans in U.S. dollars to subsidiaries or branches of Chilean companies located abroad, to companies listed on foreign stock exchanges authorized by the Central Bank and, in general, to individuals and entities domiciled abroad, as long as the Central Bank is kept informed of such activities.

U.S. Anti-Money Laundering, Anti-Terrorist Financing, and Foreign Corrupt Practices Act Regulations

The Bank, as a foreign private issuer whose securities are registered under the U.S. Securities Exchange Act of 1934, is subject to the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA generally prohibits such issuers and their directors, officers, employees and agents from using any means or instrumentality of U.S. interstate commerce in furtherance of any offer or payment of money to any foreign official or political party for the purpose of influencing a decision of such person in order to obtain or retain business. It also requires that the issuer maintain books and records and a system of internal accounting controls sufficient to provide reasonable assurance that accountability of assets is maintained and accurate financial statements can be prepared. Penalties, fines and imprisonment of the Bank's officers and/or directors can be imposed for violations of the FCPA.

Furthermore, the Bank is subject to a variety of U.S. anti-money laundering and anti-terrorist financing laws and regulations, such as the Bank Secrecy Act of 1970, as amended, and the USA PATRIOT ACT of 2001, as amended, and a violation of such laws and regulations may result in substantial penalties, fines and imprisonment of the Bank's officers and/or directors.

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D. Property, Plants and Equipment

We are domiciled in Chile and own our principal executive offices located at Bandera 140, Santiago, Chile. We also own ten other buildings in the vicinity of our headquarters and we rent five other buildings. At December 31, 2008, we owned the locations at which 42% of our branches were located. The remaining branches operate at rented locations. We believe that our existing physical facilities are adequate for our needs.

Main properties as of December 31, 2008	Number
Central Offices	
Own	11
Rented	5
Total	16
Branches (1)	
Own	172
Rented	243
Total	415
Other property (2)	
Own	62
Rented	4
Total	66

(1) Some branches are located inside central office buildings and other properties. Including these branches the total number of branches is 419. Special payment centers are included in Other property.

(2) Consists mainly of parking lots, mini-branches and property owned by our subsidiaries.

The following table sets forth a summary of the main computer hardware and other systems-equipment that we own.

Category	Brand	Application
Mainframe	IBM	Back-end, Core-System Altair, Payment means and foreign trade.
Midrange	IBM	Interconnections between Mainframe and mid-range
Midrange	SUN/Unix SUN/UNIX	Interconnections applications Credit & debit cards
Midrange	IBM	Treasury, MIS, Work Flow, Accounting
Desktop	IBM	WEB
Center	Avaya	Platform applications
Center	Genesys	Telephone system
	Nice	Integration Voice/data
	Periphonics	Voice recorder
		IVR

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The main software systems that we use are:

Category	Product	Origin
Core-System	ALTAMIRA	Accenture
Data base	DB2	IBM
Data base	Oracle	Oracle
Data base	SQL Server	Microsoft
WEB Service	Internet Information Server	Microsoft
Message Service	MQSeries	IBM
Transformation	MQIntegrator	IBM

ITEM 4A. UNRESOLVED STAFF COMMENTS

As of the date of the filing of this Annual Report on 20-F, we do not have any unresolved comments from the U.S. Securities and Exchange Commission.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. New Accounting Format in 2008

Circular No. 3410 issued by the Superintendence of Banks, which became effective on January 1, 2008, prescribed new accounting formats for financial statements. The new accounting formats are congruent with International Accounting Standards, but do not involve a change in accounting standards. Banks are required to adopt the new accounting formats in 2008. The main changes are presented in the table below. The balance sheet and income statement for the twelve-month period ended December 31, 2006 and 2007 have been reclassified in order to make them comparable with the 2008 figures.

Main changes	Previous format	New format
Income statement	Items that were re-classified	Where items have been reclassified
Net interest income	1 Interest income contingent operations 2 Interest income trading portfolio	5 Interest income efficient portion of derivatives for hedging inflation and interest rate risk
Provision expense	3 Provisions for repossessed assets 4 Sale of charge-off loans	
Fee income		1 Interest income contingent operations
Financial transactions, net	5 Interest income efficient portion of derivatives for hedging inflation and interest rate risk	2 Interest income trading portfolio 4 Sale of charge-off loans
Other op. expenses	6 Sales force expenses	3 Provisions for repossessed assets
Operating expenses		6 Sales force expenses in administrative expenses
Main changes	Previous format	New format
Balance sheet	Items that change	What change will be
Assets	1 Contingent loans	1 Contingent loans are held off balance sheet
	2 Past due loans	2 Included in each loan product. Not disclosed separately. We disclose it for information purposes
	3 Loan loss allowances	3 Loans are presented net of loan loss allowances. We disclose it separately for information purposes
Liabilities	4 Shareholders' Equity	4 Shareholders' Equity will include a provision for future

dividends of 30% of net income.

Liabilities will also include a new item "Provision for dividends". Shareholders' equity also includes minority interests

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B. Critical Accounting Policies

We prepare our financial statements in accordance with Chilean GAAP, which requires management to make estimates and assumptions with respect to certain matters that are inherently uncertain. We also reconcile our financial statements to U.S. GAAP (see Note 27 to our Audited Consolidated Financial Statements) and are required to make estimates and assumptions in this reconciliation process. Certain critical accounting policies, in particular those relating to goodwill and intangible assets, are only applicable for U.S. GAAP purposes. Our consolidated 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, the selection of useful lives of certain assets and the valuation and recoverability of goodwill. 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.

Derivative activities

At December 31, 2006, 2007 and 2008, derivatives are valued at market price on the balance sheet and the net unrealized gain (loss) on derivatives is classified as a separate line item on the income statement. In prior periods, the notional amounts were carried off the balance sheet.

Pursuant to the new accounting standards, 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. New accounting standards have also been adopted for derivatives held for hedging purposes with effect for the six months ended June 30, 2006, and thereafter, changes in book value of hedged items are included in the mark-to-market and trading line items, except to the extent set forth below.

The Superintendency of Banks recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign investments.

- When a cash flow hedge exists, the fair value movements on the part of the hedging instrument 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.
- 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. Hedged items in the balance sheet are presented at their market value since 2006.
- When a hedge of foreign investment exposure exists (i.e. investment in a foreign branch), the fair value movements on the part of the hedging instrument 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.

Allowance for loan losses

Chilean banks are required to maintain loan loss allowances in amounts determined in accordance with the regulations issued by the Superintendency of Banks. Under these regulations, we must classify our portfolio into various categories of payment capability. The minimum amount of required loan loss allowances is determined based on fixed percentages of estimated loan losses assigned to each category. As of January 1, 2006, we have improved our credit scoring systems for consumer and mortgage loans. The new 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. (See "Item 5: F. Selected Statistical Information—Loan Portfolio—Classification of Loan Portfolio.")

In 2006, we improved our internal provisioning models by not only focusing on non-performance, but introducing 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

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statistical scoring systems. Commencing in December 2006, we no longer analyze large commercial loans on a group basis. All large commercial loans have since been rated on an individual basis. For large commercial loans, leasing and factoring, we assign a risk category level to each borrower and his 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. Further improvements were made in 2007, mainly expanding from 12 to 21 months the back testing period used in determining a client's risk profile. For a detailed description of the models we use to determine loan loss allowances for commercial loans. See "Item 5: F. Selected Statistical Information—Loan Portfolio—Classification of Loan Portfolio—Allowances for large commercial loans." Group assessment for loan loss allowances is permitted 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. (See "Item 5: F. Selected Statistical Information—Loan Portfolio—Classification of Loan Portfolio—Allowances for group evaluations on small- and mid-sized commercial loans.")

Goodwill and Intangible Assets with Indefinite Useful Lives

Under U.S. GAAP, we have significant intangible assets consisting of goodwill and trademarks. We record all assets and liabilities acquired in purchase acquisitions, including goodwill and other acquired intangibles, at their fair value. These include amounts pushed down from Santander Chile Holding, S.A. and Teatinos Siglo XXI, S.A., each a direct or indirect subsidiary of Banco Santander Spain, and, together, our majority shareholders. In 2006, we decided to change our branding strategy by increasing the use of the brand "Santander" and phasing out the brand "Santiago" within five years. In 2007, we completed the phasing out of the "Santiago" brand ahead of schedule in accordance with policy set by our parent company in 2007 regarding the Santander brand worldwide. As a result, we decided to fully amortize the brand "Santiago" in 2007.

Goodwill and indefinite lived assets are no longer amortized over their estimated useful lives using straight line and accelerated methods, and are subject to at least an annual impairment review. The initial goodwill and intangibles recorded and subsequent impairment analysis requires management to make subjective judgments concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behavior and attrition, changes in revenue growth trends, cost structures and technology and changes in interest rates and specific industry or market sector conditions. For a further discussion of accounting practices for goodwill and intangible assets with indefinite useful lives under U.S. GAAP, see Note 27 to our Audited Consolidated Financial Statements.

Differences between Chilean GAAP and U.S. GAAP

Chilean GAAP vary in certain important respects from U.S. GAAP. Such differences involve certain methods for measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and the accounting treatment of mergers.

Note 27 to our Audited Consolidated Financial Statements presents a description of the significant differences between Chilean GAAP and U.S. GAAP. Note 27(z) sets forth recent accounting pronouncements under U.S. GAAP.

C. Transition to the new rules established by the Superintendency of Banks and Chilean Generally Accepted Accounting Principles

The Superintendency of Banks together with other Chilean Superintendencies and regulatory bodies agreed to a plan of convergence with International Financial Reporting Standards (“IFRS”) in order to internationalize financial reporting for public companies in Chile.

The Superintendency of Banks, by means of circular No 3410 on November 9, 2007, issued its “Compendium of Accounting Standards” (the “Compendium”) which contains the new accounting formats and reporting standards and policies for the finance industry that will be applied beginning on January 1, 2009.

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The Bank is completing a plan for transition to the Compendium which includes an analysis of the accounting method differences, the selection of the accounting methods to be applied when alternative treatment are permitted and an assessment of the changes in reporting procedures and systems.

In accordance with instructions issued by the Superintendency of Banks regarding the adoption of the Compendium, beginning on March 2009, Banco Santander Chile should prepare its financial statements in accordance with such Compendium. The preliminary effects of this change on the Bank's financial statements have been measured and communicated to the Superintendency of Banks, and those adjustments could differ from those to be finally determined.

D. 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 2008, Chile's GDP growth, as was the case in most parts of the world, began to feel the effects of the global financial crisis. Chile's GDP expanded 3.2% in 2008 compared to 4.7% in 2007 and 4.6% in 2006. GDP growth slowed considerably in the second half of 2008. This evolution of the economy was also apparent in the growth of internal demand which in 2008 grew by 7.4%, but contracted 0.2% in the fourth quarter of 2008.

Quarterly Evolution of GDP Growth and Internal Demand, %

Source: Banco Central de Chile

The slowdown in world growth rates also negatively impacted the prices of Chile's main commodity exports. The price of copper, Chile's main export, fell 53.4% in 2008. This led to a 1.8% decrease in exports in 2008 that totaled US\$66 billion. It is important to note that the Chilean government has consistently maintained a fiscal surplus, which as a percentage of GDP reached 5.1% in 2008, 8.8% in 2007 and 7.7% in 2006. At year-end 2008, the total reserves in the Central Bank plus the accumulated savings in the Chilean Copper Stabilization Fund totaled US\$50.3 billion, which should help to sustain government spending in 2009, despite the lower expected economic growth. Unemployment also began to rise in the second half of 2008. The average unemployment rate increased to 7.7% in 2008 compared to 7.0% in 2007 and 8.0% in 2006.

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Evolution of Prices of Chile's Main Exports (Base 100 =Dec. 2003)

Source: Banco Central de Chile

Inflation levels mirrored the movements of oil prices in 2008. CPI inflation in Chile reached its twelve-month high in October 2008 with an annual increase of 9.9%, but ended the year at 7.1%. As the price of oil and economic expectations descended rapidly in the second half of 2008, CPI inflation trends reverted with deflation in the last months of the year. As a result, the Central Bank, throughout the first three quarters of 2008, tightened monetary policy. This was followed by a rapid relaxation in the last quarter of the year in line with international interest rate movements. The overnight interbank rate set by the Central Bank reached a peak of 8.25% as of September 2008. As of May 2009, this rate was 1.25%. As the global economy slowed down, the Chilean peso depreciated 26.9% against the U.S. dollar in 2008 compared to a 7.2% appreciation in 2007 and a 3.9% depreciation in 2006.

Source: Banco Central de Chile and INE

The Chilean banking system also evolved in line with the economic developments during 2008. In the first three quarters of 2008, the Chilean financial system continued to grow at a rapid pace in various loan products and segments. In the fourth quarter 2008, with the worsening of the global financial crisis, the loan market shifted its focus with a decrease in the growth rates of lending to individuals and an increase in the growth rate of lending to companies. The shortage of liquidity abroad resulted in many companies substituting their foreign sources of financing for local ones. Total loans in 2008 increased 20.9% in nominal terms. The Chilean banking system also saw a strong inflow of deposits, especially in the fourth quarter as funds were retired from variable and fixed income mutual funds and moved into bank deposits. Time deposits increased 24.2% in 2008 and mutual funds under management (off-balance sheet) decreased 7.2% in the year.

In terms of asset quality, the Chilean financial system continued to show healthy standards, but deterioration of credit standards was observable in the year, especially among individuals. The main reason for this was the high inflation rate, as higher prices deteriorated purchasing power, especially among the middle to lower income

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segments. Going forward and as a result of these developments in 2008, banking activity in 2009 should contract and asset quality should worsen. We expect unemployment rates to rise, affecting loan growth and asset quality indicators in the retail segments. Lower economic growth should also have an impact on loan growth to companies and asset quality in various economic sectors.

Evolution of asset quality indicators

* Expected loss = Loan loss reserves for consumer and residential mortgage loans / Total consumer and residential mortgage loans.

** Past due loans = all installments of loans more than 90 days overdue.

Source: Superintendency of Banks

As a result of these developments in 2008, economic activity in Chile should slow down in 2009 given the volatility of international markets and the global economic recession. GDP growth in 2009 in Chile is expected to be slightly negative as export, consumption and investment growth rates will decelerate.

The results of Santander Chile in 2009 will be directly and indirectly affected by the economic recession and the more challenging environment for the Chilean banking system. We may experience any or all of the following:

- lower or negative loan growth;
- lower growth or contraction of net interest revenue and margins as a result of lower loan growth and the negative effects on margins caused by lower inflation rates or deflation;
- deterioration of asset quality indicators and an increase in provision expense as unemployment rises and internal demand falls; and
 - lower fee growth due to lower consumer expenditure and usage of bank products.

Impact of Inflation

Inflation impacts our results of operations. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. Negative inflation rates also negatively impact our results. In 2008, the inflation rate in Chile was 7.1% compared to 7.8% in 2007 and 2.6% in 2006. In the last months of 2008 and the first quarter of 2009, Chile was going through a deflationary environment. 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 our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

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- **UF-denominated assets and liabilities.** Our assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. 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 Consumer Price Index during the prior calendar month. One UF equaled to Ch\$18,336.38 at December 31, 2006, Ch\$19,622.66 at December 31, 2007 and \$21,452.57 at December 31, 2008. In 2008, UF inflation was 9.3% compared to 7.0% in 2007 and 2.0% in 2006. 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 revenue and expense, respectively. Our net interest revenue 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 revenue 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 revenue 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\$2,439,563 million in 2008 compared to Ch\$2,586,209 million in 2007. See “Item 5: F. 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 year ended December 31, 2008, the interest gained on interest earning assets denominated in UF increased 20.2% compared to 2007 as a result of the higher UF inflation rates in 2008 compared to 2007. The interest paid on these liabilities increased by 43.0% during this period.
- **Price level restatement.** Chilean GAAP requires that financial statements be restated to reflect the full effects of loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The Bank must adjust its capital, fixed assets and other non financial assets for variations in price levels on a monthly basis according to the CPI index with a one-month lag. Since the Bank’s capital is generally larger than the sum of fixed and other non financial assets, the Bank would record a loss from price level restatement in an inflationary economy and a gain in a deflationary environment. For the year ended December 31, 2008, the loss from price level restatement totaled Ch\$78,027 million compared to Ch\$61,332 million in 2007. The inflation rate used for calculating price level restatement was 8.9% in 2008 and 7.4% in 2007. In line with the new accounting standards to be adopted in 2009, the Bank will no longer be required to adjust its capital, fixed assets and other non financial assets for variations in price levels on a monthly basis and, therefore, will no longer recognize a gain or loss from price level restatement.
- **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 denominated 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 denominated 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 11: 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 2008, the financial cost of the swaps taken in order to hedge for inflation and interest rate risk totaled Ch\$53,956 million compared to Ch\$35,283 million in 2007. This higher cost was a direct result of the higher UF inflation rate in these two periods.

At December 31,

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Inflation sensitive income	2007	2008	% Change
	(In million of constant Chilean pesos at December 31, 2008)		
Interest gained on UF assets	824,173	990,430	20.2%
Interest paid on UF liabilities (1)	(485,921)	(694,758)	43.0%

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Price level restatement	(61,332)	(78,027)	27.2%
Net Gain	276,920	217,645	(21.4%)
(1) Includes inflation hedge			

- 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 5: D. 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 11: Quantitative and Qualitative Disclosures About Market Risk”). The ratio of the average of such demand deposits to average interest-earning assets was 15.8%, 17.1% and 15.7% for the years ended December 31, 2006, 2007 and 2008, respectively.

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 generally reprice 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 5: D. 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 repricing 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 2008, the Chilean peso in relation to the U.S. dollar depreciated 26.9% compared to a 7.2% appreciation in 2007 and a 3.9% depreciation in 2006. (See “Item 3: 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.

Foreign currency-denominated obligations of Chilean banks are subject to various limits and obligations. The regulations of the Central Bank do not permit the difference, whether positive or negative, between a bank's assets and liabilities denominated in any foreign currency (including assets and liabilities denominated in U.S. dollars but payable in Chilean pesos, as well as those denominated in Chilean pesos and indexed to the U.S. dollar exchange rate) to exceed 20% of the Bank's paid in capital and reserves; except in cases where the balance of such assets exceeds the balance of such liabilities and the excess difference does not exceed the Bank's allowances and reserves denominated in such foreign currency (excluding profits to be remitted abroad). The Bank also uses a sensitivity

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analysis to limit 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 11: Quantitative and Qualitative Disclosures About Market Risk”).

Results of Operations for the Years Ended December 31, 2006, 2007 and 2008

The following discussion is based upon and should be read in conjunction with the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been prepared in accordance with Chilean GAAP (including the rules of the Superintendency of Banks relating thereto), which differ in certain significant respects from U.S. GAAP. Note 27 to the Audited Consolidated Financial Statements describes the significant differences between Chilean GAAP and U.S. GAAP and includes a reconciliation to U.S. GAAP of our net income for the years ended December 31, 2006, 2007 and 2008, and of our shareholders’ equity at December 31, 2007 and 2008. The Audited Consolidated Financial Statements have been restated in constant Chilean pesos as of December 31, 2008. See Note 1.c to the Audited Consolidated Financial Statements.

Introduction

The following table sets forth the principal components of our net income for the years ended December 31, 2006, 2007 and 2008.

	For the year ended December 31,				% Change	
	2006	2007	2008	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008)			(in thousands of US\$)(1)		
CONSOLIDATED INCOME STATEMENT DATA						
Chilean GAAP:						
Interest income and expense						
Interest revenue	1,295,280	1,730,592	2,061,112	3,214,210	33.6%	19.1%
Interest expense	(659,459)	(954,834)	(1,164,071)	(1,815,315)	44.8%	21.9%
Net interest revenue	635,821	775,758	897,041	1,398,895	22.0%	15.6%
Fees and income from services						
Fees and other services income						
	239,658	266,923	276,433	431,085	11.4%	3.6%
Other services expense	(42,011)	(49,066)	(52,840)	(82,402)	16.8%	7.7%
Total fees and income from services, net	197,647	217,857	223,593	348,683	10.2%	2.6%
Other operating income						
Net gain from mark-to-market and trading						
	135,465	26,796	273,084	425,862	(80.2%)	919.1%
Foreign exchange transactions, net						
	(552)	83,007	(187,042)	(291,683)	--%	--%
Financial transactions, net	134,913	109,803	86,042	134,179	(18.6%)	(21.6%)
Other operating income	16,779	28,433	16,512	25,750	69.5%	(41.9%)
Total other operating income	151,692	138,236	102,554	159,929	(8.9%)	(25.8%)
Total operating revenue	985,160	1,131,851	1,223,188	1,907,507	14.9%	8.1%
Provision for loan losses	(142,956)	(224,667)	(285,953)	(445,931)	57.2%	27.3%

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Operating income, net of provisions	842,204	907,184	937,235	1,461,576	7.7%	3.3%
Operating expenses						
Personnel salaries and expenses	(186,282)	(191,120)	(209,134)	(326,135)	2.6%	9.4%
Administrative and other expenses	(153,401)	(164,609)	(161,977)	(252,596)	7.3%	(1.6%)
Depreciation and amortization	(42,079)	(45,741)	(51,944)	(81,004)	8.7%	13.6%
Other operating expenses	(42,868)	(44,545)	(42,259)	(65,901)	3.9%	(5.1%)
Total operating expenses	(424,630)	(446,015)	(465,314)	(725,636)	5.0%	4.3%
Operating results	417,574	461,169	471,921	735,940	10.4%	2.3%
Other non-operating results						
Income (loss) attributable to investments in other companies	919	(1,438)	851	1,327	--%	--%
Price level restatement	(16,123)	(61,332)	(78,027)	(121,680)	280.4%	27.2%
Total other non-operating results	(15,204)	(62,770)	(77,176)	(120,353)	312.9%	23.0%
Income before taxes	402,370	398,399	394,745	615,587	(1.0%)	(0.9%)
Income tax	(68,088)	(60,075)	(63,728)	(99,381)	(11.8%)	6.1%

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	For the year ended December 31,				% Change	
	2006	2007	2008	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008)			(in thousands of US\$)(1)		
Net income	334,282	338,324	331,017	516,206	1.2%	(2.2%)
Net income attributable to:						
Shareholders	334,106	336,086	328,146	511,729	0.6%	(2.4%)
Minority interest	176	2,238	2,871	4,477	1,171.6%	28.3%

(1) Amounts stated in U.S. dollars at and for the year ended December 31, 2008, have been translated from Chilean pesos at the exchange rate of Ch\$641.25 = US\$1.00 as of December 31, 2008. See “Item 3: A. Selected Financial Data—Exchange Rates” for more information on exchange rate.

2008 compared to 2007. Net income for the year ended December 31, 2008, decreased by 2.2% to Ch\$331,017 million. Net income attributable to shareholders in the same period decreased 2.4% to Ch\$328,146 million.

Total operating revenue increased 8.1% in 2008 compared to 2007 and totaled Ch\$1,223,188 million. Our net interest income increased by 15.6% to Ch\$897,041 million for the year ended December 31, 2008, compared to 2007, and fee income grew by 2.6% to Ch\$223,593 million in 2008 compared to 2007. Net interest revenue growth was led by an increase in net interest revenue from our retail banking, middle-market and global banking and market business segments and the higher inflation rate in 2008 compared to 2007. The average balance of our interest-earning assets increased by 13.5% in 2008 compared to 2007. Our net interest margin increased 10 basis points to 5.7% compared to 5.6% in 2007.

These results were partially offset by a 21.6% decrease in financial transactions, net, which was mainly due to the 88.7% decline in income from proprietary trading in 2008 compared to 2007. This was mainly as a result of the higher interest and inflation rate environment that prevailed throughout most of 2008.

Other operating income decreased 41.9% in 2008 compared to 2007, mainly as a result of lower recoveries of provisions for other contingencies in 2008 compared to 2007. These contingencies are mainly related to non credit risks, including non specific contingencies, tax contingencies and other non credit contingencies or impairments.

Net provision expenses for loan losses totaled Ch\$285,953 million for the year ended December 31, 2008, an increase of 27.3% compared to 2007, primarily due to an increase in charge-offs and a reduction in loan loss recoveries. Charge-offs increased by 22.4% in 2008 compared to 2007. Charge-offs of the consumer loan portfolio increased by 31.5% to Ch\$236,274 million. The rise in inflation has resulted in deterioration in asset quality among individuals due to the negative effects inflation had on purchasing power during 2008.

Despite the rise in provision expense, operating income, net of provisions increased 3.3% in 2008 compared to 2007 and totaled Ch\$937,235 million.

Operating expenses in 2008 increased by 4.3% compared to 2007. The rise in operating expenses was mainly due to the 9.4% increase in personnel salaries and expenses. This growth was driven by a 3.8% rise in average headcount in 2008 compared to 2007, an increase in variable incentives to commercial teams for positive performance in the year, especially in retail banking and real wage growth. The efficiency ratio improved from 39.4% in 2007 to 38.0% in

2008.

Net operating income, that is operating income net of provisions and operating expense, increased 2.3% in 2008 compared to 2007 and totaled Ch\$471,921 million.

These operating results were offset by the 23.0% increase in non-operating losses compared to 2007 and which totaled Ch\$77,176 million in 2008. The loss from price level restatement totaled Ch\$78,027 million in 2008, an increase of 27.2% compared to 2007 due to the higher inflation rates in 2008 compared to 2007.

2007 compared to 2006. Net income for the year ended December 31, 2007, increased by 1.2% to Ch\$338,324 million compared to Ch\$334,282 million for the year ended December 31, 2006. Net income attributable to shareholders totaled Ch\$336,086 million for the year ended December 31, 2007 and increased 0.6% compared to 2006.

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In 2007, total operating revenue increased 14.9% to Ch\$1,131,851 million. Our net interest income increased by 22.0% for the year ended December 31, 2007, compared to 2006, and fee income grew by 10.2% in the same period. Net interest revenue growth was led by an increase in net interest revenue from our retail banking and middle-market segments, the improved funding mix and the higher inflation rate in 2007 compared to 2006. The average balance of our interest-earning assets increased by 2.6% in 2007 compared to 2006. Our net interest margin increased 90 basis points to 5.6% compared to 4.7% in 2006.

This was offset by an 18.6% decrease in the net gains from financial transactions that totaled Ch\$109,803 million for the year ended December 31, 2007. This decline was mainly due to the 80.2% decrease in gains from our market making and proprietary trading results. The Bank's trading positions were negatively affected by the movements of real interest rates, especially in the fourth quarter of 2007.

Other operating income was up 69.5% in 2007 compared to 2006. This variation was mainly due to: (i) a gain of Ch\$826 million recognized from the sale of shares held by the Bank in the Santiago Stock Exchange, (ii) a gain of Ch\$1,439 million from the sale of Bank's shares in Mastercard and (iii) a Ch\$11,056 gain recognized in 2007 from the recovery of provisions for other non-credit contingencies.

Provision for loan losses increased 57.2% in 2007 compared to 2006. This was mainly due to loan growth in higher yielding, but riskier retail segments. At the same time the Bank continued to improve its provisioning model for consumer loans. Specifically, in 2007 the Bank lengthened the time period used for statistically determining the risk level of consumer loans from 12 to 21 months of history. As a result, in 2007 the Bank recognized a one-time provision expense of Ch\$15,728 million.

With these results, operating income net of provisions increased 7.7% in 2007 compared to 2006 and totaled Ch\$907,184 million.

Operating expenses increased 5.0% in 2007 and the efficiency ratio improved to 39.4% in 2007 from 43.1% in 2006. In 2006, operating expenses include a one-time expense of Ch\$10,086 million as a result of our payment of an end of negotiation bonus in conjunction with the signing of the new collective bargaining agreement in the fourth quarter of 2006. Excluding this item, operating expenses in 2007 increased 7.1% driven by the increase in the Bank's headcount, client base and distribution network.

Non-operating results totaled a loss of Ch\$62,770 million in 2007 and this loss increased 312.9% compared to 2006. The loss from price level restatement totaled Ch\$61,332 million in 2007, an increase of 280.4% compared to 2006. The inflation rate used for calculating price level restatement increased in 2007 compared to 2006 (7.44% in 2007 and 2.12% in 2006), resulting in a higher loss from price level restatement.

Income tax expenses declined 11.8% in 2007 compared to 2006 as a result of increased tax deferrals.

Net interest revenue

	Year Ended December 31,			% Change	
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Total individuals	345,240	452,136	531,820	31.0%	17.6%
SMEs	134,852	160,909	184,149	19.3%	14.4%
Institutional lending	9,876	12,048	12,273	22.0%	1.9%
Total retail	489,968	625,093	728,242	27.6%	16.5%

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Total middle-market	76,660	89,095	98,717	16.2%	10.8%
Global banking & markets	65,372	87,189	117,190	33.4%	34.4%
Other	3,821	(25,619)	(47,108)	(770.5%)	83.9%
Net interest revenue	635,821	775,758	897,041	22.0%	15.6%
Average interest-earning assets	13,476,738	13,833,596	15,698,721	2.6%	13.5%
Average non-interest-bearing demand deposits	2,132,774	2,364,661	2,458,141	10.9%	4.0%
Net interest margin (1)	4.7%	5.6%	5.7%		
Average shareholders' equity and average non-interest-bearing demand deposits to total average interest-earning assets	25.8%	27.5%	24.4%		

(1) Net interest margin is net interest revenue divided by average interest-earning assets.

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2008 compared to 2007. In 2008, net interest revenue increased 15.6% compared to 2007, totaling Ch\$897,401 million. Total interest-earning asset increased 13.5% in the same period. As a result, the Bank's net interest margin increased 10 basis points to 5.7%.

In 2008, the average nominal rate earned reached 14.5% compared to 13.2% in 2007. The average real rate earned over interest-earning assets reached 7.8% in 2008 compared to 6.5% in 2007. The higher inflation rate in 2008 compared to 2007 had a positive effect on the growth rate of net interest revenue and margins. In 2008, the variation of the UF was 9.33% compared to 7.01% in 2007. Our net interest revenue 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 average UF-denominated interest earning assets exceeded our average UF-denominated interest-bearing liabilities by Ch\$2,439,563 million in 2008 compared to Ch\$2,548,209 million in 2007. The higher UF inflation rate in 2008 compared to 2007 compensated for the lower UF-gap. See "Item 5: C. Operating Results—Impact of Inflation" for a quantitative disclosure of the impact of inflation on our result. Going forward, as inflation rates decreases or if the deflationary environment observed since the last quarter of 2008 and the first quarter of 2009 persists, this will place negative pressure on the Bank's margins.

Total loans in 2008 increased by 9.7% compared to 2007. The increase in net interest revenue was also attributable to an increase in loans and net interest revenue from various business segments.

Loans by segment	Year Ended December 31,			% Change	
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Total individuals	5,293,500	6,213,172	6,870,509	17.4%	10.6%
SMEs	1,963,624	2,196,263	2,428,779	11.8%	10.6%
Institutional lending	238,079	226,549	224,738	(4.8%)	(0.8%)
Total retail	7,495,203	8,635,984	9,524,026	15.2%	10.3%
Total middle-market	2,782,387	2,718,056	2,882,069	(2.3%)	6.0%
Global banking and markets	1,850,750	1,742,388	2,242,389	(5.9%)	28.7%
Other (1)	495,652	301,853	51,890	(39.1%)	(82.8%)
Total loans	12,623,992	13,398,281	14,700,374	6.1%	9.7%

(1) Other loans includes interbank loans and non-segmented loans

Net interest revenue from the retail banking segment increased by 16.5% to Ch\$728,242 million in 2008, with increases of 17.6% in the individuals segment and 14.4% in the small businesses, or SMEs, segment. This rise in net interest income was due to loan growth, especially in the first three quarters of 2008 before the full effects of the global recession were felt in the Chilean economy. Net interest revenue in the retail segment also benefited from higher inflation rates and an increase in loan yields, in anticipation of an expected rise in credit risk levels. Compared to 2007, total loans to retail segments increased by 10.3%, with lending to individuals and SMEs both increasing by 10.6% in 2008.

Net interest revenue from the middle-market segment increased by 10.8%, due to loan growth and higher margins in this segment. Loans in the middle-market segment increased 6.0% in the year.

In the global banking and markets segment, net interest revenue increased 34.4%, primarily due to higher loan growth and higher margins. Loans in the global banking and markets segment increased 28.7% in 2008 compared to 2007. This growth was concentrated in the last quarter of the year when the international credit markets contracted

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as a result of the global financial crisis, resulting in an increase in demand by large Chilean companies for financing from local banks. As foreign banks were negatively affected by liquidity issues in the last part of 2008, many large Chilean companies increased the percentage of financing they obtained from local banks, driving loan growth in this segment. Simultaneously, the Bank increased the interest charged on loans to this segment.

The principal factors negatively affecting the net interest revenue and margin was the increase in short term interest rates throughout most of 2008, as inflation rates increased. As interest-bearing liabilities generally have shorter terms than interest-earning assets, a rise in short term rates has a negative effect on our funding costs. The overnight interbank rate set by the Central Bank increased 224 basis points in 2008 and reached a peak of 8.24%. In 2009, as inflation levels began to descend and economic growth began to contract, the Central Bank reversed its monetary policy with a sharp reduction in rates.

Source: Central Bank of Chile

Other net interest revenue totaled an expense of Ch\$47,109 million. This expense includes the cost of financing the Bank's fixed assets and investment in fixed income for trading. The interest revenue from this portfolio is included as income from mark-to-market and trading.

2007 compared to 2006. In 2007, net interest revenue increased 22.0% compared to 2006, totaling Ch\$775,758 million. During this period, the Bank focused on increasing spreads in various business segments in order to improve profitability. At the same time, an improved funding mix and higher inflation also boosted net interest revenue. As a result, the Bank's net interest margin increased 90 basis points to 5.6%. The average nominal rate earned on loans was 12.5% in 2007 compared to 9.6% in 2006.

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The increase in net interest revenue was primarily attributable to an increase in net interest revenue from various business segments in line with the Bank's strategy of increasing spreads across the board in anticipation of higher future funding costs as rates rise in a higher inflationary environment. During the year the Bank also raised spreads in order to maintain adequate profitability taking into account the higher credit risk involved, especially in the retail segments.

Net interest revenue from the retail banking segment increased by 27.6% to Ch\$625,093 million in 2007, with increases of 31.0% in the individuals segment and 19.3% in the SMEs segment. Loans to higher yielding retail banking segments increased by 15.2% in 2007 compared to 2006.

Net interest revenue from the middle-market segment increased by 16.2%, primarily due to the Bank's focus on improving profitability by rising spreads, albeit with lower loan growth in the year. Loans in the middle-market segment decreased 2.3% in the year.

In the global banking and markets segment, net interest revenue increased by 33.4%, primarily due to the higher short-term interest rate and inflation rate environment, which increased spreads, as loan volumes in this segment decreased by 5.9% in the year.

The higher inflation rate in 2007 compared to 2006 also had a positive effect on the growth rate of net interest revenue and margins. In 2007, the variation of the UF was inflation rate in Chile was 7.0% compared to 2.0% in 2006. Our net interest revenue 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 average UF-denominated interest-earning assets exceeded our average UF-denominated interest-bearing liabilities by Ch\$2,548,209 million in 2007 compared to Ch\$2,796,153 million in 2006. The higher inflation rate offset the lower positive UF gap in the period. See "Item 5: D. Operating Results—Impact of Inflation" for a quantitative disclosure of the impact of inflation on our results.

An improved funding mix also helped to sustain margins despite a higher short-term interest rate environment. The ratio of the average balance of free funds (non-interest-bearing demand deposits and shareholders' equity) to the average balance of interest-earning assets also increased from 25.8% in 2006 to 24.4% in 2007. Therefore, as short-term rates increased and inflation also rose, the return on average free funds expanded.

The principal factors negatively affecting the net interest margin was the increase in 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 funding costs. The higher inflation rate accelerated the pace of short-term interest rate increases in the year. The overnight interbank rate set by the Central Bank increased 100 basis points in 2007. The average 90-day Central Bank rate, a benchmark rate for deposits, increased in nominal terms from 4.83% in 2006 to 5.18% in 2007.

Fee 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 years ended December 31, 2006, 2007 and 2008.

Year ended December 31,			% Change	
2006	2007	2008	2006/2007	2007/2008
(in million of constant Ch\$ as of December 31, 2008, except percentages)				

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Checking accounts and lines of credit	65,422	67,227	64,483	2.8%	(4.1%)
Credit, debit and ATM cards	36,265	38,895	43,772	7.3%	12.5%
Collections	32,680	35,989	39,949	10.1%	11.0%
Asset management	23,396	32,512	28,220	39.0%	(13.2%)
Letters of credit	16,265	15,551	17,092	(4.4%)	9.9%
Insurance brokerage	13,509	13,856	15,284	2.6%	10.3%
Custody and brokerage services	2,115	7,540	6,538	256.5%	(13.3%)
Other fees	7,995	6,287	8,255	(21.4%)	31.3%
Total	197,647	217,857	223,593	10.2%	2.6%

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2008 compared to 2007. Total net fee income increased by 2.6% to Ch\$223,593 million for the year ended December 31, 2008, compared to 2007.

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 by 4.1% in 2008 compared to 2007. The total amount of checking account holders increased by 1.7% in 2008 to 574,039. Despite this growth, fee income from lines of credit was negatively affected by the closure of accounts in the SME segment for credit risk reasons. In 2009, regulatory changes may have a negative affect on fees charged for the unauthorized overdraft of lines of credit. These fees represent 39% of fee income included in this item. As of May 2009, this fee can no longer be charged.

Fees from credit, debit and ATM cards increased by 12.5% in 2008 compared to 2007. Fees from credit cards increased by 11.0% to Ch\$29,468 million in 2008 compared to 2007. We were the market leader in bank credit card accounts, with a 33.9% market share at year-end 2008 compared to 36.0% market share as of December 31, 2007. The number of our credit card customer accounts increased by 3.3% to 1,139,342 at December 31, 2008 compared to December 31, 2007. Despite a decrease in our market share of credit card accounts, we experienced a 10.3% real increase in purchases, which is the main driver of fee income from this business through merchant discount fees. This rise in purchases was driven by our marketing efforts across the whole spectrum of retail client segments to increase usage of our cards as a means of payment. Market share in terms of purchases rose to 35.2% in 2008 from 34.0% in 2007. Going forward, lower economic growth and regulatory changes that will prohibit fees charged over purchases of products with a credit card in installments will negatively affect credit card fees. Fees from ATM and debit cards increased by 11.9% to Ch\$14,304 million in 2008 compared to 2007. Purchases using our debit card increased 21.5% in real terms in 2008 and market share reached 24.2%. The Bank's ATM network, the largest in Chile, totaled 1,958 machines, decreasing by 2.3% compared to 2007.

Fees from collections increased by 11.0% for the year ended December 31, 2008, compared to 2007, primarily due to the growth of our retail loan book, especially residential mortgage loans that increased by 9.3% in 2008 compared to 2007. This led to an increase in collection of insurance premiums on these loans on behalf of insurance companies.

Fees from our asset management business declined by 13.2% in 2008 compared to 2007. Total funds under management decreased by 23.3% in 2008 compared to 2007 and totaled Ch\$2,199,222 million (US\$3.5 billion). The instability and decline in the equity markets and the shift from money market funds to bank deposits negatively affected volumes under management and fee income from this business.

The 9.9% increase in fees from letters of credit was mainly due to the rise in business volumes in the middle market and global banking segments and the depreciation of the Chilean peso in the year, as fees from letters of credit are mainly trade related and denominated in foreign currencies.

Insurance brokerage fees increased by 10.3% in 2008 compared to 2007. This was mainly due to greater business volumes in our insurance brokerage subsidiary and higher sale of insurance products through the Bank's website.

Custody and brokerage fees experienced a decrease of 13.3% in 2008 compared to 2007. This was primarily due to the lower stock brokerage fees as equity markets declined in the year.

The 31.3% increase in other fees in 2008 compared to 2007 was mainly due to a rise in fees from purchases in foreign currencies and other fees linked to the growth of our corporate banking business.

The following table sets forth, for the years indicated, a breakdown of our fee income by segment.

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	Year ended December 31,			% Change	% Change
	2006	2007	2008	2006/2007	2007/2008
	(in million of constant Ch\$ as of December 31, 2007, except percentages)				
Total individuals	125,817	144,079	144,182	14.5%	0.1%
SMEs	34,862	43,728	40,657	25.4%	(7.0%)
Institutional lending	1,460	2,373	1,728	62.5%	(27.2%)
Total retail	162,139	190,180	186,567	17.3%	(1.9%)

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	Year ended December 31,			% Change	% Change
	2006	2007	2008	2006/2007	2007/2008
	(in million of constant Ch\$ as of December 31, 2007, except percentages)				
Total middle-market	17,001	17,278	16,041	1.6%	(7.2%)
Global banking and markets	10,466	14,988	11,497	43.2%	(23.3%)
Other	8,041	(4,589)	9,488	--%	--%
Total	197,647	217,857	223,593	10.2%	2.6%

Retail banking fees decreased by 1.9% in 2008 compared to 2007 mainly as a result of the decrease in fees from lines of credit, especially in the SME segment, and asset management fees.

Fees in the middle market decreased by 7.2% and fees from the global banking and markets segment decreased by 3.3% in 2008 compared to 2007. This reflects the decline in fees from our asset management and brokerage services, both of which were negatively affected by the global financial crisis.

2007 compared to 2006. Total net fee income increased by 10.2% for the year ended December 31, 2007 compared to 2006. The positive economic environment and the growth of the Bank's client base led to an overall increase in the usage and penetration of bank products in 2007. The Bank's total retail banking client base increased by 14.1% in 2007, totaling 2.8 million clients. The number of retail clients with a checking account increased by 13.8% in 2007, reaching approximately 565,000. Retail clients (excluding clients of Santander Banefe) who are cross sold, which are defined as clients with checking accounts who also use at least four other banking products, increased by 16.2% at December 31, 2007, compared to December 31, 2006. In Santander Banefe, the number of cross sold clients (clients who also use at least two other banking products) rose by 18.0% at December 31, 2007, compared to December 31, 2006.

Fees from checking accounts and lines of credit increased by 2.8% in 2007 compared to 2006. Our market share in checking accounts increased to 27.9% as of November 2007 compared to 27.1% as of November 2006. In 2007, the Bank opened 34.8% of all new checking accounts in Chile. This was offset by regulatory changes relating to checking account fees. In the beginning of 2007, Chile introduced a regulatory change that prohibited banks from charging certain fees to checking account holders for bad check clearance.

Fees from credit, debit and ATM cards increased by 7.3% in 2007 compared to 2006. We were the market leader in bank credit card accounts, with a 36.0% market share at year-end 2007 compared to 35.8% market share as of December 31, 2006. The number of our credit card customer accounts increased by 16.2% to 1,102,630 at December 31, 2007, compared to December 31, 2006. The transaction volumes of credit cards issued by us, measured in UFs, increased by 12.5% in 2007 compared to 2006. The rise in credit card fees is partially offset by the other credit card expenses reflected in "Other operating losses, net." The rise in ATM fees was mainly driven by the increase in the number of ATMs installed by the Bank. As of December 31, 2007, the Bank had 2,004 ATMs compared to 1,588 ATMs as of December 31, 2006. The rise in ATMs was offset by increased competition in order to obtain favorable ATM locations.

Fees from collections increased by 10.1% for the year ended December 31, 2007, compared to 2006, primarily due to the growth of our retail loan book that has led to an increase in collection of insurance premiums on these loans on behalf of insurance companies.

Fees from our mutual fund asset management subsidiary increased by 39.0%, in line with the 25.8% rise in asset under management.

The 4.4% decrease in fees from letters of credit was mainly due to the appreciation of the Chilean peso in the year as the majority of these fees are trade related and denominated in foreign currencies.

Fees from insurance brokerage increased by 2.6% in 2007 compared to 2006. This was mainly due to greater business volumes in our insurance brokerage subsidiary and offset by greater competitive pressure.

Stock brokerage fees experienced a 258.2% increase in 2007 compared to the corresponding period in 2006, primarily due to the completion of the merger between Santiago Corredores de Bolsa Ltda, a subsidiary of the Bank, and Santander Investment S.A. Corredores de Bolsa, a non-consolidated affiliate of the Bank, in the first half of

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2007. Given the Bank now owns 50.6% of the merged entity and Santander Investment S.A. Corredores de Bolsa had a higher market share in the stock brokerage business than the Bank's subsidiary, fees from stock brokerage increased significantly in this period.

By segment, changes in our fee income also reflect the increase in retail banking products. Retail banking fees increased by 17.3% in 2007 compared to 2006, mainly due to the rise in fees from mutual funds, cards and collection services.

Fees in the middle market segment increased by 1.6% in 2007 compared to 2006, reflecting the rise in asset management fees which was partially offset by the decline in fees from letters of credit. Fees from the global banking and markets segment increased 43.2% mainly due to improvements in segmentation and the consolidation of the stock brokerage business.

Financial transactions, net

The following table sets forth information regarding our income (expenses) from financial transactions in the years ended December 31, 2006, 2007 and 2008.

	Year ended December 31,			% Change	% Change
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Net gains from trading and mark-to-market	135,465	26,796	273,084	(80.2%)	919.1%
Foreign exchange transactions, net	(552)	83,007	(187,042)	--%	--%
Total financial transactions, net	134,913	109,803	86,042	(18.6%)	(21.6%)

2008 compared to 2007. The net gains from financial transactions, which is the sum of trading activities, mark-to-market adjustments and foreign exchange transactions totaled Ch\$86,042 million for the year ended December 31, 2008, representing a decrease of 21.6% compared to the corresponding period in 2007. These results include the results of our Treasury Department's trading business and financial transactions with customers as well the results of our Financial Management division. Please see Note 5 to our Audited Consolidated Financial Statements for details of total financial transactions, net.

The net results from mark-to-market and trading totaled Ch\$273,084 million in 2008, representing an increase of 919.1% compared to 2007. This greater result was mainly due to the higher gains from the mark-to-market of derivatives for trading that totaled Ch\$178,883 million in 2008, compared to a loss of Ch\$89,751 million in 2007. A derivative financial instrument held for trading purposes must be marked to market and the unrealized gain or loss recognized in the income statement. These derivatives are mainly comprised of foreign currency forwards, interest rate swaps and cross currency swaps (See: Note 13 to the Audited Consolidated Financial Statements). The most important factor that impacted the value of the derivatives held for trading was the depreciation of the Chilean peso in 2008. These results are mainly offset by the translation loss of assets and liabilities denominated in foreign currencies and recorded as loss in the line item foreign exchange transactions (see below). These results were also partially offset by the 12.7% decrease in results from the mark-to-market and realized gains of the Bank's fixed income portfolio held for trading that totaled Ch\$76,829 million in 2008 and also included in this line item. This was negatively affected by the higher inflationary environment and higher interest rates. This line item also includes the gains from the sale of loans previously charged-off. In 2008, this amounted to Ch\$14,370 million compared to Ch\$28,085 million in 2007.

	At December 31,	
	2007	2008
Foreign exchange transactions, net		

	(In million of constant Chilean pesos at December 31, 2008)	
Exchange gains (losses), net	91,033	(402,927)
Derivative instruments in designated hedge	(17,634)	243,979
Exchange rate gain (losses) from assets denominated in foreign currencies	(9,369)	12,684
Exchange rate gain (losses) from liabilities denominated in foreign currencies	18,977	(40,778)
Total foreign exchange transactions, net	83,007	(187,042)

The net results from foreign exchange transactions, net totaled a loss of Ch\$187,042 million, compared to a gain of Ch\$83,007 million in 2007. This was mainly due to the Ch\$402,927 million exchange loss. A significant portion of our assets and liabilities are denominated in foreign currencies, principally U.S. dollars, 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).

These losses are offset by gains recorded in the line mark-to-market and trading from derivatives held for trading (see above) and a Ch\$243,979 million gain from derivative instruments in designated foreign currency hedges. It is important to point out that 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 and not as foreign exchange transactions. A significant portion of derivatives used to hedge our foreign exchange position are not classified as derivatives for hedging, but for trading, as this type of hedging is not done on a case-by-case basis. Therefore, the Bank cannot classify these derivatives as derivatives for hedging purposes. In order to register a derivative for hedging purposes, the Bank must follow strict guidelines set by the Superintendency of Banks and internal controls, as these derivatives have special accounting procedures (see Item 5: B. Critical Accounting Policies – Derivatives). This distorts the results from mark-to-market and trading and foreign exchange transactions. In order to more easily comprehend the results from financial transactions, net, we present the following table that separates the results by line of business.

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Financial transactions, net	At December 31,		%
	2007	2008	
	(In million of constant Chilean pesos at December 31, 2008)		Change
Santander Global Connect and Market-making	64,502	89,399	38.6%
Proprietary trading	38,029	4,311	(88.7%)
Sale of loans	340	395	16.2%
Sale of charged-off loans	28,085	14,370	(48.8%)
Financial Management (ALCO)	(21,153)	(22,433)	6.1%
Total financial transactions, net	109,803	86,042	(21.6%)

The results from Santander Global Connect (SGC) and market-making mainly include the results from the sale of derivatives to our client base and are a recurring source of income. 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. The main product sold by SGC are peso/dollar forwards. In 2008, the results from SGC and market-making increased by 38.6% to Ch\$89,399 million.

The results from proprietary trading were down by 88.7% in 2008 compared to 2007, mainly as a result of the higher interest and inflation rates. The surge in inflation in mid-2008 in Chile had a negative effect on the Bank's proprietary trading positions.

The results from Financial Management (Gestión Financiera) totaled a loss of Ch\$22,433 million in 2008. 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, shareholders' equity and liquidity. The aim of Financial Management is to inject stability and recurrence into the net interest income of commercial activities and to assure the Bank complies with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk. The 6.1% increase in the loss recognized by Financial Management was mainly due to the negative carry from its foreign exchange derivatives, which was negatively impacted by the spread differential between local and US\$ short-term rates. Significant portions of the Bank's dollar denominated liabilities are swapped into local currency through a short-term foreign exchange derivative portfolio. This portfolio assumes all the carry cost between Ch\$ pesos and US\$ rates. This carry was significantly higher during 2008 than in 2007. The average spread between the Central Bank reference rate and Fed Funds widened in 2008 to 5.05% compared to (0.25%) in 2007.

2007 compared to 2006. Total financial transactions, net amounted to a gain of Ch\$109,803 million for the year ended December 31, 2007 and decreased by 18.6% compared to 2006. This decline was mainly due to the 80.2% decrease in net gains from trading activities and mark-to-market adjustments. The main reasons for this decline was: (i) lower gains from our market making and proprietary trading results. The Bank's trading positions were negatively affected by the movements of real interest rates, especially in the fourth quarter of 2007. This was partially offset by the results of Santander Global Connect, which includes foreign exchange and derivatives products sold to clients and (ii) a one-time gain of Ch\$14,716 million recognized in 2006 as a result of the adoption of new accounting standards reflecting recognizing financial instruments at fair value, which resulted in a gain from trading activities.

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Other operating income

	Year ended December 31,			% Change	% Change
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Gain on sales of assets received in lieu of payment	3,878	4,808	2,805	24.0%	(41.7%)
Recovery of charge -off of assets received in lieu of payment	9,418	7,593	5,676	(19.4%)	(25.2%)
Income of asset received in lieu of payment	13,296	12,401	8,481	(6.7%)	(31.6%)
Net results from sale of investment in other companies	699	2,298	4,348	228.8%	89.2%
Operational leases	1,175	1,094	1,051	(6.9%)	(3.9%)
Gain on sale of Bank premises and equipment	664	527	390	(20.6%)	(26.0%)
Recovery of expenses	-	11,056	1,246	--%	(88.7%)
Other	945	1,057	996	11.9%	(5.8%)
Sub-total other income	2,784	13,734	3,683	393.3%	(73.2%)
Total other operating income	16,779	28,433	16,512	69.5%	(41.9%)

2008 compared to 2007. Other operating income totaled a gain of Ch\$16,512 million in 2008 and decreased by 41.9% compared to 2007. Other operating income primarily includes income from repossessed assets, the sale of shares in investments in other companies and the recovery of expenses and non-credit provisions and contingencies. In 2008, the income from repossessed assets totaled Ch\$8,481 million and decreased by 31.6% compared to 2007. Income from the sale of investments in other companies increased by 89.2% mainly as a result of a Ch\$974 million one-time gain from the sale of a share in the Santiago Stock Exchange and a Ch\$3,368 million gain from the sale of shares in Visa Inc. Finally, other income included in this line item decreased by 73.2% to Ch\$3,683 million mainly as a result of lower recoveries of expenses and provisions for other contingencies in 2008 compared to 2007. These contingencies are mainly related to non credit risks, including non specific contingencies, tax contingencies and other non credit contingencies or impairments.

2007 compared to 2006. In 2007, other operating income totaled Ch\$28,433 million and increased by 69.5% compared to 2006. This variation was mainly due to: (i) a gain of Ch\$826 million recognized from the sale of a share the Bank held in the Santiago Stock Exchange, (ii) a gain of Ch\$1,439 million from the sale of shares in Mastercard and (iii) a Ch\$11,056 gain recognized in 2007 from the recovery of provisions for other non-credit contingencies.

Provision for loan losses

Under our loan classification categories, loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the purchase of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the purchase, construction or improvements of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans).

In 2006, we improved our internal provisioning models by not only focusing on non-performance, but introducing 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. Commencing in December 2006, we no longer analyze large commercial loans on a group basis. All large commercial loans have since been rated on an individual basis. For large commercial loans, leasing and factoring, we assign a risk category level to each borrower and his respective loans. We consider the following risk factors in classifying a borrower's risk category: the borrower's industry or sector, owners or managers, financial condition, payment ability and payment history.

Group assessment for loan loss allowances is permitted 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.

Commencing in 2006, we improved and modified the methodology for analyzing consumer and mortgage loans. All consumer and mortgage loans are assigned a provisioning level on an individual borrower basis using a more automated and sophisticated statistical model which considers a borrower's credit history, including any defaults on obligations to other creditors, as well as the overdue periods with respect to loans granted by us. Once

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the borrower's rating is determined, the allowance for consumer or mortgage loans is calculated based on the risk category and the respective provisioning ratio which is directly related to the aging of the loan. Further enhancements were implemented in 2007. The Bank now differentiates between old and new clients when determining a client's risk profile for consumer loans. All loans are assigned a provision at the moment a loan is granted depending on the risk profile of the client. Secondly, the time period used for statistically considering a consumer loan mature, in order to determine the risk level of consumer loans, was extended from 12 to 21 months of history.

For a detailed description of the models we use to determine loan loss allowances, see "Item 5: F. Selected Statistical Information—Loans by Economic Activity—Classification of Loan Portfolio."

For statistical information with respect to our substandard loans and reserves for probable loan losses, see "Item 5: F. Selected Statistical Information—Analysis of Substandard Loans and Amounts Past Due" and "Item 5: F. Selected Statistical Information—Analysis of Loan Loss Allowances," as well as Note 7 to the Audited Consolidated Financial Statements. The amount of provision charged to income in any period consists of net provisions established for possible loan losses, net of recoveries on loans previously charged off.

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

	Year Ended December 31,			% Change	
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Provision expenses	(30,167)	(62,250)	(55,718)	106.4%	(10.5%)
Charge-offs	(167,854)	(219,004)	(268,129)	30.5%	22.4%
Recoveries for loans previously charged off	55,065	56,587	37,894	2.8%	(33.0%)
Provision expenses, net	(142,956)	(224,667)	(285,953)	57.2%	27.3%
Year-end loans	12,623,992	13,398,281	14,700,374	6.1%	9.7%
Substandard loans (1)	404,181	474,534	680,348	17.4%	43.4%
Past-due loans	108,286	127,025	160,824	17.3%	26.6%
Loan loss allowance	203,640	250,887	285,505	23.2%	13.8%
Substandard loans / Year-end loans	3.20%	3.54%	4.63%		
Past due loans / Year-end loans	0.86%	0.95%	1.09%		
Expected loan loss ratio (2)	1.61%	1.87%	1.94%		
Coverage ratio (3)	188.06%	197.51%	177.53%		

(1) Substandard loans are all mortgage and consumer loans rated B- or worse and all commercial loans rated C2 or worse. In the new loan rating system, substandard loans include all consumer and mortgage loans rated B- or worse and all commercial loans rated C2 or worse.

(2) Loan loss allowance divided by year end loans.

(3) Loan loss allowance divided by past due loans.

2008 compared to 2007. Net provision expense for loan losses totaled Ch\$285,953 million for the year ended December 31, 2008, an increase of 27.3% compared to 2007, primarily due to an increase in charge-offs and a reduction in loan loss recoveries. Provision expense decreased by 10.5% to Ch\$55,718 million in 2008 compared to 2007. This decrease was mainly due to an extraordinary provision expense of Ch\$15,728 million recognized in 2007 and directly related to the further improvements made to the provisioning model for consumer loans. Excluding this item, provision expense increased by 19.8% in 2008 compared to 2007. This was due to the increase in the Bank's

expected loan loss ratio from 1.87% in 2007 to 1.94% in 2008, in line with the worsening economic environment that resulted in an increase in provisions expense in various business segments. The expected loan loss ratio is calculated according to the guidelines set by the Superintendency of Banks and our Board. This ratio is the main determinant of loan loss allowances. Loan loss allowances must be equal to the loan loss ratio multiplied by total loans growth. Loan growth in the year also resulted in a higher amount of loan loss allowances established. The Bank's provisioning model based on risk profiles requires every loan to have a provision attached according to risk profile or rating. Therefore, as the loan book grows provision expenses increases.

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Charge-offs increased by 22.4% in 2008 compared to 2007, primarily as a result of the growth of our consumer loan portfolio, for which credit risk is higher and loans are requested to be written off within much shorter periods than the rest of the loan portfolio. Charge-offs of the consumer loan portfolio increased by 31.5% to Ch\$236,274 million. The rise in inflation has resulted in deterioration in asset quality among individuals due to the negative effects inflation has on purchasing power. This was partially offset by the 40.8% decrease in charge-offs in the mortgage loan portfolio as the balance of residential mortgage loans portfolio to lower income individuals contracted throughout 2008 as the Bank implemented stricter admission standards. Charge-offs of commercial loans also decreased by 15.2% in 2008.

The following table shows charge-offs by Santander-Chile by type of loan.

	Year Ended December 31,			% Change	
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Consumer loans	119,619	179,700	236,274	50.2%	31.5%
Mortgage loans	6,773	5,780	3,423	(14.7%)	(40.8%)
Commercial loans	41,462	33,524	28,432	(19.1%)	(15.2%)
Total charge-offs	167,854	219,004	268,129	30.5%	22.4%

Recoveries on loans previously charged off decreased by 33.0% in 2008 compared to 2007. In 2007, the Bank performed two large sales of loans previously charged off in the year. These sales resulted in a gain of Ch\$28,085 million in 2007 that is recognized as a gain from mark-to-market and trading. This sale also resulted in a reduction in the flow of recoveries in 2008.

Overall asset quality indicators remained healthy in 2008. The ratio of past due loans as a percentage of total loans reached 1.09% compared to 0.95% at year-end 2007. Total substandard loans as a percentage of total loans increased from 3.54% at year-end 2007 to 4.63% at year-end 2008, mainly due to the deterioration of asset quality in the retail business segments. The coverage ratio of past due loans reached 177.53% at year-end 2008 compared to 199.54% at year-end 2007.

The following table sets forth, for the years indicated, the components of our net provision expenses.

	Year Ended December 31,			% Change	
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Total individuals	(119,042)	(178,046)	(211,875)	49.6%	19.0%
SMEs	(24,381)	(39,949)	(54,360)	63.9%	36.1%
Institutional lending	562	(40)	(290)	--%	625.0%
Total retail	(142,861)	(218,035)	(266,525)	52.6%	22.2%
Total middle-market	(843)	(4,527)	(16,189)	437.0%	257.6%
Global banking and markets	823	(60)	(759)	--%	1,165.0%
Other (1)	(75)	(2,045)	(2,480)	2,626.7%	21.3%
Provision expense, net	(142,956)	(224,667)	(285,953)	57.2%	27.3%

(1)

Consists primarily of additional allowances on loans which are not assigned to any of the above types or segments, if any, and provisions for repossessed assets.

Provision expense increased by 22.2% in the retail banking segment, mainly as a result of the growth of charge-offs in these segments. As previously indicated, the higher inflation in 2008 was the main factor that affected asset quality among individuals. Going forward, despite the lower inflationary environment, the expected rise in unemployment should negatively affect asset quality and provision expense levels among individuals. In order to contain asset quality indicators among individuals, admission standards are being tightened and loan growth to middle and lower income individuals should contract in 2009. Provision expense among SMEs also increased in 2008 as the economy began to be impacted by the global financial slowdown. A similar situation is expected for 2009 despite expected lower loan growth in this segment. Net provision expense in the middle market and the global

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banking and markets segment, albeit still low, picked up in 2008 as the economy began to slowdown, especially in the fourth quarter. The Bank expects this situation to worsen in 2009, as economic growth stalls and the risk of recession increases.

2007 compared to 2006. Net provision expenses for loan losses increased by 57.2% in the year ended December 31, 2007 compared to 2006, primarily due to an increase in provision expense and charge-offs. Provision expense rose by 103.0% in 2007 compared to 2006. This growth in provision expenses was due to:

(i) the Bank recognized an extraordinary provision expense of Ch\$15,728 million directly related to the further improvements made to the provisioning model for consumer loans. Specifically, the time period used for statistically considering a consumer loan mature, in order to determine the risk level of consumer loans, was extended from 12 to 21 months of history. For a detailed description of the models we use to determine loan loss allowances, see “Item 5: F. Selected Statistical Information—Loan by Economic Activity—Classification of Loan Portfolio”;

(ii) the increase in the Bank’s expected loan loss ratio from 1.61% in 2006 to 1.87% in 2007 in line with the increase in retail lending which is higher yielding, but requires higher provision expense. The expected loan loss ratio is calculated according to the guidelines set by the Superintendency of Banks and our Board. This ratio is the main determinant of loan loss allowances. Loan loss allowances must be equal to the loan loss ratio multiplied by total loans; and

(iii) loan growth. The Bank’s provisioning model based on risk profiles requires every loan to have a provision attached according to risk profile or rating. Therefore as the loan book grows, provision expenses increases.

Charge-offs increased by 30.5% in 2007 compared to 2006, primarily as a result of the growth of our consumer loan portfolio, for which credit risk is higher and loans are requested to be written off within much shorter periods than the rest of the loan portfolio. The segment which experienced the largest deterioration in asset quality was the middle income individual segment. This segment has been hit by the rise in inflation, as this affects a larger portion of their income levels (food, schools, health, mortgage, etc.) This was partially offset by the 14.7% decrease in charge-offs in the mortgage loan portfolio and the 19.1% decline in charge-offs in the commercial loan portfolio.

Recoveries on loans previously charged off decreased by 19.1% in 2007 compared to 2006. This decrease was mainly due to two large sales of loans previously charged off in the year. The gain from these sales is recognized as income in the line item gains from mark-to-market and trading.

Provision expense increased by 52.6% in the retail banking segment, mainly as a result of the growth of our retail loan portfolio, for which credit risk is higher and provisions are required to be made within much shorter periods than the rest of the loan portfolio. Net provision expense in the rest of the segments remained relatively stable, reflecting the generally healthy credit quality indicators in those segments.

Operating expenses

The following table sets forth information regarding our operating expenses in the years ended December 31, 2006, 2007 and 2008.

	Year ended December 31,			% Change	
	2006	2007	2008	2006/2007	2007/2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Personnel salaries and expenses	(186,282)	(191,120)	(209,134)	2.6%	9.4%

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Administrative expenses	(153,401)	(164,609)	(161,977)	7.3%	(1.6%)
Depreciation and amortization	(42,079)	(45,741)	(51,944)	8.7%	13.6%
Other operating expenses	(42,868)	(44,545)	(42,259)	3.9%	(5.1%)
Total operating expenses	(424,630)	(446,015)	(465,314)	5.0%	4.3%
Efficiency ratio(1)	43.1%	39.4%	38.0%		

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

2008 compared to 2007. Operating expenses in 2008 increased by 4.3% compared to 2007. The efficiency ratio improved from 39.4% in 2007 to 38.0% in 2008. The 9.4% rise in personnel salaries and expenses was mainly due

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to the 3.8% rise in average headcount in 2008 compared to 2007, an increase in variable incentives to commercial teams for positive performance in the year and real wage growth. In 2008, wages were increased in line with inflation through September, but the deflationary environment in the last months of 2008 resulted in a higher wage increase than inflation for the year.

Administrative expenses decreased 1.6% in 2008 compared to 2007, as the Bank slowed the pace of the expansion of the distribution network. As of December 2008, the Bank's distribution network totaled 477 branches and 1,958 ATMs. In 2008, the Bank only opened 13 branches and eliminated 46 ATMs.

Depreciation expense increased by 13.6% in 2008 compared to 2007. Even though the Bank slowed the pace of investment in its distribution network in 2008, the strong investment made in previous years, especially at the end of 2007, led to a higher depreciation expense in 2008.

Other operating expenses totaled Ch\$42,259 million in 2008 and decreased by 5.1% compared to 2007. Other operating expenses include provisions and expenses related to repossessed assets, client expenses mainly related to our credit card business and other expenses such as non-credit charge-offs, the cost of insurance policies (mainly life insurance) over products, tax paid on interest of foreign debt issued by the Bank and provisions for contingencies are mainly related to non credit risks, including non specific contingencies, tax contingencies and other non credit contingencies or impairments. Total expenses related to repossessed asset reached Ch\$9,080 million in 2008 and decreased 27.1% compared to 2007. Other client expenses totaled an expense of Ch\$16,652 million and decreased 9.1% compared to 2007. In 2008, the Bank spent less on promotions and client loyalty program related to its credit card business. This was offset by a 20.1% rise in other expenses, which was mainly due to the 30.9% rise in expenses related to insurance products tied to loan products. Provisions for non-credit contingencies totaled Ch\$1,102 million in 2008 compared to Ch\$1,126 million in 2007. See Note 18 to the Audited Consolidated Financial Statements for details of other operating expenses.

2007 compared to 2006. Operating expenses in 2007 increased by 5.0% compared to 2006. The 2.6% rise in personnel salaries and expenses was mainly due to the 16.6% rise in average headcount in 2007 compared to 2006. This was offset by the end of negotiation bonus paid in conjunction with the signing of the new collective bargaining agreement in the fourth quarter of 2006. This new collective bargaining agreement became effective on March 1, 2007, and will expire on March 1, 2011. As a part of this process, an end of negotiation bonus was paid, which resulted in a one-time cost of Ch\$10,086 million in 2006. Excluding this item personnel expenses increased 8.5% and total operating expenses increased by 7.1%.

Administrative expenses increased by 7.3% in 2007 compared to 2006 mainly as a result of large expenses related to our expansion of the distribution network. This also explains the 8.7% rise in depreciations and amortizations. Our efficiency ratio, despite higher costs, continued to improve and reached 39.4% for the year ended December 31, 2007, compared to 43.1% in 2006.

Other operating expenses in 2007 totaled Ch\$44,545 million and increased by 3.9% compared to 2006. The rise in client service expenses and credit card expenses was mainly due to the strong investments made in the Bank's credit card business and call center in 2007. This was offset by a 44.3% decrease in charge-offs of repossessed assets that totaled Ch\$8,702 million in 2007.

Other non-operating results

The following table sets forth information regarding our operating expenses in the years ended December 31, 2006, 2007 and 2007.

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	Year ended December 31,			% Change	% Change
	2006	2007	2008	2006/2007	2007/2008

(in millions of constant Ch\$ as of December 31, 2008,
except percentages)

Income (loss) attributable to investments in other companies	919	(1,438)	851	--%	--%
Price level restatement	(16,123)	(61,332)	(78,027)	280.4%	27.2%
Total non-operating results	(15,204)	(62,770)	(77,176)	312.9%	23.0%

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2008 compared to 2007. In 2008, non-operating results totaled a loss of Ch\$77,176 million, which increased by 23.0% compared to the loss in 2007. The loss from price level restatement totaled Ch\$78,027 million in 2008, an increase of 27.2% compared to the loss in 2007. We must adjust our capital, fixed assets and other assets for the variations in price levels. Because our capital is larger than the sum of our fixed and other assets, price level restatement usually results in a loss and fluctuates with the inflation rate. The inflation rate used for calculating price level restatement was 8.89% in 2008 and 7.44% in 2007. The higher loss from price level restatement is also partially offset by the positive impact of inflation on net interest income. (See “Item 5: D. Operating Results—Impact of Inflation”).

In line with the new accounting standards to be adopted in 2009, the Bank will no longer be required to adjust its capital, fixed assets and other non financial assets for variations in price levels on a monthly basis and, therefore, will no longer recognize a gain or loss from price level restatement.

This was partially offset by the Ch\$851 million gain recognized by the Bank in income attributable to investment in other companies, following a loss of Ch\$1,438 million in 2007. This loss was mainly due to a Ch\$2,728 million loss recognized by Administrador Financiero Transantiago S.A. The Bank owns 20% of this company that is in charge of bus fare clearing and financial management services for Santiago’s new transportation network. In 2008, this company was recapitalized and the net loss recognized by this company was reduced to Ch\$284 million.

2007 compared to 2006. In 2007, non-operating results totaled a loss of Ch\$62,770 million, which increased by 312.9% compared to the loss in 2006. The loss from price level restatement totaled Ch\$61,332 million in 2007, an increase of 280.4% compared to the loss in 2006. The inflation rate used for calculating price level restatement increased in 2007 compared to 2006 (7.44% in 2007 and 2.12% in 2006), resulting in a higher loss from price level restatement. The higher loss from price level restatement is also partially offset by the positive impact of inflation on net interest income.

In 2007, the Bank recognized a net loss of Ch\$1,438 million from income attributable to investment in other companies. As mentioned above, this was due to the negative results of Administrador Financiero Transantiago S.A.

Income tax

2008 compared to 2007. Our income tax expense increased by 6.1% to Ch\$63,728 million in 2008 compared to 2007, primarily due to lower gains from the reversal of deferred taxes in the year. In 2007 the Bank recognized Ch\$12,508 million in deferred tax gains compared to a tax expense of Ch\$576 million from deferred taxes in 2007. The effective tax rate for 2008 was 16.15% in 2008 and 15.07% in 2007. The statutory corporate tax rate was 17% (see Note 21 of our Audited Consolidated Financial Statements).

2007 compared to 2006. Our income tax expense decreased by 11.8% in 2007 compared to 2006, mainly as a result of higher gains from deferred taxes in the year. In 2007 the Bank recognized Ch\$12,508 million in deferred tax gains compared to a tax expense of Ch\$3,748 million from deferred taxes in 2006. The effective tax rate for 2007 was 15.07% and 16.92% in 2006.

E. 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 Annual Report, the Bank does not have significant purchase obligations. At December 31, 2008, the scheduled maturities of our contractual obligations and of other commercial commitments, including accrued interest, were as follows:

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Contractual Obligations	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 6 years	Due after 6 years	Total
(in millions of constant Ch\$ as of December 31, 2008)					
Deposits and other obligations (1)	8,160,035	1,309,234	273,405	13,592	9,756,266
Mortgage finance bonds	54,767	78,845	95,602	115,466	344,680
Subordinated bonds	-	19,420	140,965	527,527	687,912
Bonds	256,582	397,268	335,098	629,832	1,618,780
Chilean Central Bank borrowings:	-	-	-	-	-
Credit lines for renegotiations of Loans	3,012	-	-	-	3,012
Other Central Bank borrowings	269,430	-	-	-	269,430
Borrowings from domestic financial institutions	5,001	-	-	-	5,001
Investments sold under agreements to Repurchase	292,951	853	-	-	293,804
Foreign borrowings	1,107,997	309,055	-	-	1,417,052
Derivatives	484,049	258,434	421,474	305,767	1,469,724
Other obligations	95,921	3,970	2,601	786	103,278
Total of cash obligations	10,729,745	2,377,079	1,269,145	1,592,970	15,968,939

(1) Excludes demand deposit accounts and saving accounts.

Operational Leases

Certain bank property, plants and equipment are leased under various operating leases. Future minimum rental commitments as of December 31, 2008, under non-cancelable leases are as follows:

	As of December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Due within 1 year	9,543
Due after 1 year but within 2 years	7,863
Due after 2 years but within 3 years	5,986
Due after 3 years but within 4 years	4,011
Due after 4 years but within 5 years	2,412
Due after 5 years	3,240
Total	33,055

Other Commercial Commitments

At December 31, 2008, the scheduled maturities of other commercial commitments, including accrued interest, were as follows:

Due within 1	Due after 1	Due after 3	Due after 6	Total 2008
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Other Commercial Commitments	year	year but within 3 years	years but within 6 years	years	
	(in millions of constant Ch\$ as of December 2008)				
Letters of credit issued	179,884	1,400	4	93	181,381
Letters of credit confirmed	122,386	397	-	-	122,783
Available credit lines	4,041,849	-	-	-	4,041,849
Guarantees	482,070	248,182	35,449	1,026	766,727
Other commercial commitments	143,861	27,717	990	-	172,568
Total other commercial commitments	4,970,050	277,696	36,443	1,119	5,285,308

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Capital and Reserves

We currently have regulatory capital in excess of the minimum requirement under the current Chilean regulations. According to the General Banking Law, a bank should 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 shall decrease 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 must be deducted from regulatory capital. When calculating risk weighted assets, the Bank also includes off-balance sheet contingent loans. The merger of Old Santander-Chile and Santiago required a special regulatory pre-approval of the Superintendency of Banks, 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 indicator was reduced to 11% by the Superintendency of Banks 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.

Circular No. 3410 issued by the Superintendency of Banks, which became effective on January 1, 2008, prescribed new accounting formats for financial statements. Among the changes introduced was the inclusion of a provision for mandatory dividends in shareholders' equity equivalent to 30% of the period net income attributable to shareholders. Another change is that period net income is included when calculating the Bank's regulatory capital ratio. Previously, period net income was not included as regulatory capital.

The following table sets forth our regulatory capital at the dates indicated. See Note 14 to our Audited Consolidated Financial Statements for a description of the minimum capital requirements.

	As of December 31,	
	2007 (1)	2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)	
Base net capital	1,565,885	1,578,045
3% of total assets net of provisions	(611,532)	(659,736)
Excess over minimum required equity	954,353	918,309
Base net capital as a percentage of the total assets, net of provisions	7.68%	7.18%
Regulatory capital	2,069,103	2,166,700
Risk weighted assets	14,071,872	15,704,178
11% of risk-weighted assets	1,547,906	1,727,460
Excess over minimum required equity	521,197	439,240
Regulatory capital as a percentage of risk-weighted assets	14.70%	13.80%

(1) 2007 numbers adjusted for new accounting formats.

The Bank must calculate the credit risk involved on all derivatives contracted OTC with a net asset position and this is included as a risk-weighted assets. On January 30, 2009, the Superintendency of Banks issued Circular No. 3,465 that modified the guidelines for risk-weighting derivatives. If the Bank has a net liability in a derivative position and if this derivative, under certain stress and volatility measures, becomes a net asset position, then the Bank must also include this derivative as a risk-weighted asset. This regulation became effective in April 2009. In 2009, the adoption of

accounting standards in line with International Accounting Standards will also have an impact on the level of the Bank's restated shareholders' equity. The main impacts are the elimination of the price level restatement of capital and the revaluation of fixed assets.

Below is the calculation of the Bank's regulatory capital and risk weighted assets as of April 30, 2009, which includes the effects of the new accounting standards, the new guidelines regarding derivatives, post-annual dividend payment and includes year-to-date 2009 results.

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(Ch\$ million)	April 2009 (in millions of constant Ch\$ as of April 30, 2009, except percentages)
Base net capital	1,455,890
Tier II capital	566,569
Regulatory capital	2,022,459
Risk weighted assets	14,135,123
Tier I ratio	10.3%
BIS ratio	14.3%

In 2010, the Superintendency of Banks and the Chilean Congress are scheduled to approve new capital requirements for Chilean banks in line with Basel II accord, which among other amendments require banks to set aside capital for market and operational risks.

The current economic climate has restricted the access of Chilean banks to foreign borrowings. The providers of this funding were mainly European and U.S. banks, which have restricted their interbank lending. These funds are used to match and finance our foreign trade lending. This has been counterbalanced with local sources of liquidity and the maintenance of overnight dollar deposits in U.S. banks (see Item 5: E. Liquidity and Capital Resources – Financial Investments – Available for Sale). The Chilean Treasury and the Central Bank have also introduced programs that give banks access to their foreign currency liquidity (see Item 5: D. Operating Results – Chilean Economy). In Chile, liquidity constraints have been significantly lower than our foreign sources, but long-term funding spreads have increased, especially in the bond market.

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Financial Investments

The following tables 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.

As of December 31, 2008, our largest investments include the following:

Issuer and Security	Aggregate Book Value (in millions of Ch\$)	Aggregate Market Value
Central Bank Securities	1,723,962	1,743,945
Chilean Treasury Bonds	161,588	164,867
Banco del Estado – Mortgage Finance Bonds	197,523	183,458

a) Held for Trading

	As of December 31, 2007	2008 (in millions of constant Ch\$ as of December 31, 2008)
Chilean Central Bank and Government Securities		
Chilean Central Bank bonds	601,212	786,263
Chilean Central Bank notes	274,357	218,355
Other Chilean Central Bank and Treasury securities	127,663	71,739
Subtotal	1,003,232	1,076,357
Other Chilean Securities		
Deposits in Chilean financial institutions	10,932	-
Mortgage finance bonds	35,621	2,787
Chilean financial institutions bonds	8,430	3,030
Chilean corporate bonds	12,567	24,833
Other Chilean securities	16,706	-
Subtotal	84,256	30,650
Foreign Financial Securities		
Other foreign securities	7,543	-
Subtotal	7,543	-
Investments in mutual funds		
Mutual funds managed by related entities	91,874	54,624
Subtotal	91,874	54,624
Total	1,186,905	1,161,631

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b) Available for sale

	As of December 31, 2007 2008 (in millions of constant Ch\$ as of December 31, 2008)	
Chilean Central Bank and Government Securities		
Chilean Central Bank bonds	307,682	690,123
Chilean Central Bank notes	59,132	49,204
Other Chilean Central Bank and Treasury securities	118,901	93,128
Subtotal	485,715	832,455
Other Chilean Securities		
Deposits in Chilean financial institutions	-	1,305
Mortgage finance bonds	297,281	284,033
Chilean corporate bonds	-	13,522
Subtotal	297,281	298,860
Others Financial Securities		
Central Bank and Government Foreign Securities	65,949	-
Other Foreign securities (1)	-	448,925
Subtotal	65,949	448,925
Total	848,945	1,580,240

(1) Corresponds to overnight dollar deposits in the U.S.

c) Held-to-maturity

No financial investments were classified as held-to-maturity as of December 31, 2007 and 2008.

The following table sets forth an analysis of our investments at December 31, 2008, by remaining maturity and the weighted average nominal rates of such investments.

	Within one year		After one year but within five years		After five years but within ten years		After ten years		Total	Weighted average Nominal Rate
	Weighted average Nominal Rate	Weighted Nominal	Weighted average Nominal Rate	Weighted Nominal	Weighted average Nominal Rate	Weighted Nominal	Weighted average Nominal Rate	Weighted Nominal	Weighted average Nominal Rate	
(in millions of constant Ch\$ as of December 31, 2008)										
Held for Trading										
Central Bank and Government Securities										
Central Bank bonds	192,292	6.8	512,471	4.7	79,749	4.2	1,751	3.2	786,263	5.1
Central Bank notes	23,947	7.8	165,251	4.7	19,977	3.6	9,180	3.3	218,355	4.8
Other Chilean Central Bank and Treasury securities	4	6.1	38,816	3.0	24,632	5.9	8,287	3.2	71,739	4.9
Subtotal	216,243		716,538		124,358		19,218		1,076,357	
Other Chilean Securities										

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Mortgage finance bonds	7	12.7	542	5.8	516	5.3	1,722	4.7	2,787	6.0
Chilean financial institutions bonds	--	--	--	--	--	--	3,030	6.8	3,030	6.8
Chilean corporate bonds	--	--	24,833	5.2	--	--	--	--	24,833	5.2
Subtotal	7		25,375		516		4,752		30,650	
Investment in mutual funds										
Mutual funds administered by related parties	54,624	7.0	--	--	--	--	--	--	54,624	7.0
Subtotal	54,624		--		--		--		54,624	
Total	270,874		741,913		124,874		23,970		1,161,631	

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	Weighted average		After one year		After five years		After ten years		Weighted average	
	Within one year	Nominal Rate	within five years	Nominal Rate	within ten years	Nominal Rate	ten years	Nominal Rate	Total	Nominal Rate
(in millions of constant Ch\$ as of December 31, 2008)										
Available-for-sale Investments										
Central Bank and Government Securities										
Central Bank Bonds	98,100	10.3	406,933	5.8	185,090	5.0	-	-	690,123	6.2
Central Bank notes	23,326	2.1	24,738	5.0	1,140	3.5	-	-	49,204	3.3
Others securities	27,571	5.8	10,841	5.9	32,637	5.9	22,079	3.2	93,128	5.3
Subtotal	148,997		442,512		218,867		22,079		832,455	
Other Chilean Securities										
Deposits in Chilean Financial Institutions	-	-	1,305	0.7	-	-	-	-	1,305	0.7
Mortgage Finance Bonds	89	6.8	2,843	4.5	18,757	5.4	262,344	4.8	284,033	4.9
Chilean Corporate Bonds	-	-	13,522	5.4	-	-	-	-	13,522	5.4
Subtotal	89		17,670		18,757		262,344		298,860	
Other Financial Securities										
Other foreign securities	448,925	0.5	-	-	-	-	-	-	448,925	0.5
Subtotal	448,925		-		-		-		448,925	
Total	598,011		460,182		237,624		284,423		1,580,240	

Credit Risk Ratings

The Bank also has credit ratings from three international agencies.

Moody's	Rating
Long-term foreign currency bank deposits	A1 (Outlook positive)
Senior bonds	Aa2 (Outlook negative)
Subordinated debt	Aa3 (Outlook negative)
Bank Deposits in Local Currency	Aa2 (Outlook negative)
Bank financial strength	B- (Outlook negative)
Short-term deposits	P-1 Stable

Standard & Poor's	Rating
Long-term Foreign Issuer Credit	A+
Long-term Local Issuer Credit	A+
Short-term Foreign Issuer Credit	A-1
Short-term Local Issuer Credit	A-1
Outlook	Stable

Fitch	Rating
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Foreign Currency Long-term Debt	A+
Local Currency Long-term Debt	A+
Foreign Currency Short-term Debt	F1
Local Currency Short-term Debt	F1
Individual rating	B
Outlook	Stable

Our foreign currency deposit ratings are equivalent to the Chilean sovereign ratings. In the case of Moody's, our senior and subordinated debt denominated in foreign currency exceed the sovereign ceilings. In May

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2009, Moody's placed our foreign currency senior and subordinated bond ratings, local currency deposit ratings and Bank Financial Strength Rating under review for possible downgrade, following a similar action on the ratings of our parent company, Banco Santander Spain. On June 15, 2009, Moody's downgraded the credit risk ratings of 25 Spanish banks, but maintained the rating of our parent company, but with negative outlook. Any adverse revisions to our parent company's ratings and/or Chile's credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings. Our ratings may also be negatively affected by a worsening of our financial condition, especially in terms of asset quality indicators.

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 5: E. 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. (See "Item 4: D. Regulation and Supervision"). 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 or within a term of less than 30 days and other time deposits payable within 10 days. 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 11: 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. Please see our Consolidated Statements of Cash Flows in our Audited Consolidated Financial Statements for a detailed breakdown of the Bank's cash flow.

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	Year ended December 31,		
	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)		
Net cash provided by operating activities	643,209	746,836	776,314

Cash provided by operating activities totaled Ch\$776,314 million in 2008 as a result of higher business activity gross of provision for loan losses and price level restatement. The Ch\$746,836 million and Ch\$643,209 million in cash provided by operating activities in 2007 and 2006, respectively was mainly due to an increase in business activity gross of provisions and price level restatement.

	Year ended December 31,		
	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)		
Net cash provided by (used in) investing activities	(1,707,362)	(1,796,235)	(2,660,853)

Net cash used in investing activities in 2008 totaled Ch\$2,660,853 million. The largest consumption of cash involved the disbursement of loans and the purchase of financial investments in 2008. In 2007, the consumption of cash for investing totaled Ch\$1,796,235 million due to loan growth and the purchase of financial investments. In 2006, loan growth consumed cash, but the Bank sold in that period financial investments that financed part of this outflow of cash.

	Year ended December 31,		
	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)		
Net cash provided by (used in) financing activities	729,525	1,160,299	1,525,005

In 2008, the net cash from financing activities totaled Ch\$1,525,005 million and the main sources of these funds were deposits and bond issues. In 2007, the main sources of cash for financing the Bank's asset growth were time deposits and bond issuances. In 2006, the main source of funding was deposits as the Bank prep-paid long-term funding in that year.

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Deposits and Other Borrowings

The following table sets forth our average daily balance of liabilities for the years ended December 31, 2006, 2007 and 2008, in each case together with the related average nominal interest rates paid thereon.

	Year ended December 31,								
	2006			2007			2008		
	Average Balance	% of Total Liabilities	Average Nominal Rate	Average Balance	% of Total Liabilities	Average Nominal Rate	Average Balance	% of Total Liabilities	Average Nominal Rate
(in millions of constant Ch\$ as of December 31, 2008, except percentages)									
Savings accounts	123,833	0.8%	1.3%	106,574	0.7%	6.2%	100,520	1.5%	8.5%
Time deposits	7,489,585	46.0%	5.5%	7,863,868	45.2%	8.7%	8,343,001	45.4%	9.8%
Central Bank borrowings	98,392	0.6%	5.1%	125,364	0.7%	5.7%	58,546	0.3%	8.6%
Repurchase agreements	638,822	3.9%	5.0%	649,128	3.7%	6.6%	377,410	2.1%	10.6%
Mortgage finance bonds	676,690	4.2%	7.5%	515,187	3.0%	12.4%	372,493	2.0%	15.0%
Other interest bearing liabilities	2,524,616	15.5%	6.4%	2,457,565	14.1%	10.0%	3,345,953	18.2%	14.3%
Subtotal interest bearing liabilities	11,551,938	71.0%	5.7%	11,717,686	67.4%	9.0%	12,597,923	68.5%	11.1%
Non-interest bearing liabilities									
Non-interest bearing deposits	2,132,774	13.1%		2,364,661	13.6%		2,458,141	13.4%	
Derivatives	160,982	1.0%		519,562	3.0%		1,196,600	6.5%	
Other non-interest bearing liabilities	1,077,205	6.6%		1,359,034	7.8%		762,506	4.1%	
Shareholders' equity	1,345,585	8.3%		1,434,298	8.2%		1,377,107	7.5%	
Subtotal non-interest bearing liabilities	4,716,546	29.0%		5,677,555	32.6%		5,794,354	31.5%	
Total liabilities	16,268,484	100.0%		17,395,241	100.0%		18,392,277	100.0%	

Our most important source of funding is our time deposits. Average time deposits represented 45.4% of our average total liabilities and shareholders' equity in 2008. 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 2008 of increasing senior and subordinated bonds to increase the duration of liabilities and fund the growth of the mortgage portfolio. We believe that broadening our deposit base by increasing the number of account holders has created a more stable funding source.

Composition of Deposits and Other Commitments

The following table sets forth the composition of our deposits and similar commitments at December 31, 2006, 2007 and 2008.

	At December 31,		
	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)		
Checking accounts	1,811,292	2,161,368	2,270,592
Other demand liabilities	831,094	959,215	472,819
Savings accounts	109,813	105,792	102,951
Time deposits	7,413,761	8,483,320	9,476,026
Other commitments (1)	61,350	73,677	132,603
Total	10,227,310	11,783,372	12,454,991

(1) Includes primarily leasing accounts payable relating to purchases of equipment.

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Maturity of Deposits

The following table sets forth information regarding the currency and maturity of our deposits at December 31, 2008, expressed in percentages of our total deposits in each currency category. UF-denominated deposits are similar to peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the Chilean consumer price index.

	Ch\$	UF	Foreign Currencies	Total
Demand deposits	0.1	0.0	10.4	1.8
Savings accounts	0.0	3.1	0.0	1.1
Time deposits:				
Maturing within 3 months	63.5	31.4	67.8	53.4
Maturing after 3 but within 6 months	18.0	7.0	9.4	12.8
Maturing after 6 but within 12 months	12.4	18.6	12.3	14.5
Maturing after 12 months	6.0	39.9	0.1	16.4
Total time deposits	99.9	96.9	89.6	97.1
Total deposits	100.0	100.0	100.0	100.0

The following table sets forth information regarding the maturity of our outstanding time deposits in excess of US\$100,000 at December 31, 2008.

	Ch\$	UF	Foreign Currencies	Total
	(in millions of constant Ch\$ as of December 31, 2008)			
Time deposits:				
Maturing within 3 months	1,689,768	58,548	781,466	2,529,782
Maturing after 3 but within 6 months	923,002	223,395	189,295	1,335,692
Maturing after 6 but within 12 months	416,697	391,591	311,099	1,119,387
Maturing after 12 months	1,315,877	2,006,399	98,892	3,421,168
Total time deposits	4,345,344	2,679,933	1,380,752	8,406,029

Short-term Borrowings

The principal categories of our short-term borrowings are amounts borrowed under foreign trade lines of credit, domestic interbank loans, Central Bank borrowings and repurchase agreements. The table below presents the amounts outstanding at each year-end indicated and the weighted-average nominal interest rate for each such year by type of short-term borrowing.

	As of December 31,					
	2006		2007		2008	
	Weighted- Average Nominal Interest	Rate	Weighted- Average Nominal Interest	Rate	Weighted- Average Nominal Interest	Rate
	Balance	Rate	Balance	Rate	Balance	Rate
	(in millions of constant Ch\$ as of December 31, 2008, except for rate data)					
	23,316	4.9%	181,063	6.5%	292,951	6.3%

Balances under repurchase agreements						
Central Bank borrowings	157,257	5.1%	155,027	5.6%	269,430	8.5%
Domestic interbank borrowings	-	-	-	-	5,001	8.1%
Borrowings under foreign trade credit lines						
	839,974	7.7%	663,005	13.4%	1,107,997	1.9%
Total short-term borrowings	1,020,547	6.6%	999,095	10.9%	1,675,379	3.7%

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The following table shows the average balance and the average nominal rate for each short-term borrowing category for the years indicated.

	For the year Ended December 31,					
	2006		2007		2008	
	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate
	(in millions of constant Ch\$ as of December 31, 2008, except for rate data)					
Investment under repurchase agreements	638,822	4.9%	649,128	6.5%	377,410	9.9%
Central Bank borrowings	98,392	5.1%	125,364	5.6%	58,546	8.5%
Domestic interbank borrowings	57,669	5.1%	-	-	43,341	8.1%
Borrowings under foreign trade credit lines	1,340,181	5.4%	1,192,559	13.4%	1,276,543	3.9%
Total short-term borrowings	2,135,064	6.9%	1,967,051	10.6%	1,775,840	7.6%

The following table presents the maximum month-end balances of our principal sources of short-term borrowings during the years indicated.

	Maximum 2006 Month-End Balance	Maximum 2007 Month-End Balance	Maximum 2008 Month-End Balance
	(in millions of constant Ch\$ as of December 31, 2008)		
Investment under repurchase agreements	511,406	219,522	366,244
Central Bank borrowings	356,312	465,579	277,584
Domestic interbank borrowings	4,419	5,251	154,101
Borrowings under foreign trade credit lines	2,055,140	1,550,122	1,751,620
Total short-term borrowings	2,927,277	2,240,474	2,549,549

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Total Borrowings

Our long-term and short-term borrowings are summarized below. Borrowings are generally classified as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are classified as long-term, including the amounts due within one year on such borrowings. The following table sets forth, at the dates indicated, the components of our borrowings.

	December 31, 2008		
	Long-term	Short-term	Total
	(in millions of constant Ch\$ as of December 31, 2008)		
Central Bank borrowings	-	269,430	269,430
Credit loans for renegotiations of loans	-	3,012	3,012
Investment under agreements to repurchase	853	292,951	293,804
Mortgage finance bonds	289,913	54,767	344,680
Other borrowings: bonds	1,362,198	256,582	1,618,780
Subordinated bonds	687,912	-	687,912
Borrowings from domestic financial institutions	-	5,001	5,001
Foreign borrowings	309,055	1,107,997	1,417,052
Other obligations	7,357	95,921	103,278
Total borrowings	2,657,288	2,085,661	4,742,949

	December 31, 2007		
	Long-term	Short-term	Total
	(in millions of constant Ch\$ as of December 31, 2008)		
Central Bank borrowings	-	155,027	155,027
Credit loans for renegotiations of loans (a)	-	4,325	4,325
Investment under agreements to repurchase	-	181,063	181,063
Mortgage finance bonds (b)	407,625	62,533	470,158
Other borrowings: bonds (c)	1,333,910	-	1,333,910
Subordinated bonds (d)	542,507	-	542,507
Borrowings from domestic financial institutions	-	-	-
Foreign borrowings (e)	529,855	663,004	1,192,859
Other obligations (f)	11,356	149,657	161,013
Total borrowings	2,825,253	1,215,609	4,040,862

(a) Credit lines for renegotiations of loans

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 1980's. The lines for the renegotiations, which are considered long-term, are related with mortgage loans linked to the UF index and bore a real annual interest rate of 3.0% and 3.0% as of December 31, 2007 and 2008, respectively. The following table sets forth, at the dates indicated, our credit lines for renegotiations of loans.

At December 31,
2007 2008

(in millions of constant
Ch\$ as of
December 31, 2008)
4,325 3,012

Total credit lines for renegotiations of loans

The maturities of the outstanding amounts due under these credit lines, which are considered long-term, are as follows:

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	At December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Due within 1 year	3,012
Total	3,012

(b) 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 4.6%. The following table sets forth the remaining maturities of our mortgage finance bonds at December 31, 2008.

	At December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Due within 1 year	54,767
Due after 1 year but within 2 years	41,211
Due after 2 years but within 3 years	37,635
Due after 3 years but within 4 years	31,284
Due after 4 years but within 5 years	33,655
Due after 5 years	146,128
Total mortgage finance bonds	344,680

(c) Bonds

The following table sets forth, at the dates indicated, our issued bonds. The bonds are denominated principally in UF or U.S. dollars, and are principally used to fund the Bank's mortgage portfolio. The U.S. dollar-denominated bonds bear an annual average rate interest rate of 5.75% and 6.08% at December 31, 2007 and 2008, respectively. The UF-denominated bonds bear an annual average interest rate of 4.05% and 4.02%.

	At December 31, 2007 2008 (in millions of constant Ch\$ as of December 31, 2008)	
Santander bonds denominated in U.S. dollars	216,962	256,582
Santander bonds denominated in UF	1,116,948	1,362,198
Total bonds	1,333,910	1,618,780

The maturities of these bonds are as follows:

	As of December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Due within 1 year	256,582
Due after 1 year but within 2 years	170,358
Due after 2 years but within 3 years	226,910
Due after 3 years but within 4 years	8,805
Due after 4 years but within 5 years	259,768
Due after 5 years	696,357
Total bonds	1,618,780

During 2008, the Bank issued senior bonds in the local market for a total of UF 12.6 million (Ch\$270,753 million as of December 31, 2008 or US\$558 million). The following are details of the bonds issued.

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Senior bonds 2008

Series	Amount	Maturity	Interest rate (%)
Y	UF 4,000,000	6 years	3.50% per year, simple
Y1	UF 3,000,000	5 years	3.50% per year, simple
Y2	UF 3,000,000	25 years	Bullet
Y3	UF 2,000,000	10 years	3.80% per year, compounded
F2	UF 621,000	9 years	4.20% per year, compounded
	UF 12,621,000		

(d) 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 UF or U.S. dollars, and are principally used to fund the Bank's mortgage portfolio and can be considered in the Bank's regulatory capital. The US\$ denominated subordinated bonds bear an annual average rate interest rate of 6.93% and 6.93% at December 31, 2007 and 2008, respectively. The UF-denominated bonds bear an annual average interest rate of 5.50% and 5.34%.

	As of December 31,	
	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)	
Subordinated bonds denominated in U.S. dollars	287,116	364,410
Subordinated bonds linked to the UF	255,391	323,502
Total subordinated bonds	542,507	687,912

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

	As of December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Due within 1 year	-
Due after 1 year but within 2 years	-
Due after 2 years but within 3 years	19,420
Due after 3 years but within 4 years	141,187
Due after 4 years but within 5 years	-
Due after 5 years	527,305
Total subordinated bonds	687,912

On July 17, 1997, the former Banco Santander issued subordinated bonds denominated in U.S dollars in an aggregate principal amount of US\$300 million. The bonds carry a nominal interest rate of 7.0% per annum, with semi-annual interest payments and one repayment of principal after a term of 10 year. These were paid in full in 2008.

On January 16, 2003, the Bank completed the voluntary exchange for its new subordinated bonds, which will mature in 2012. A total of US\$221,961,000 in principal of the Santiago bonds was offered and redeemed by the Bank. The bonds carry a nominal interest rate of 7.375% per annum, with semi-annual interest payments and repayment of principal after a term of 10 years.

On December 9, 2004, the Bank issued subordinated bonds denominated in U.S. dollars in an aggregate principal amount of US\$300 million. These bonds carry a nominal interest rate of 5.375% per annum, with semi-annual interest payments and repayment of principal after a term of 10 years.

In 2006, the Bank issued subordinated bonds denominated in UF in an aggregate principal amount of UF5,000,000, which bear an average annual rate of 4.4%.

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In 2007, the Bank issued subordinated bonds denominated in UF in an aggregate principal amount of UF4,000,000, which bear an average annual rate of 4.0%.

In 2008, the Bank issued subordinated bonds in the local market for a total of UF 3.75 million (Ch\$80,447 million or US\$128 million as of December 31, 2008). The table below sets forth details of the bonds issued.

Subordinated bonds

Series	Amount	Maturity	Interest rate (%)
G1	UF 3,000,000	25 years	3.90% per year, simple
G2	UF 750,000	25 years	4.80% per year, simple
	UF 3,750,000		

(e) Foreign 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 December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Due within 1 year	1,107,997
Due after 1 year but within 2 years	143,555
Due after 2 years but within 3 years	165,500
Total foreign borrowings	1,417,052

The foreign borrowings are denominated principally in U.S. dollars, and are principally used to fund the Bank's foreign trade loans, and bear an annual average interest rate of 1.3% and 3.9% at December 31, 2007 and 2008, respectively. As a result of the global financial crisis, foreign borrowings from correspondent banks have tightened significantly. To offset this, in 2008, the Bank increased overnight deposits in U.S. dollars in its financial investments funded with the inflow of local currency deposits. See Item 5.E: Liquidity and Capital Resources – Financial Investments.

(f) Other obligations

Other obligations are summarized as follows.

As of December
31, 2008
(in millions of
constant Ch\$ as
of
December 31,
2008)

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Due within 1 year	54,903
Due after 1 year but within 2 years	2,150
Due after 2 years but within 3 years	1,820
Due after 3 years but within 4 years	1,088
Due after 4 years but within 5 years	808
Due after 5 years	1,491
Total long term obligations	62,260
Amounts due to credit card operators	41,018
Total short-term obligations	41,018
Total other obligations	103,278

Other Off-Balance Sheet Arrangements and Commitments

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 consolidated financial statements.

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In 2008, as part of the gradual process of adopting international accounting standards, the Bank reclassified its contingent loans as off-balance sheet items. Contingent loans consist of guarantees granted by us in Chilean peso, UF and foreign currencies (principally U.S. dollars), as well as open and unused letters of credit. The total amount of contingent loans held off-balance sheet as of December 31, 2006, 2007 and 2008 was Ch\$1,196,456, Ch\$1,293,604 and Ch\$1,240,690 million, respectively. Contingent loans are considered in the calculation of risk weighted assets and capital requirements as well as for credit risk reserve requirements.

Other off-balance sheet arrangements include 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. The aggregate amount of these commitments was Ch\$4,041,849 million at December 31, 2008, which will be financed with our deposit base. 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.

From time to time, the Bank enters into agreements to securitize certain assets by selling those assets to unconsolidated and unaffiliated entities, which then sell debt securities secured by those assets. These sales are non recourse to the Bank. However, in the past, the Bank has occasionally purchased a subordinated bond issued by the unconsolidated entity. At December 31, 2008, we did not hold any of these subordinated bonds in our investment portfolio.

Asset and Liability Management

Please refer to “Item 11: Quantitative and Qualitative Disclosure about Market Risk—Asset and Liability Management” regarding our policies with respect to asset and liability management.

Capital Expenditures

The following table reflects capital expenditures in each of the three years ended December 31, 2006, 2007 and 2008:

	For the Year Ended December 31, 2006 2007 2008 (in millions of constant Ch\$ as of December 31, 2008)		
Land and Buildings	11,860	14,016	10,311
Machinery and Equipment	9,094	9,269	5,739
Furniture and Fixtures	4,802	5,430	1,574
Vehicles	978	425	589
Other	2,654	3,661	459
Total	29,388	32,801	18,672

The decrease in capital expenditures in 2008 compared to 2007 was mainly due to the lower investment in branches and ATMs.

We do not have any material commitments for capital expenditures for the future.

F. Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with our financial statements as well as the discussion in “Item 5: Operating and Financial Review and Prospects.” Pursuant to Chilean GAAP, the financial data in the following tables for all periods through December 31, 2007, have been restated in constant Chilean pesos as of December 31, 2008. The UF is linked to, and is adjusted daily, to reflect changes in the previous month’s Chilean consumer price index. See Note 1.c to our Audited Consolidated Financial Statements.

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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 S.A. Agente 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.

The foreign exchange gains or losses on foreign currency-denominated assets and liabilities have not been included in interest revenue 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 during periods in which loans are

past due. However, interest received on past due loans includes interest on such loans from the original maturity date. 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

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which either principal or interest is overdue (i.e., non accrual loans) and restructured loans earning no interest. Non-performing loans that are overdue for 90 days or more are shown as a separate category of loans (“Past due loans”). Interest and/or indexation readjustments received on all non-performing U.S. dollar-denominated loans during the periods are included as interest revenue. However, all peso-denominated loans that are classified as non-performing do not accrue interest or indexation adjustments as interest revenue.

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 monetary gain or loss on interest-earning assets and interest-bearing liabilities is not included as a component of interest revenue or interest expense because inflation effects are taken into account in the calculation of real interest rates.

The average balances for 2006 and 2007 have been reclassified for comparative purposes in line with the changes made to the financial statements for those years under the new accounting formats adopted in 2008. See Item 5B: Critical Accounting Policies.

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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 years ended December 31, 2006, 2007 and 2008.

	Year ended December 31,									
	2006				2007					
	Average	Interest	Real	Nominal	Average	Interest	Real	Nominal	Average	Interest
	Balance	Earned	Rate	Rate	Balance	Earned	Rate	Rate	Balance	Earned
(in millions of constant Ch\$ as of December 31, 2008, except for rate data)										
ASSETS										
INTEREST-EARNING										
ASSETS										
Deposits in Central										
Bank										
Ch\$	72,095	4,224	(2.8%)	5.9%	68,628	9,614	4.7%	14.0%	114,052	9,5
UF	-	-	-	-	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-	-	-
Subtotal	72,095	4,224	(2.8%)	5.9%	68,628	9,614	4.7%	14.0%	114,052	9,5
Interbank deposits										
Ch\$	26,474	1,457	(3.1%)	5.5%	-	-	-	-	-	-
UF	7,691	512	(2.1%)	6.7%	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-	-	-
Subtotal	34,165	1,969	(2.9%)	5.8%	-	-	-	-	-	-
Financial investments										
Ch\$	557,431	40,501	(1.5%)	7.3%	611,401	56,124	0.3%	9.2%	851,635	80,3
UF	231,532	32,871	4.9%	14.2%	246,954	45,979	8.9%	18.6%	614,704	51,7
Foreign currencies	1,012,676	37,979	22.7%	3.8%	651,289	23,414	22.6%	3.6%	900,291	5,8
Subtotal	1,801,639	111,351	12.9%	8.1%	1,509,644	125,517	11.3%	11.6%	2,366,630	138,0
Commercial Loans										
Ch\$	2,834,507	345,422	3.0%	12.2%	2,891,921	341,623	2.7%	11.8%	3,248,857	456,3
UF	3,292,928	230,047	(1.7%)	7.0%	3,176,142	369,306	2.5%	11.6%	3,015,409	410,1
Foreign currencies	742,060	42,586	25.1%	5.7%	789,394	51,522	26.0%	6.5%	1,076,102	60,0
Subtotal	6,869,495	618,055	3.1%	9.8%	6,857,457	762,451	5.3%	11.3%	7,340,368	926,5
Consumer loans										
Ch\$	1,462,944	323,756	12.2%	22.1%	1,769,145	406,274	12.9%	23.0%	1,836,233	449,5
UF	20,469	4,362	11.4%	21.3%	42,073	6,644	6.3%	15.8%	113,148	18,1
Foreign currencies	6,618	-	18.3%	-	8,047	-	18.3%	-	8,161	-
Subtotal	1,490,031	328,118	12.2%	22.1%	1,819,265	412,918	12.8%	22.9%	1,957,542	467,7
Mortgage loans										
Ch\$	1,582	44	(5.6%)	2.8%	4,401	253	(2.9%)	5.7%	14,359	1,3
UF	3,070,215	221,915	(1.5%)	7.2%	3,352,463	402,244	2.9%	12.0%	3,637,661	510,3
Foreign currencies	-	-	-	-	-	-	-	-	-	-
Subtotal	3,071,797	221,959	(1.5%)	7.2%	3,356,864	402,497	2.9%	12.0%	3,652,020	511,6
Interbank Loans										
Ch\$	29,931	1,526	(3.5%)	5.1%	49,323	2,623	(3.3%)	5.3%	16,838	1,0
UF	-	-	-	-	-	-	-	-	-	-
Foreign currencies	47,192	2,500	24.6%	5.3%	36,931	2,031	24.8%	5.5%	5,618	1
Subtotal	77,123	4,026	13.7%	5.2%	86,254	4,654	8.7%	5.4%	22,512	1,2

Investments under
agreements to resell

Ch\$	11,749	728	(2.5%)	6.2%	11,133	678	(2.6%)	6.1%	21,148	1,0
UF	-	-	-	-	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-	-	-

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	Year ended December 31,									
	2006				2007					
	Average	Interest	Average	Average	Average	Interest	Average	Average	Average	Interest
	Balance	Earned	Real	Nominal	Balance	Earned	Real	Nominal	Balance	Earned
			Rate	Rate			Rate	Rate		
	(in millions of constant Ch\$ as of December 31, 2008, except for rate data)									
Subtotal	11,749	728	(2.5%)	6.2%	11,133	678	(2.6%)	6.1%	21,148	
Threshold										
Ch\$	-	-	-	-	-	-	-	-	-	-
UF	-	-	-	-	-	-	-	-	-	-
Foreign										
currencies	48,644	4,850	30.1%	10.0%	124,351	12,263	30.0%	9.9%	224,449	
Subtotal	48,644	4,850	30.1%	10.0%	124,351	12,263	30.0%	9.9%	224,449	
Total										
interest-earning										
assets (1)										
Ch\$	4,996,713	717,658	5.0%	14.4%	5,405,952	817,189	5.7%	15.1%	6,103,122	99
UF	6,622,835	489,707	(1.4%)	7.4%	6,817,632	824,173	2.9%	12.1%	7,380,978	99
Foreign										
currencies	1,857,190	87,915	23.9%	4.7%	1,610,012	89,230	24.9%	5.5%	2,214,621	70
Subtotal	13,476,738	1,295,280	4.5%	11.1%	13,833,596	1,730,592	6.5%	13.2%	15,698,721	2,06

(1) Pursuant to Chilean GAAP, Santander-Chile also includes contingent loans as interest-earning assets. See “Item 5: F. Selected Statistical Information—Loan Portfolio—Contingent Loans.”

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	Year ended December 31,							
	2006			2007			2008	
	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned
(in millions of constant Ch\$ as of December 31, 2008, except for rate data)								
NON-INTEREST-EARNING ASSETS								
Cash								
Ch\$	258,529	-	-	361,132	-	-	274,832	-
UF	-	-	-	-	-	-	-	-
Foreign currencies	16,617	-	-	19,159	-	-	19,432	-
Subtotal	275,146	-	-	380,291	-	-	294,264	-
Reserves for loan losses								
Ch\$	(181,190)	-	-	(224,080)	-	-	(258,140)	-
UF	-	-	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-
Subtotal	(181,190)	-	-	(224,080)	-	-	(258,140)	-
Fixed Assets								
Ch\$	266,183	-	-	258,588	-	-	257,548	-
UF	-	-	-	-	-	-	-	-
Foreign currencies	-	-	-	-	-	-	-	-
Subtotal	266,183	-	-	258,588	-	-	257,548	-
Derivatives								
Ch\$	(336,735)	-	-	990,790	-	-	1,861,855	-
UF	(301,920)	-	-	(1,219,772)	-	-	(1,507,963)	-
Foreign currencies	813,932	-	-	773,616	-	-	1,064,876	-
Subtotal	175,277	-	-	544,634	-	-	1,418,768	-
Financial investments trading(1)								
Ch\$	226,173	-	-	95,610	-	-	123,874	-
UF	425,346	-	-	456,877	-	-	308,302	-
Foreign currencies	192,153	-	-	123,534	-	-	28,367	-
Subtotal	843,672	-	-	676,021	-	-	460,543	-
Other assets								
Ch\$	798,043	-	-	576,845	-	-	224,505	-
UF	33,504	-	-	369,653	-	-	66,754	-
Foreign currencies	581,111	-	-	979,693	-	-	364,946	-
Subtotal	1,412,658	-	-	1,926,191	-	-	656,205	-
Total non-interest earning assets								
Ch\$	1,031,003	-	-	2,058,885	-	-	2,484,474	-
UF	156,930	-	-	(393,242)	-	-	(1,132,907)	-
Foreign currencies	1,603,813	-	-	1,896,002	-	-	1,477,621	-
Total	2,791,746	-	-	3,561,645	-	-	2,829,188	-
TOTAL ASSETS								
Ch\$	6,027,716	717,658	-	7,464,837	817,189	-	8,587,596	999,815
UF	6,779,765	489,707	-	6,424,390	824,173	-	6,248,071	990,430
Foreign currencies	3,461,003	87,915	-	3,506,014	89,230	-	3,692,242	70,867

Total	16,268,484	1,295,280	-	-	17,395,241	1,730,592	-	-	18,527,909	2,061,112
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	Year ended December 31,									
	2006					2007				
	Average	Interest	Average	Average	Average	Interest	Average	Average	Average	
	Balance	Paid	Real	Nominal	Balance	Paid	Real	Nominal	Balance	Int
			Rate	Rate			Rate	Rate		P
(in millions of constant Ch\$ as of December 31, 2008, except for rate data)										
LIABILITIES AND SHAREHOLDERS' EQUITY										
INTEREST-BEARING LIABILITIES										
Savings accounts										
Ch\$	695	11	(6.7%)	1.6%	724	12	(6.6%)	1.7%	739	
UF	123,138	1,587	(7.0%)	1.3%	105,850	6,593	(2.4%)	6.2%	99,781	
Foreign currencies	-	-	-	-	-	-	-	-	-	
Subtotal	123,833	1,598	(7.0%)	1.3%	106,574	6,605	(2.4%)	6.2%	100,520	
Time deposits										
Ch\$	3,939,384	233,461	(2.7%)	5.9%	3,944,650	275,742	(1.7%)	7.0%	3,879,461	29
UF	2,454,702	114,833	(3.9%)	4.7%	2,693,822	296,212	1.9%	11.0%	2,958,841	36
Foreign currencies	1,095,499	59,954	(3.1%)	5.5%	1,225,396	56,416	(3.9%)	4.6%	1,504,699	3
Subtotal	7,489,585	408,248	(3.2%)	5.5%	7,863,868	628,370	(0.8%)	8.7%	8,343,001	7
Central Bank borrowings										
Ch\$	38,465	2,031	(3.3%)	5.3%	120,707	6,519	(3.2%)	5.4%	55,300	
UF	59,927	2,978	(3.6%)	5.0%	4,657	455	0.8%	9.8%	3,246	
Foreign currencies	-	-	-	-	-	-	-	-	-	
Subtotal	98,392	5,009	(3.5%)	5.1%	125,364	6,974	(3.1%)	5.7%	58,546	
Repurchase agreements										
Ch\$	448,675	22,535	(3.6%)	5.0%	464,229	32,594	(1.7%)	7.0%	312,352	1
UF	13,294	665	(3.6%)	5.0%	35,884	1,769	(3.6%)	4.9%	9,080	
Foreign currencies	176,853	8,979	(3.5%)	5.1%	149,015	7,965	(3.3%)	5.3%	55,978	
Subtotal	638,822	32,179	(3.6%)	5.0%	649,128	42,328	(2.2%)	6.6%	377,410	
Mortgage finance bonds										
Ch\$	-	-	-	-	-	-	-	-	-	
UF	676,690	50,461	(1.3%)	7.5%	515,187	63,800	3.2%	12.4%	372,493	
Foreign currencies	-	-	-	-	-	-	-	-	-	
Subtotal	676,690	50,461	(1.3%)	7.5%	515,187	63,800	3.2%	12.4%	372,493	
Other interest-bearing liabilities										
Ch\$	56,960	2,980	(3.4%)	5.2%	38,890	2,712	(1.8%)	7.0%	71,536	
UF	498,931	37,922	(1.2%)	7.6%	876,023	117,092	4.1%	13.4%	1,497,974	20
Foreign currencies	1,968,725	121,062	(2.5%)	6.1%	1,542,652	86,953	(3.0%)	5.6%	1,776,442	1
Subtotal	2,524,616	161,964	(2.3%)	6.4%	2,457,565	206,757	(0.5%)	10.0%	3,345,952	34
Total interest-bearing liabilities										
Ch\$	4,484,179	261,018	(2.8%)	5.8%	4,569,200	317,579	(1.8%)	7.0%	4,319,388	33
UF	3,826,682	208,446	(3.2%)	5.4%	4,231,423	485,921	2.4%	11.5%	4,941,415	69
Foreign currencies	3,241,077	189,995	(2.8%)	5.9%	2,917,063	151,334	(3.4%)	5.2%	3,337,119	11

Total	11,551,938	659,459	(2.9%)	5.7%	11,717,686	954,834	(0.7%)	9.0%	12,597,922	1,1
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	Year ended December 31,									
	2006	2007			2008					
	Average	Interest	Rate	Average	Interest	Rate	Average	Interest	Rate	
	Balance	Paid	Rate	Balance	Paid	Rate	Balance	Paid	Rate	
	(in millions of constant Ch\$ as of December 31, 2008, except for rate data)									
NON-INTEREST-BEARING LIABILITIES										
Non-interest-bearing demand deposits										
Ch\$	2,132,730	-	-	2,364,611	-	-	2,457,135	-	-	
UF	40	-	-	27	-	-	25	-	-	
Foreign currencies	4	-	-	23	-	-	981	-	-	
Subtotal	2,132,774	-	-	2,364,661	-	-	2,458,141	-	-	
Derivatives										
Ch\$	319,470	-	-	437,948	-	-	1,027,615	-	-	
UF	(107)	-	-	67,599	-	-	168,985	-	-	
Foreign currencies	(158,381)	-	-	14,015	-	-	135,632	-	-	
Subtotal	160,982	-	-	519,562	-	-	1,332,232	-	-	
Other non-interest-bearing liabilities										
Ch\$	708,352	-	-	1,000,537	-	-	416,760	-	-	
UF	191,541	-	-	248,195	-	-	244,874	-	-	
Foreign currencies	177,312	-	-	110,302	-	-	100,873	-	-	
Subtotal	1,077,205	-	-	1,359,034	-	-	762,507	-	-	
Equity										
Ch\$	1,345,585	-	-	1,434,298	-	-	1,377,107	-	-	
UF	-	-	-	-	-	-	-	-	-	
Foreign currencies	-	-	-	-	-	-	-	-	-	
Subtotal	1,345,585	-	-	1,434,298	-	-	1,377,107	-	-	
Total non-interest-bearing liabilities and shareholders' equity										
Ch\$	4,506,137	-	-	5,237,394	-	-	5,278,617	-	-	
UF	191,474	-	-	315,821	-	-	413,884	-	-	
Foreign currencies	18,935	-	-	124,340	-	-	237,486	-	-	
Total	4,716,546	-	-	5,677,555	-	-	5,929,987	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY										
Ch\$	8,990,316	261,018	-	9,806,594	317,579	-	9,598,005	335,692	-	
UF	4,018,156	208,446	-	4,547,244	485,921	-	5,355,299	694,758	-	
Foreign currencies	3,260,012	189,995	-	3,041,403	151,334	-	3,574,605	133,621	-	
Total	16,268,484	659,459	-	17,395,241	954,834	-	18,527,909	1,164,071	-	

(1) Note: In line with the new classification of Circular No. 3410 issued by the Superintendency of Banks, which became effective on January 1, 2008, prescribed new accounting formats for financial statements. The new accounting formats are congruent with International Accounting Standards, but do not involve a change in accounting standards. These changes included the reclassification of interest income gained on the financial investments held for trading from interest revenue to gains from trading and mark-to-market. For this reason these assets are considered non-interest earning. The amount of interest that was reclassified for the twelve-month period ending December 31,

2006, 2007 and 2008 was Ch\$65,713 million, Ch\$75,288 million and Ch\$72,928 million, respectively.

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Changes in Net Interest Revenue and Interest Expense: Volume and Rate Analysis

The following table allocates, by currency of denomination, changes in our interest revenue and interest expense between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates for 2008 compared to 2007 and 2007 compared to 2006. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities.

	Increase (Decrease) from 2006 to 2007			Net Change from 2006 to 2007	Increase (Decrease) from 2007 to 2008			Net Change from 2007 to 2008
	Due to Changes in				Due to Changes in			
	Volume	Rate	Rate and Volume		Volume	Rate	Rate and Volume	
ASSETS								
Interest-earning assets								
Deposits with Central Bank								
Ch\$	(205)	5,840	(245)	5,390	6,387	(3,903)	(2,583)	(99)
UF	-	-	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-	-	-
Total	(205)	5,840	(245)	5,390	6,387	(3,903)	(2,583)	(99)
Interbank deposits								
Ch\$	(1,457)	(1,457)	1,457	(1,457)	-	-	-	-
UF	(512)	(512)	512	(512)	-	-	-	-
Foreign currency	-	-	-	-	-	-	-	-
Total	(1,969)	(1,969)	1,969	(1,969)	-	-	-	-
Financial investments								
Ch\$	3,940	10,592	1,091	15,623	22,369	1,330	533	24,232
UF	2,207	10,215	686	13,108	68,464	(25,169)	(37,480)	5,815
Foreign currency	(13,431)	(1,875)	741	(14,565)	8,882	(19,037)	(7,371)	(17,526)
Total	(7,284)	18,932	2,518	14,166	99,715	(42,876)	(44,318)	12,521
Commercial loans								
Ch\$	7,318	(10,933)	(184)	(3,799)	42,556	64,022	8,155	114,733
UF	(8,344)	153,166	(5,563)	139,259	(18,006)	61,347	(2,534)	40,807
Foreign currency	2,682	5,876	378	8,936	18,443	(7,255)	(2,630)	8,558
Total	1,656	148,109	(5,369)	144,396	42,993	118,114	2,991	164,098
Consumer loans								
Ch\$	66,844	12,954	2,720	82,518	15,550	26,731	1,036	43,317
UF	4,599	(1,127)	(1,190)	2,282	11,193	123	201	11,517
	-	-	-	-	-	-	-	-

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Foreign currency									
Total	71,443	11,827	1,530	84,800	26,743	26,854	1,237	54,834	
Mortgage loans									
Ch\$	51	57	101	209	928	39	90	1,057	
UF	15,602	150,858	13,869	180,329	78,623	27,183	2,312	108,118	
Foreign currency	-	-	-	-	-	-	-	-	-
Total	15,653	150,915	13,970	180,538	79,551	27,222	2,402	109,175	
Interbank loans									
Ch\$	995	62	40	1,097	(1,729)	541	(358)	(1,546)	
UF	-	-	-	-	-	-	-	-	-
Foreign currency	(543)	95	(21)	(469)	(1,722)	(739)	626	(1,835)	
Total	452	157	19	628	(3,451)	(198)	268	(3,381)	
Investments Under Agreements to Resell									
Ch\$	(39)	(12)	1	(50)	614	167	151	932	
UF	-	-	-	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-	-	-	-
Total	(39)	(12)	1	(50)	614	167	151	932	
Threshold									
Ch\$	-	-	-	-	-	-	-	-	-
UF	-	-	-	-	-	-	-	-	-

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Subtotal	1,607	2,921	(2,563)	1,965	(3,682)	3,593	(1,929)	(2,018)
Repurchase agreements								
Ch\$	777	8,972	310	10,059	(10,621)	18,587	(6,073)	1,893
UF	1,138	(12)	(22)	1,104	(1,318)	1,968	(1,479)	(829)
Foreign currencies	(1,336)	388	(66)	(1,014)	(4,954)	(2,850)	1,764	(6,040)
Subtotal	579	9,348	222	10,149	(16,893)	17,705	(5,788)	(4,976)
Mortgage finance bonds								
Ch\$	-	-	-	-	-	-	-	-
UF	(12,053)	33,246	(7,854)	13,339	(17,729)	13,365	(3,723)	(8,087)
Foreign currencies	-	-	-	-	-	-	-	-
Subtotal	(12,053)	33,246	(7,854)	13,339	(17,729)	13,365	(3,723)	(8,087)
Other interest-bearing liabilities								
Ch\$	(945)	1,007	(330)	(268)	2,278	271	227	2,776
UF	28,559	28,839	21,772	79,170	83,251	35,011	24,876	143,138
Foreign currencies	(26,240)	(9,944)	2,075	(34,109)	12,692	(20,654)	(3,137)	(11,099)
Subtotal	1,374	19,902	23,517	44,793	98,221	14,628	21,966	134,815
Total interest-bearing liabilities								
Ch\$	4,496	51,952	113	56,561	(16,250)	42,427	(8,064)	18,113
UF	25,918	226,069	25,488	277,475	92,643	92,836	23,358	208,837
Foreign currencies	(20,418)	(19,109)	866	(38,661)	20,656	(34,492)	(3,877)	(17,713)
Total	9,996	258,912	26,467	295,375	97,049	100,771	11,417	209,237

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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 years indicated in the table.

	Year ended December 31,			
	2006	2007	2008	
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)			
Total average interest-earning assets				
	Ch\$	4,996,713	5,405,952	6,103,122
	UF	6,622,835	6,817,632	7,380,978
	Foreign currencies	1,857,190	1,610,012	2,214,621
	Total	13,476,738	13,833,596	15,698,721
Net interest earned (1)				
	Ch\$	456,640	499,610	664,123
	UF	281,261	338,252	295,672
	Foreign currencies	(102,080)	(62,104)	(62,754)
	Total	635,821	775,758	897,041
Net interest margin (2)				
	Ch\$	9.1%	9.2%	10.9%
	UF	4.2%	5.0%	4.0%
	Foreign currencies	(5.5%)	(3.9%)	(2.8%)
	Total	4.7%	5.6%	5.7%

(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.

Return on Equity and Assets; Dividend Payout

The following table presents certain information and selected financial ratios for Santander-Chile for the years indicated.

	Year ended December 31,		
	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008, except for percentages)		
Net income	334,282	338,324	331,017
Average total assets	16,268,484	17,395,241	18,527,909
Average equity	1,345,585	1,434,298	1,377,107
Net income as a percentage of:			
Average total assets	2.1%	1.9%	1.8%
Average equity	24.8%	23.6%	24.0%
Average equity as a percentage of:			

Average total assets	8.3%	8.2%	7.4%
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The following table presents dividends declared and paid by us in nominal terms in the following years:

Year	Dividend Ch\$ mn (1)	Per share Ch\$/share (2)	Per ADR Ch\$/ADR (3)	% over earnings (4)
2005	198,795	1.05	1,096.06	100
2006	155,811	0.83	859.06	65
2007	185,628	0.99	1,023.46	65
2008	200,620	1.06	1,106.12	65
2009	213,295	1.13	1,176.02	65

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- (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 for the previous year.

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 loans.

	As of December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)				
Commercial loans:					
General commercial loans	4,611,186	4,935,030	5,219,487	5,552,834	6,002,108
Foreign trade loans	612,207	611,403	867,814	925,275	1,396,596
Leasing contracts	622,183	793,411	894,443	952,827	967,632
Other outstanding loans	-	7,294	6,192	6,671	8,162
Subtotal commercial loans	5,845,576	6,347,138	6,987,936	7,437,607	8,374,498
Residential mortgage loans:					
Backed by mortgage bonds	740,895	513,102	401,350	289,364	225,566
Others	1,494,697	2,237,752	2,900,792	3,353,544	3,755,780
Subtotal mortgage loans	2,235,592	2,750,854	3,302,142	3,642,908	3,981,346
Consumer loans	1,349,481	1,708,989	2,156,682	2,267,719	2,248,996
Interbank loans	162,152	232,554	177,232	50,047	95,534
Total loans (1)	9,592,801	11,039,535	12,623,992	13,398,281	14,700,374

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- (1) All of the above categories except mortgage loans, past due loans and contingent loans are combined into "Loans" as reported in the tables set forth under "Item 5: F. Selected Statistical Information—Average Balance Sheets, Income Earned from Interest-Earning Assets And Interest Paid on Interest Bearing Liabilities."

The loan categories are as follows:

General 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.

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 backed by mortgage bonds are inflation-indexed, fixed 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 general obligations of the Bank, which is liable for all principal and accrued interest on such

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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 residential mortgage 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 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. They also include credit card balances subject to interest charges and checking overdraft lines for individuals are classified as commercial loans.

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

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.

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 December 31, 2008.

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total balance at December 31, 2008
	(in millions of constant Ch\$ as of December 31, 2008)			
General commercial loans	2,993,512	1,838,244	1,170,352	6,002,108
Foreign trade loans	1,225,782	130,100	40,714	1,396,596
Leasing contracts	305,527	483,723	178,382	967,632
Other outstanding loans	8,162	-	-	8,162
Subtotal commercial loans	4,532,983	2,452,067	1,389,448	8,374,498
Residential loans backed by mortgage bonds	26,534	92,562	106,471	225,567
Other residential mortgage loans	187,746	692,731	2,875,302	3,755,779
Subtotal residential mortgage loans	214,280	785,293	2,981,773	3,981,346
Consumer loans	1,321,123	889,038	38,835	2,248,996
Subtotal	6,068,386	4,126,398	4,410,056	14,604,840
Interbank loans	95,534	-	-	95,534
Total loans	6,163,920	4,126,398	4,410,056	14,700,374

The following tables present the interest rate sensitivity of outstanding loans due after one year at December 31, 2008. (See also Item 5: D. Operating Results—Interest Rates.)

At
December 31,
2008
(in millions of
constant Ch\$ as
of December 31,
2008)

Variable Rate	
Ch\$	1,631
UF	1,074,287

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	At December 31, 2008 (in millions of constant Ch\$ as of December 31, 2008)
Foreign currencies	970
Subtotal	1,076,888
Fixed Rate	
Ch\$	2,254,306
UF	5,041,937
Foreign currencies	163,323
Subtotal	7,459,566
Total	8,536,454

Loans by Economic Activity

The following table sets forth, at the dates indicated, an analysis of our loan portfolio based on the borrower's principal economic activity. Loans to individuals for business purposes are allocated to their economic activity. The table does not reflect outstanding contingent loans.

	As of December 31,			
	2007		2008	
	Loan Portfolio	% of Total	Loan Portfolio	% of Total
	(in millions of constant Ch\$ as of December 31, 2008, except for percentages)			
Agriculture, Livestock, Agribusiness, Fishing				
Agriculture and livestock	403,863	3.0%	470,552	3.0%
Fruit	122,604	0.9%	133,681	0.9%
Forestry and wood extraction	72,771	0.5%	82,332	0.6%
Fishing	119,488	0.9%	168,176	1.1%
Subtotal	718,726	5.3%	854,741	5.6%
Mining and Petroleum				
Mining and quarries	56,065	0.4%	319,063	2.2%
Natural gas and crude oil extraction	116,544	0.9%	94,953	0.6%
Subtotal	172,609	1.3%	414,016	2.8%
Manufacturing				
Tobacco, food and beverages	185,260	1.4%	295,196	2.0%
Textiles, clothing and leather goods	57,370	0.4%	60,443	0.5%
Wood and wood products	77,812	0.6%	72,536	0.5%
Paper, printing and publishing	131,455	1.0%	66,602	0.5%
Oil refining, carbon and rubber	113,446	0.8%	148,846	1.0%
Production of basic metal, non minerals, machine and equipment	168,614	1.3%	200,414	1.4%
Other manufacturing industries	47,613	0.4%	62,401	0.4%
Subtotal	781,570	5.9%	906,438	6.3%
Electricity, Gas and Water				

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Electricity, gas and water	96,895	0.7%	109,279	0.7%
Subtotal	96,895	0.7%	109,279	0.7%
Construction				
Residential buildings	433,620	3.2%	393,613	2.7%
Other constructions	414,259	3.1%	457,529	3.1%
Subtotal	847,879	6.3%	851,142	5.8%
Commerce				
Wholesale	464,596	3.5%	614,008	4.2%
Retail, restaurants and hotels	717,851	5.4%	913,838	6.2%
Subtotal	1,182,447	8.9%	1,527,846	10.4%

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	As of December 31,			
	2007		2008	
	Loan Portfolio	% of Total	Loan Portfolio	% of Total
Transport, Storage and Communications				
Transport and storage	330,741	2.5%	360,169	2.5%
Communications	192,007	1.4%	187,613	1.3%
Subtotal	522,748	3.9%	547,782	3.8%
Financial Services, Insurance and Real Estate				
Financial insurance and companies	617,256	4.6%	573,060	3.9%
Real estate and other services provided to companies	379,074	2.8%	393,720	2.7%
Subtotal	996,330	7.4%	966,780	6.6%
Community, Social and Personal Services				
Community, social and personal services	2,185,631	16.4%	2,287,747	15.6%
Subtotal	2,185,631	16.4%	2,287,747	15.6%
Consumer Credit	2,268,731	16.9%	2,270,232	15.4%
Residential Mortgage Loans	3,624,715	27.1%	3,964,371	27.0%
Total	13,398,281	100%	14,700,374	100%

At December 31, 2008, foreign country loans, including foreign interbank deposits totaled Ch\$783,193 million, representing 3.7% of our total assets. The United States represented our largest exposure representing 2.2% of our assets and this mainly corresponded to overnight dollar denominated deposits held in U.S. banks.

Credit Review Process

The Risk Division, our credit analysis and risk management group, is largely independent of our Commercial Division. Risk evaluation teams interact regularly with our clients. For larger transactions, risk teams in our headquarters work directly with clients when evaluating credit risks and preparing credit applications. Various credit approval committees, all of which include Risk Division and Commercial Division personnel, must verify that the appropriate qualitative and quantitative parameters are met by each applicant. Each committee's powers are defined by our Board of Directors.

In addition, Banco Santander Spain is involved in the credit approval process of our largest loans and borrowers. If a single borrower or an economic group owes us an aggregate amount in excess of US\$40 million, any additional loan to such borrower or member of such group must be reviewed by Banco Santander Spain. Once a year, the Executive Committee of Banco Santander Spain reviews those loans booked by us in excess of US\$40 million.

Credit Approval: Corporate

In preparing a credit proposal for a corporate client, Santander-Chile's personnel verify such parameters as debt servicing capacity (including, usually, projected cash flows), the company's financial history and projections for the economic sector in which it operates. The Risk Division is closely involved in this process, and prepares the credit application for the client. All proposals contain an analysis of the client's strengths and weaknesses, a rating and a recommendation. Credit limits are determined not on the basis of outstanding balances of individual clients, but on the direct and indirect credit risk of entire financial groups. For example, a corporation will be evaluated together with its subsidiaries and affiliates.

Credit Approval: Retail Banking

Retail loans are evaluated and approved by the Risk for Individuals, Micro businesses and Small Businesses Division. The majority of loans to individuals are approved by the Standardized Risk Area. The credit evaluation process is based on an evaluation system known as Garra for Banco Santander and Syseva for Santander Banefe, both process are decentralized, automated and are based on a scoring system which incorporates our Credit Risk Policies.

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The credit evaluation process is based on the gathering of information to determine a client's financial stability, payment capacity and commercial nature. The following parameters are used to evaluate an applicant's credit risk: (i) income, (ii) length of current employment, (iii) indebtedness, (iv) credit reports and (v) background information, which is accessed by means of internal and external databases. Operations which cannot be approved by Garra or Syseva are sent to the Approval Center, a centralized area that carries out yearly analyses and renewals of credit lines and credit cards and evaluates higher risk credits.

The following table lists our committees from which credit approval is required depending on total risk exposure:

Approved By	Maximum approval in Thousands of US\$
Executive Credit Committee	>20,000
Loan Credit Committee	20,000
Business Segment Committee	8,000-10,000
Large Companies	10,000
Real estate sector	10,000
Medium sized companies	8,000
Regional Committee	5,000
Branch committee	300
Companies	300
Mortgage	120
Persons	30

The following table lists Santander Banefe's personnel from whom credit approval is required, depending upon total risk exposure. These attributions are granted based on specific training processes given by the Risk Division and according to the experience and professional background of the employee.

	Range in US\$ (Excludes mortgage loans)
Risk Division Manager	> 12,500
Assistant Risk Division Managers	6,250-12,500
Zone Manager	3,125-6,250
Branch Assistant Manager	1,550-3,125
Credit Analyst	1,170-1,550
Commercial Executive	0-1,170

The Executive Credit Committee is comprised of the Chairman of the Board, three additional Board members, the Corporate Legal Counsel, the CEO, the Manager of Global Banking, the Corporate Director of Risk and two senior members of the Credit Risk department that present the loans being reviewed. This committee reviews the loan positions reviewed by the Senior Credit Committee above US\$10 million and approves those loan positions greater than US\$20 million. In addition, any loan position above US\$40 million must also be reviewed by Banco Santander Spain's credit committee.

The Loan Credit Committee is comprised of the CEO, the Manager of the Wholesale segment, the Manager of the Medium sized companies segment, General Counsel, the Corporate Director of Credit Risk and the Manager of Credit Admissions. The Loan Credit Committee reviews and will either approve or deny transactions in the range of US\$8 million to US\$20 million that have been previously approved by one of the Business Segment Committees: (i) Large

Companies, (ii) Medium sized Companies and (iii) Real Estate. The Regional Committees have a maximum approval of up to US\$5 million. The regional committees oversee the branch networks outside of Santiago. At the branch level, the maximum approval is US\$300,000 for companies, US\$30,000 for individuals and US\$120,000 for mortgages. For the lower level committees, credit granting authority varies according to the seniority and experience of the committee members, and the values indicated represent upper limits. All committees include at least two bank officers from the commercial and credit areas.

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We also have a department designated to monitor the quality of the loan portfolio on a continuous basis. The purpose of this special supervision is to maintain constant scrutiny of the portions of the portfolio that represent the greatest risk and to anticipate any deterioration. Based on this ongoing review of the loan portfolio, we believe we are able to detect problem loans and make a decision on client's status. This includes measures such as reducing or extinguishing a loan, or requiring better collateral from the client. The control systems require that these loans be reviewed at least three times per year for those clients in the lowest category of credit watch.

Classification of Loan Portfolio

Chilean banks are required to provide to the Superintendency of Banks detailed information regarding their loan portfolio on a monthly basis. The Superintendency of Banks examines and evaluates each financial institution's credit management process, including its compliance with the loan classification guidelines. Banks are classified into four categories: 1, 2, 3 and 4. Each bank's category depends on the models and methods used by the bank to classify its loan portfolio, as determined by the Superintendency of Banks. Category 1 banks are those banks whose methods and models are satisfactory to the Superintendency of Banks. Category 1 banks will be entitled to continue using the same methods and models they currently have in place. A bank classified as a category 2 bank will have to maintain the minimum levels of reserves established by the Superintendency of Banks while its Board of Directors will be made aware of the problems detected by the Superintendency of Banks and required to take steps to correct them. Banks classified as categories 3 and 4 will have to maintain the minimum levels of reserves established by the Superintendency of Banks until they are authorized by the Superintendency of Banks to do otherwise. We are classified in category 1.

Under the classifications effective January 1, 2004, loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans).

In accordance with the regulations, which became effective as of January 1, 2004, the models and methods used to classify our loan portfolio must follow the following guiding principles, which have been established by the Superintendency of Banks and approved by our Board of Directors. In 2006, these models were improved and various changes introduced. Since then, not only have our internal provisioning models focused on non-performance, we have also introduced 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. In 2008, we further enhanced and fully implemented the automated credit scoring models for all consumer loans, mortgage and small sized companies. A total of 17 automated credit scoring models were improved and 6 new were introduced for the different credit risk profiles in consumer, mortgage and small and sized companies.

Allowances for large commercial loans

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

- i. Classifications A1, A2 and A3, correspond to borrowers with no apparent credit risk.
- ii. Classifications B, correspond to borrowers with some credit risk but no apparent deterioration of payment capacity.

- iii. Classifications C1, C2, C3, C4, D1 and D2 correspond to borrowers whose loans have deteriorated.

For loans classified as A1, A2, A3 and B, the Bank assigns a specific level of risk to each borrower and, therefore, amount of loan loss allowance is determined on a case by case basis. All commercial loans for Companies, including leasing and factoring, have since been rated using a model for evaluating and calculating provisions on an individual basis. Since a debtor's behavior varies over time, in order to determine the provisions, it is necessary to make a distinction between normal debtors and deteriorated debtors.

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Debtor Classes

Two debtor classes have been determined based on debtors' credit behavior in order to calculate loan loss allowance:

- Normal Debtors: Debtors that are current on their payment obligations and show no sign of deterioration in their credit quality.
- Deteriorated Debtors: Debtors that present some degree of non-payment in the Bank; which include debtors whose loan balances with us of 5% or more have been non-performing for more than three months, whose loans with us have been charged off or administered by our Recovery Unit, or classified as Precontenciosos (PRECO or Deteriorated)

Definition of Expected Loan Loss = Loan Loss Allowance

The expected loss is obtained by multiplying all risk factors defined in the following equation:

$$EL = PD \times EXP \times LGD$$

EL = Expected Loss
 PD = Probability of Default
 EXP = Exposure
 LGD = Loss Given Default

EL = Expected Loss. The expected loss is how much could be lost in the event a debtor does not perform the obligations under the loan.

PD = Probability of Default. This variable, expressed as a percentage, indicates the probability that a debtor will default next year. This percentage is associated with the internal rating we give to each debtor, which is determined by analyzing such parameters as debt servicing capacity (including, usually, projected cash flows), the company's financial history, the solvency and capacity of shareholders and management, and projections for the economic sector in which it operates. The internal rating can be different from ratings obtained from external third parties.

EXP = Exposure. This corresponds to the value of commercial loans without discounting the value of guarantees or collateral.

LGD = Loss Given Default. This is the effective loss rate for debtors in the same segment, which is determined statistically based on the historical effective losses for the Bank for each segment.

Determination of loan loss allowance according to Borrower Class

Normal Debtors

- The loan loss allowance for each debtor is calculated based on the Expected Loss equation (EL = PD * EXP * LGD).
- A risk category is assigned to each debtor based on the PNP summarized in the following table:

PD result	Classification	Loan Loss Allowance (Pre-Dec. 2006)	Loan loss allowance as of and after Dec.
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External Classification			2006
> AA-	A1	0%	Determined by a model
PD ≤ 1%	A2	0%	on an
1% < PD ≤ 4%	A3	0.5%	individual basis
PD > 4%	B	1.0%	

Note: The classification of non-deteriorated debtors is no longer tied to a particular level of allowance. For example, now an A1 could have a 0.1% allowance or a 0.2% allowance. The allowance is determined by the PD

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which is directly associated to the internal rating each client receives. All loans have an assigned allowance regardless of classification level.

Deteriorated Debtors

For loans classified in Categories C1, C2, C3, C4, D1 and D2, the Bank must have the following levels of allowance:

Classification	Estimated range of loss	Allowance (1)
C1	Up to 3%	2%
C2	More than 3% up to 19%	10%
C3	More than 19% up to 29%	25%
C4	More than 29% up to 49%	40%
D1	More than 49% up to 79%	65%
D2	More than 79%	90%

(1) Represents percentages of the required allowance to the aggregate amount of principal and accrued but unpaid interest of the loan.

Allowances for consumer loans

The classification of consumer is directly related to the aging of the installment. The following table sets forth our methodology for analyzing consumer loans prior to 2006.

Category	Consumer loans overdue status		Allowances as a percentage of aggregate exposure (1)
	From	To	
A	—	—	—%
B	1	30	1
B-	31	60	20
C	61	120	60
D	121	>121	90

(1) In effect until December 31, 2005. Represents the percentages of the required allowance to the aggregate amount of the principal and accrued but unpaid interest of loans. Starting January 1, 2006, the risk category is determined by days of non-payment. However, the classification does not determine loan loss allowance levels.

Commencing in 2006, the Bank has been gradually introducing improvements to the methodology for analyzing consumer loans. All consumers are now assigned an allowance level on an individual borrower basis utilizing a more automated and sophisticated statistical model and considering such borrower's credit history, including any defaults on obligations to other creditors, as well as the overdue periods on the loans borrowed from the Bank. Further enhancements were implemented in 2007. The Bank now differentiates between old and new clients when

determining a client's risk profile for consumer loans and those that have gone through some type of renegotiation in the past in the financial system. All loans are assigned a provision at the moment a loan is granted depending on the risk profile of the client. Secondly, the time period used for statistically considering a consumer loan mature in order to determine the risk level of consumer loans was extended from 12 to 21 months of history. The latter change signified a one-time provision expense of Ch\$15,728 million in 2007. In 2008, the credit scoring models were improved. Going forward, the Bank will continue to up date and re-calibrate its credit scoring and provisioning models and this may change the minimum provisions standards for the various client profiles as depicted in this document. The following table sets forth the allowances for consumer loan that depends on the client's profile.

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Loan type	Allowance %	Not-Renegotiated		Renegotiated	
		New Clients	Old Clients	New Clients	Old Clients
Consumer	Profile 1	51.3%	39.1%	24.3%	30.2%
	Profile 2	28.6%	15.2%	17.5%	25.8%
	Profile 3	16.2%	9.0%	8.2%	14.9%
	Profile 4	13.0%	4.8%	---	8.0%
	Profile 5	7.7%	2.7%	---	1.2%
	Profile 6	5.9%	1.2%	---	---
	Profile 7	2.3%	0.4%	---	---

Allowances for mortgage loans

The classification of mortgage loans is directly related to the aging of the installment. The following table sets forth our methodology for analyzing consumer and mortgage loans prior to 2006.

Category	Residential mortgage loans overdue status		Allowances as a percentage of aggregate exposure (1)
	From (Days)	To	
A	—	—	—%
B	1	180	1
B-	181	>181	20
C	—	—	60
D	—	—	90

(1) In effect until December 31, 2005. Represents the percentages of the required allowance to the aggregate amount of the principal and accrued but unpaid interest of loans. Starting January 1, 2006, the risk category is determined by days of non-payment. However, the classification does not determine loan loss allowance levels.

Commencing in 2006, the Bank improved and modified the methodology for analyzing mortgage loans. All mortgage loans are now assigned an allowance level on an individual borrower basis utilizing a more automated and sophisticated statistical model and considering borrower's credit history, including any defaults on obligations to other creditors, as well as the overdue periods on the loans borrowed from the Bank. Once the rating of the client is determined, the allowance for mortgage loans is calculated using a risk category and related allowance to loan ratio which is directly related to the overdue periods. The following table sets forth the allowance to loan ratios on loans based on overdue time.

Loan type	Allowance % (1)	Overdue days						
		1-30	31-60	61-120	121-180	181-360	361- 720	>720
Mortgage	Profile 1	0.3%	0.5%	1.2%	2.4%	6.8%	14.1%	28.3%
	Profile 2	1.5%	1.6%	2.5%	4.4%	6.8%	14.1%	28.3%

(1) Represents the percentage of required allowance amount to the aggregate amount of the principal and accrued but unpaid interest on the loan. These percentages may vary as the model is improved.

Allowances for group evaluations on small and mid-sized commercial loans

- Allowances for group evaluations are permitted for a large number of borrowers whose individual loan amounts are relatively insignificant. These models are intended to be used primarily to analyze commercial loans to individuals and small companies.
- Levels of required reserves are to be determined by the Bank, according to the estimated loss that may result from the loans, by classifying the loan portfolio using one or both of the following models:

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- i. A model based on the characteristics of the borrowers and their outstanding loans. Borrowers and their loans with similar characteristics will be placed into groups and each group will be assigned a risk level.
- ii. A model based on the behavior of a group of loans. Loans with analogous past payment histories and similar characteristics will be placed into groups and each group will be assigned a risk level. Currently, the Bank is utilizing group analysis for determining the loan loss for certain types of loans such as lending to small and mid-sized companies and commercial loans to individuals.

Additional reserves

Banks are permitted to establish allowances above the limits described above only to cover specific risks that have been authorized by their Board of Directors. Voluntary reserves that cover no specific risk are no longer permitted.

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Analysis of Santander-Chile's Loan Classification

The following tables provide statistical data regarding the classification of our loans at the end of each of the last five years.

At December 31, 2004

(in millions of constant Ch\$ as of December 31, 2008, except percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	1,129,928	2,079,836	3,209,764	33.5%
A1	420,744	-	-	420,744	4.4%
A2	3,606,717	-	-	3,606,717	37.6%
A3	643,536	-	-	643,536	6.7%
B	778,006	116,097	107,182	1,001,285	10.4%
B-	-	40,973	45,999	86,972	0.9%
C	-	38,091	2,574	40,665	0.4%
C1	314,683	-	-	314,683	3.3%
C2	68,539	-	-	68,539	0.7%
C3	38,888	-	-	38,888	0.4%
C4	29,479	-	-	29,479	0.3%
D	-	24,392	1	24,393	0.3%
D1	31,264	-	-	31,264	0.3%
D2	75,872	-	-	75,872	0.8%
Total of evaluated loans	6,007,728	1,349,481	2,235,592	9,592,801	100.0%
Total loans	6,007,728	1,349,481	2,235,592	9,592,801	
Percentage evaluated	100.0%	100.0%	100.0%	100.0%	

At December 31, 2005

(in millions of constant Ch\$ as of December 31, 2008, except percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	1,406,919	2,571,998	3,978,917	36.0%
A1	425,048	-	-	425,048	4.0%
A2	4,080,434	-	-	4,080,434	37.0%
A3	918,863	-	-	918,863	8.3%
B	777,301	174,995	144,587	1,096,883	9.9%

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B-	-	54,553	32,062	86,615	0.8%
C	-	42,788	2,207	44,995	0.4%
C1	221,709	-	-	221,709	2.0%
C2	47,597	-	-	47,597	0.4%
C3	24,164	-	-	24,164	0.2%
C4	16,396	-	-	16,396	0.1%
D	-	29,734	-	29,734	0.3%
D1	28,311	-	-	28,311	0.3%
D2	39,869	-	-	39,869	0.3%
Total of evaluated loans	6,579,692	1,708,989	2,750,854	11,039,535	100.0%
Total loans	6,579,692	1,708,989	2,750,854	11,039,535	
Percentage evaluated	100.0%	100.0%	100.0%	100.0%	

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At December 31, 2006

(in millions of constant Ch\$ as of December 31, 2008, except percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	1,768,586	3,081,946	4,850,532	38.4%
A1	-	-	-	-	-%
A2	5,082,955	-	-	5,082,955	40.4%
A3	1,617,850	-	-	1,617,850	12.8%
B	178,127	198,196	142,956	519,279	4.1%
B-	-	73,126	23,138	96,264	0.8%
C	-	74,255	37,259	111,514	0.9%
C1	149,195	-	-	149,195	1.2%
C2	25,848	-	-	25,848	0.2%
C3	22,345	-	-	22,345	0.2%
C4	26,442	-	-	26,442	0.2%
D	-	42,519	16,843	59,362	0.5%
D1	30,920	-	-	30,920	0.2%
D2	31,486	-	-	31,486	0.2%
Total of evaluated loans	7,165,168	2,156,682	3,302,142	12,623,992	100.0%
Total loans	7,165,168	2,156,682	3,302,142	12,623,992	
Percentage evaluated	100.0%	100.0%	100.0%	100.0%	

As of December 31, 2007

(in millions of constant Ch\$ as of December 31, 2008, except for percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	1,869,120	3,327,643	5,196,763	38.8%
A1	-	-	-	-	-%
A2	5,669,622	-	-	5,669,622	42.4%
A3	1,364,494	-	-	1,364,494	10.2%
B	146,030	201,043	197,413	544,486	4.1%
B-	-	72,781	33,986	106,767	0.8%
C	-	77,765	60,877	138,642	1.0%
C1	148,382	-	-	148,382	1.1%
C2	25,087	-	-	25,087	0.2%
C3	19,865	-	-	19,865	0.1%
C4	32,647	-	-	32,647	0.2%

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D	-	47,010	22,989	69,999	0.5%
D1	43,657	-	-	43,657	0.3%
D2	37,870	-	-	37,870	0.3%
Total of evaluated loans	7,487,654	2,267,719	3,642,908	13,398,281	100.0%
Total loans	7,487,654	2,267,719	3,642,908	13,398,281	
Percentage evaluated	100.0%	100.0%	100.0%	100.0%	

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As of December 31, 2008
(in millions of constant Ch\$ as of December 31, 2008, except for percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	1,810,917	3,562,586	5,373,503	36.5%
A1	-	-	-	-	-%
A2	6,463,619	-	-	6,463,619	44.0%
A3	1,351,054	-	-	1,351,054	9.2%
B	208,954	203,375	199,087	611,416	4.2%
B-	-	75,281	79,930	155,211	1.1%
C	-	94,507	64,972	159,479	1.1%
C1	220,434	-	-	220,434	1.5%
C2	45,202	-	-	45,202	0.3%
C3	34,296	-	-	34,296	0.2%
C4	36,100	-	-	36,100	0.2%
D	-	64,916	74,771	139,687	1.0%
D1	48,712	-	-	48,712	0.3%
D2	61,661	-	-	61,661	0.4%
Total of evaluated loans	8,470,032	2,248,996	3,981,346	14,700,374	100.0%
Total loans	8,470,032	2,248,996	3,981,346	14,700,374	
Percentage evaluated	100.0%	100.0%	100.0%	100.0%	

Classification of Loan Portfolio Based on the Borrower's Payment Performance

Accrued interest and UF indexation adjustments from overdue loans are recognized only when, and to the extent, received. Non-performing loans include loans as to which either principal or interest is overdue, and which do not accrue interest. Restructured loans as to which payments are not overdue are not ordinarily classified as non-performing loans. Past due loans include, with respect to any loan, only the portion of principal or interest that is overdue for 90 or more days, and do not include the installments of such loan that are not overdue or that are overdue for less than 90 days, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days of the beginning of such proceedings. This practice differs from that normally followed in the United States, where the amount classified as past due would include the entire amount of principal and interest on any and all loans which have any portion overdue. Beginning in 2009 and in accordance with new accounting standards being adopted, banks in Chile must publish, in addition to this definition of past due loans, a new indicator which includes not only the installments more than 90 days overdue, but also the entire amount of principal and interest on any and all loans which have any portion overdue.

According to the regulations established by the Superintendency of Banks, we are required to write off commercial loan installments not later than 24 months after being classified as past due, if unsecured, and if secured, not later than

36 months after being classified as past due. When an installment of a past due commercial loan (either secured or unsecured) is written off, we must write off all installments which are overdue, notwithstanding our right to write off the entire amount of the loan. Once any amount of a loan is written off, each subsequent installment must be written off as it becomes overdue, notwithstanding our right to write off the entire amount of the loan. In the case of past due consumer loans, a similar practice applies, except that after the first installment becomes past due for six-months, we must write off the entire remaining part of the loan. We may write off any loan (commercial or consumer) before the first installment becomes overdue only in accordance with special procedures established by the Superintendency of Banks. In certain circumstances we must write off an overdue loan (commercial or consumer) sooner than the terms set forth above. Loans are written off against the loan loss reserve to the extent of any required allowances for such loans; the remainder of such loans is written off against income.

In general, legal collection proceedings are commenced with respect to consumer loans once they are overdue for 90 days and, with respect to mortgage loans, once they are past due for 120 days. Legal collection proceedings are always commenced within one year of such loans becoming past due, unless the bank determines that the size of the past due amount does not warrant such proceedings. In addition, the majority of our commercial loans are short-term, with single payments at maturity. Past due loans are required to be covered by individual loan loss reserves

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equivalent to 100.0% of any unsecured portion thereof. See “Item 4: Information of the Company—Selected Statistical Information—Loan Loss Allowances—Individual Loan Loss Allowances.”

The following table sets forth as of December 31 of each of the last five years the amounts that are current as to payments of principal and interest and the amounts overdue:

Total Loans

The following table sets forth a loan aging schedule at the end of each of the last five years. Amounts shown as overdue and past due include only installments that are overdue or past due and not the aggregate principal amount of such loans.

	At December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)				
Current	9,376,158	10,843,449	12,446,319	13,182,223	14,457,785
Overdue for 1-29 days	36,358	44,870	45,802	57,506	52,811
Overdue for 30-89 days	18,026	23,930	23,585	31,527	28,954
Overdue for 90 days or more (“past due”)	162,259	127,286	108,286	127,025	160,824
Total loans	9,592,801	11,039,535	12,623,992	13,398,281	14,700,374
Overdue loans expressed as a percentage of total loans	2.3%	1.8%	1.4%	1.6%	1.7%
Past due loans as a percentage of total loans	1.7%	1.2%	0.9%	0.9%	1.1%

We suspend the accrual of interest and readjustments on all overdue loans. The amount of interest that would have been recorded on overdue loans if they had been accruing interest was Ch\$5,951 million, Ch\$3,342 million and Ch\$2,209 million for the years ended December 31, 2006, 2007 and 2008, respectively. Accrued interest and UF indexation adjustments from overdue loans are recognized only when, and to the extent, received.

Loans included in the previous table which have been restructured and that bear no interest are as follows.

	At December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)				
Ch\$	22,706	1,820	1,860	1,269	7,066
Foreign currency	11,687	1,900	32,139	82,214	19,068
UF	5,343	8,911	3,008	17,810	1,805
Total	39,736	12,631	37,007	101,293	27,939

The amount of interest that would have been recorded on these loans for the years ended December 31, 2006, 2007 and 2008, if these loans had been earning a market interest rate was Ch\$2,428 million, Ch\$7,179 million and Ch\$2,303 million, respectively.

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Loan Loss Allowances

The following table sets forth our balance of loan loss allowances, the minimum allowances to be established by us in accordance with the regulations of the Superintendency of Banks and our total loan loss allowances expressed as a percentage of total loans as of December 31, 2004, 2005, 2006, 2007 and 2008.

	At December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Individual, global and additional loan loss allowances	214,522	176,657	203,640	250,887	285,505
Minimum reserves required	214,522	176,657	203,640	250,887	285,505
Voluntary reserves	-	-	-	-	-
Total loan loss allowances	214,522	176,657	203,640	250,887	285,505
Total loan allowances as a percentage of total loans (expected loss ratio)	2.2%	1.6%	1.6%	1.9%	1.9%

Analysis of Substandard Loans and Amounts Past Due

The following table analyzes our substandard loans (i.e., all of the loans included in categories B-, C and D) and past due loans and the allowances for loan losses existing at the dates indicated. Substandard loans in the old rating system included all loans rated B- or worse. In the new loan rating system, substandard loans include all consumer loans and mortgage loans rated B- or worse and all commercial loans rated C2 or worse.

	At December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Total loans	9,592,801	11,039,535	12,623,992	13,398,281	14,700,374
Substandard loans (1)	396,072	317,681	404,181	474,534	680,348
Substandard loans as a percentage of total loans	4.13%	2.88%	3.20%	3.54%	4.63%
Amounts past due (2)	162,259	127,286	108,286	127,025	160,824
To the extent secured (3)	52,943	52,253	51,118	65,534	99,915
To the extent unsecured	109,316	75,033	57,168	61,491	60,909
Amounts past due as a percentage of total loans	1.69%	1.15%	0.86%	0.95%	1.09%
To the extent secured (3)	0.55%	0.47%	0.40%	0.49%	0.68%
To the extent unsecured	1.14%	0.68%	0.45%	0.46%	0.41%
Loans loss allowances as a percentage of:					
Total loans	2.24%	1.60%	1.61%	1.87%	1.94%
Total amounts past due	132.21%	138.79%	188.06%	197.51%	177.53%
Total amounts past due-unsecured	196.24%	235.44%	356.21%	408.01%	468.74%

- (1) Substandard loans include all consumer and mortgage loans rated B- or worse and all commercial loans rated C2 or worse.
- (2) Represents only the past due amounts. In accordance with Chilean regulations, past due loans that are those overdue for 90 days or more as to any payments of principal or interest.
- (3) Security generally consists of mortgages on real estate, pledges of marketable securities, letters of credit or cash.

Analysis of Loan Loss Allowances

The following table analyzes our loan loss allowances and changes in the allowances attributable to write-offs, provisions, allowances released, allowances on loans acquired and the effect of price-level restatement on loan loss allowances. Chilean GAAP requires that the loan loss allowance be debited the full amount of all charge-offs (irrespective of whether the charged-off loan was fully provisioned) and simultaneously credited the same amount through the taking of a new provision. The net effect of these two entries, which are included in the table below

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under “charge-offs” and “allowances established,” respectively, is to leave the loan loss allowance unchanged following the charge-off of a loan. Subsequently, at the end of each calendar month, loan loss allowances are released to the extent not needed. Such releases, which are included in the table below under “allowances released,” therefore include any amounts relating to provisions originally made in respect of loans that have been charged off.

	For the Year Ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008, except percentages)				
Loan loss allowances at beginning of the year	213,423	214,522	176,657	203,640	250,887
Release of allowances upon charge-offs (1)	(147,870)	(163,358)	(167,854)	(219,004)	(268,129)
Allowances established (2)	179,471	192,681	241,104	333,932	331,360
Allowances released (3)	(24,896)	(59,693)	(42,601)	(53,579)	(7,920)
Price-level restatement (4)	(5,606)	(7,495)	(3,666)	(14,102)	(20,693)
Loan loss allowances at end of year	214,522	176,657	203,640	250,887	285,505
Ratio of charge-offs to total loans	1.5%	1.5%	1.3%	1.6%	1.8%
Loan loss allowances at end of period as a percentage of total loans	2.2%	1.6%	1.6%	1.9%	1.9%

- (1) Reflects release of loan loss allowance equal to the entire amount of loans charged off, including any portion of such loans with respect to which no allowance had been established prior to the charge-off.
- (2) Includes, in addition to provisions made in respect of increased risk of loss during the period, provisions made to replace allowances released upon charge-off of loans. See Note (1) to this table.
- (3) Represents the amount of loan loss allowances released during the year as a consequence of reduction in the level of risk existing in the loan portfolio, including as a result of improvement in the credit risk classification of borrowers and the charge-off of loans.
- (4) Reflects the effect of inflation on the allowances for loan losses at the beginning of each period, adjusted to constant pesos of December 31, 2008.

The following table shows charge-offs by Santander-Chile by type of loan.

	For the Year Ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)				
Consumer loans	101,435	79,722	119,619	179,700	236,274
Residential Mortgage loans	4,854	8,557	6,773	5,780	3,423
Commercial loans	41,581	75,079	41,462	33,524	28,432
Total	147,870	163,358	167,854	219,004	268,129

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The following table shows recoveries by Santander-Chile by type of loan.

	For the Year Ended December 31,				
	2004	2005	2006	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)				
Commercial loans	25,922	18,527	17,935	31,600	9,244
Consumer loans	30,793	33,770	33,928	20,296	26,718
Residential mortgage loans	2,685	2,782	3,202	4,691	1,932
Total	59,400	55,079	55,065	56,587	37,894

Based on information available regarding our borrowers, we believe that our loan loss allowances are sufficient to cover known potential losses and losses inherent in a loan portfolio of the size and nature of our loan portfolio.

Allocation of the Loan Loss Allowances

The following tables set forth, at December 31 of each of the last five years, the proportions of our required minimum loan loss allowances that were attributable to our commercial, consumer and residential mortgage loans, and the amount of voluntary allowances (which are not allocated to any particular category) at each such date.

	At December 31, 2004				At December 31, 2005			
	Allowance amount as a percentage of loans in category (1)	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances (2)	Allowance amount as a percentage of total allocated allowances (2)	Allowance amount as a percentage of loans in category (1)	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances (2)	Allowance amount as a percentage of total allocated allowances (2)
Commercial loans	127,715	2.13%	1.33%	62.73%	83,220	1.26%	0.75%	49.73%
Consumer loans	64,065	4.75%	0.67%	31.47%	74,945	4.39%	0.68%	44.78%
Residential mortgage loans	11,818	0.53%	0.12%	5.80%	9,181	0.33%	0.08%	5.49%
Total allocated allowances	203,598	2.12%	2.12%	100.00%	167,346	1.52%	1.52%	100.00%
Leasing	10,924	0.10%	0.10%		9,311	0.08%	0.08%	
Voluntary allowances	-	-%	-%		-	-%	-%	
Total allowances	214,522	2.01%	2.24%		176,657	1.60%	1.60%	

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	At December 31, 2006				At December 31, 2007			
	Allowance amount (1)	Allowance as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances (2)	Allowance amount (1)	Allowance as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances (2)
Commercial loans	73,168	1.02%	0.58%	37.32%	84,303	1.13%	0.63%	34.82%
Consumer loans	114,948	5.33%	0.91%	58.63%	147,657	6.51%	1.10%	60.98%
Residential mortgage loans	7,942	0.24%	0.06%	4.05%	10,180	0.28%	0.08%	4.20%
Total allocated allowances	196,058	1.55%	1.55%	100.00%	242,140	1.81%	1.81%	
Leasing	7,582	0.06%	0.06%		8,747	0.07%	0.07%	
Voluntary allowances	-	-	-		-	-	-	
Total allowances	203,640	1.61%	1.61%		250,887	1.87%	1.87%	

	At December 31, 2008			
	Allowance amount (1)	Allowance as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances (2)
Commercial loans	118,638	1.40%	0.81%	42.52%
Consumer loans	147,484	6.56%	1.00%	52.86%
Residential mortgage loans	12,871	0.32%	0.09%	4.61%
Total allocated allowances	278,993	1.90%	1.90%	100.00%
Leasing	6,512	0.04%	0.04%	
Voluntary allowances	-	-	-	
Total allowances	285,505	1.94%	1.94%	

(1) In millions of constant Chilean pesos as of December 31, 2008.

(2) Based on our loan classification, as required by the Superintendency of Banks for the purpose of determining the loan loss allowance.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors

We are managed by our Board of Directors, which, in accordance with our by-laws, consists of eleven directors and two alternates who are elected at annual ordinary shareholders' meetings. The current members of the Board of Directors were elected by the shareholders in the ordinary shareholders' meeting held on April 22, 2008. Members of the Board of Directors are elected for three-year terms. The term of each of the current board members expires in April 2011. Cumulative voting is permitted for the election of directors. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If any member of the Board of Directors resigns before his or her term has ended, and no other alternate director is available to take the position at the next annual ordinary shareholders' meeting a new replacing member will be elected. Our executive officers are appointed by the Board of Directors and hold office at its discretion. Scheduled meetings of the Board of Directors are held monthly. Extraordinary meetings can be held when called in one of three ways: by the Chairman of the Board of Directors, by three directors with the consent of the Chairman of the Board of Directors or by the majority of directors. None of the members of our Board of Directors has a service contract which entitles any Director to any benefits upon termination of employment with Santander-Chile.

Our current directors are as follows:

Directors	Position	Committees	Term Expires
Mauricio Larraín Garcés	Chairman and Director	Asset and Liability Committee Executive Credit Committee Market Committee Marketing and Communications Committee	April 2011
Jesús Zabalza Lotina	First Vice Chairman and Director	—	April 2011
Carlos Olivos Marchant	Second Vice Chairman and Director	Audit Committee Executive Credit Committee	April 2011
Víctor Arbulú Crousillat	Director	Audit Committee	April 2011
Marco Colodro Hadjes	Director	Asset and Liability Committee Executive Credit Committee Market Committee	April 2011
Lucía Santa Cruz Sutil	Director	Audit Committee University Committee	April 2011
Juan Manuel Hoyos Martínez de Irujo	Director	—	April 2011
Roberto Méndez Torres	Director	Executive Credit Committee Marketing and Communications Committee	April 2011

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Vittorio Corbo Lioi	Director	Asset and Liability Committee Market Committee	April 2011
Roberto Zahler Mayanz	Director	Asset and Liability Committee Market Committee	April 2011
Claudia Bobadilla Ferrer	Director	Technology Committee	April 2011
Raimundo Monge Zegers	Alternate Director	Asset and Liability Committee	April 2011

Mauricio Larraín Garcés is our Chairman. He is a member of the Asset and Liability Committee, the Executive Credit Committee and the Marketing and Communication Committee. He is also President of Santander Chile Holding S.A. and Universia Chile S.A. He is a Director of the Asociación de Bancos e Instituciones Financieras de Chile and the Santiago Stock Exchange. He is also a member of the Council of Paz Ciudadana and was a former President of ICARE. Mr. Larraín began working at Santander-Chile in 1989. Previously, he was Intendente (Director) of the Superintendency of Banks, Manager of External Debt at the Banco Central de Chile and a Senior

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Finance Specialist at the World Bank in Washington. He holds degrees in Law from Universidad Católica de Chile and from Harvard University.

Jesús María Zabalza Lotina became a Director and Vice-Chairman of the Board on October 28, 2008. He currently is a Director of Grupo Santander's Latin America Division and a Board member of Banco Santander Puerto Rico and President of the Board of Banco Santander Colombia. Mr. Jesús Zabalza is Vice-President of the Asociación Española de Ejecutivos de Finanzas and a patron of the Fundación Padre Garralda. Previously, Mr. Zabalza was Director of Retail Banking in Madrid of Banco BBVA. He was also on the Board of e-La Caixa, Telefónica Factoring S.A, Adeslas y Terra. Mr. Zabalza holds a degree in Industrial Engineering from the University of Bilbao.

Carlos Olivos Marchant is Second Vice-Chairman of the Board since 2007 and has been a Board member since the merger was consummated in 2002. He is Chairman of the Audit Committee and a member of the Executive Credit Committee. He was Chairman of the Board of Santiago since 1987 until the date of the merger, and he was Chairman of that board between May 1999 until the merger. He is a partner in the law firm Guerrero, Olivos, Novoa y Errazuriz. From 1981 to 1983, Mr. Olivos served as General Counsel of the Central Bank of Chile, and from 1984 to 1986 he served as Chairman of the Board of Directors of Banco Osorno. Mr. Olivos holds a law degree from the Universidad de Chile and a Masters of Jurisprudence from New York University School of Law.

Vittorio Corbo Lioi is one of Chile's leading economists. In 2003, Mr. Corbo was named President of Chile's Central Bank. Following the end of his tenure there, Mr. Corbo has been named to various boards and is currently a Senior Investigator at the Centro de Estudio Públicos (CEP), a local think tank. Previously, Mr. Corbo between 1991 and 1995 was an economic advisor to the Bank and a member of the Board of Santander Chile between 1995-2003. Mr. Corbo has a Business Administration Degree from Universidad de Chile and Ph.D. in Economics from MIT.

Víctor Arbulú Crousillat became a Director on May 6, 1999. He is a member of the Audit Committee and has been designated as a Financial Expert. He was a Managing Director of JPMorgan, member of its European management committee and Chief Executive Officer for Spain and Portugal from 1988 until 1998. He has worked for JPMorgan for over 25 years in various positions in Europe, North America and Latin America. Mr. Arbulu also worked for the Inter-American Development Bank. He is also Director of Aurum S.A. Mr. Arbulu holds a degree in Engineering and a Masters of Business Administration.

Marco Colodro Hadjes became a Director on April 19, 2005. Mr. Colodro is a member of the Executive Credit Committee. Mr. Colodro was President of the Board of Telefónica Chile and a Director of Codelco. He is a former chairman of TVN (national television network) and former vice chairman of Banco del Estado (state bank). He was also owner of Agencia de Valores Alfa S.A. Prior to that he was Foreign Trade Director at the Central Bank of Chile. Mr. Colodro holds a degree in Economics from Universidad de Chile, and has post-graduate studies from the University of Paris.

Lucía Santa Cruz Sutil became a Director on August 19, 2003. Ms. Santa Cruz is a member of the Bank's Audit Committee. Ms. Santa Cruz holds a degree in History and a Masters Degree in Philosophy from Oxford University. She is the Dean of the College of Liberal Arts of the Universidad Adolfo Ibañez. Ms. Santa Cruz is also a Director of Universia Chile S.A. She is also on the Board of Compañía de Seguros Generales y de Vida La Chilena Consolidada and Fundación Minera Escondida. She is also on the Advisory Board of Nestle Chile and the Fundación Educacional Santa Teresa de Avila. She is also a member of the Self-Regulation Committee for Insurance Companies in Chile.

Juan Manuel Hoyos Martínez de Irujo was the Managing Director of McKinsey & Company in Spain between 1997 and 2003. He was also President of the Client Committee of this company's Board. Currently, he is in charge of partner development worldwide and is still part of the Board of the firm. His consulting career has been focused in the areas of strategy and organization of corporations, especially in the telecommunications, banking and metallurgy sectors. He

has worked with companies in Spain, USA, Latin America, United Kingdom, Portugal and Africa. He is an Economist from the Universidad Complutense de Madrid and he has an MBA in Finance and Accounting from Columbia University. He began his career in 1978 at McKinsey & Company, where he was named partner in 1984 and Director in 1991.

Roberto Méndez Torres is a former member of the Board of Old Santander-Chile, to which he was appointed in 1996. He is a member of the Executive Credit Committee and the Marketing and Communication Committee. He is

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a professor of Economics at Universidad Católica de Chile. He has been Advisor to Grupo Santander-Chile since 1989. Mr. Méndez is President and Director of Adimark Chile Gfk and on the Board of the Chilean and German Chamber of Commerce. He is also vice-Chairman of Universia S.A. He graduated with a degree in Business from Universidad Católica de Chile, and holds an MBA and a Ph.D. from the Graduate School of Business at Stanford University.

Roberto Zahler Mayanz became a Director on August 31, 1999. He is a member of the Asset and Liability Committee. Currently, he is President of Zahler & Co, a consulting firm. He is also Director of Air Liquide-Chile and member of the CLAAF or the Latin American Committee for Financial Affairs. He was formerly President of the Board of Siemens Chile. He was also a visiting professor at the IMF's Research Department. Between 1991 and 1996 he was President of the Central Bank of Chile and Vice-President from 1989-1991. He also serves as a consultant for the World Bank, the IDB, the IMF and the International Bank of Settlements. Mr. Zahler has also provided technical assistance to various Central Banks and Finance Ministries in most countries of Latin America, Indonesia and Kosovo. Mr. Zahler holds a degree in Business Administration from the Universidad de Chile and a Masters in Economics from the University of Chicago.

Claudia Bobadilla Ferrer was elected to the Board in April 2006. She is CEO of Fundación País Digital, a member of the Executive Committee of Innovation and Technology of ICARE, council member of Endeavor Chile and Executive Director of the Chile-Japón Siglo XXI Committee. She was also founder and President of Comunidad Mujer, an organization dedicated to increasing women's participation in the workforce. She is a member of the council of Fundación Chilena del Pacífico, Proyecto Astronómico ALMA and Movimiento Educación 2020. She was previously Director of Legal Affairs at Terra Networks Chile S.A. She is a lawyer from the Universidad Diego Portales.

Raimundo Monge Zegers became an Alternate Director on April 29, 2003. He is Corporate Director of Strategic and Financial Planning for Grupo Santander-Chile and is CEO of Santander-Chile Holding S.A. and Santander Inversiones Ltda. He is also President of Santander S.A. Sociedad Securitizadora and Santander Factoring S.A. He is a Director of Aurum S.A., Santander Asset Management Chile S.A. and Bansa Santander S.A. Mr. Monge has a degree in business from the Universidad Católica de Chile and a MBA from the University of California, Los Angeles.

Senior Management

Our senior managers are as follows:

Senior Manager	Position	Date Appointed
Oscar von Chrismar	Chief Executive Officer	August 1, 2003
Gabriel Montoya	Corporate Financial Controller	April 1, 2009
José Manuel Manzano	Corporate Director of Risk	July 1, 2007
Ignacio Centenera	Corporate Director of Internal Audit	January 1, 2007
Francisco Murillo	Corporate Director Human Resources	February 21, 2008
Claudio Melandrí	Retail Banking	February 21, 2008
Joaquín Quirante	Global Banking and Markets	March 11, 2008
José Luis Silva	Santander Banefe Consumer Division	August 23, 2007
Andrés Heusser	Middle-market Banking	October 1, 2004
Felipe Contreras	Chief Accounting Officer	October 1, 2008

Juan Fernández	Administration and Operations	July 18, 2002
Emiliano Muratore	Manager Financial Management	April 8, 2008
Gonzalo Romero	General Counsel	July 18, 2002

Oscar von Chrismar C. became the CEO of Santander-Chile in August 2003 after being Manager of Global Banking following the merger. Prior to that he was the former CEO of Old Santander-Chile since September 1997, after being General Manager of Banco Santander-Peru since September 1995. Mr. von Chrismar is also Alternate Director of Universia Chile S.A. Prior to that, Mr. von Chrismar was the manager of the Finance Division of Santander-Chile, a position he had held since joining Santander-Chile in 1990. Mr. von Chrismar holds an Engineering degree from the Universidad de Santiago de Chile.

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Gabriel Montoya B. was appointed Financial Controller of Santander Chile in April 2009 and has been working for Santander Spain and its affiliates since 1997. Between 2005-2009, Mr. Montoya was Director of the MIS America Project and was responsible for implementing management information systems in Chile, Mexico, Puerto Rico, Argentina and Brazil. Previous to that Mr. Montoya was Financial Controller of Santander Puerto Rico, Head of Financial Control for the Americas Division of Santander and various other management positions in Santander Colombia. He is a Director of Santander Consumer Chile S.A. Mr. Montoya has a Business Administration Degree from Universidad del Rosario and an Executive Administration Diploma from the Universidad de los Andes, both in Colombia.

José Manuel Manzano became Corporate Director of Risk in July 2007. Prior to that he was Corporate Director of Human Resources for Santander-Chile since October 31, 2002. Previously, he served as Manager of Human Resources for Old Santander-Chile since 1999. He was also General Manager of Santander Fund Management and Managing Director of Bancassurance. He is also a Director of Santander Chile Holding and Santander S.A. Sociedad Securitizadora. Mr. Manzano holds an MBA and a degree in Business from Universidad Católica de Chile.

Ignacio Centenera is the Corporate Director of Internal Auditing, a position he has held since January 2007. Prior to that Mr. Centenera was Manager in the Global Accounting Risk Department and Manager of Internal Auditing at Banesto. Mr. Centenera has a Law Degree from the Universidad Autónoma de Madrid, an MBA from the University of Houston and a Master de Desarrollo Directivo from the Instituto de Empresas in Madrid.

Francisco Murillo was appointed Corporate Director of Human Resources for Santander-Chile on February 21, 2008. Mr. Murillo has worked in Grupo Santander Chile since 1993. Previously he served as Corporate Director of Santander Asset Management and President of Bansander AFP. He was also the former CEO and Chief Investment Officer of Bansander AFP. Mr. Murillo is President of Santander Asset Management S.A. Administradora de General de Fondos, President of Santander Seguros de Vida S.A., President of Santander Seguros Generales S.A., Director of Santander Chile Holding, Director of Aurum S.A., Director of Santander Asset Management Chile S.A., Director of Santander Consumer Chile S.A., Director of Santander Factoring, CEO of Teatinos Siglo XXI Inversiones Ltda and CEO of Aurum S.A. Mr. Murillo has a Business Degree from the Universidad Adolfo Ibañez.

Claudio Melandri is our Retail Banking Manager since February 21, 2008. He started his career at Santander-Chile in 1990 becoming a regional branch manager and manager of Santander-Chile's branch network. He was also a Vice-President at Banco Santander Venezuela from 2005 to 2007. In 2007, he was appointed Corporate Director of Human Resources of Banco Santander-Chile. He is also on the Board of Santander Seguros de Vida S.A., Santander Asset Management S.A. Administradora General de Fondos and Santander Seguros Generales S.A. Mr. Melandri has a Business Degree from the Universidad Tecnológica Metropolitana.

Joaquin Quirante was appointed the Manager of Global Banking and Markets, that includes wholesale banking and treasury services, on March 11, 2008. Mr. Quirante began working for Santander in 2004 and was the Global Manager of Debt Capital Markets. Previous to working at Santander, Mr. Quirante worked for 9 years at Bank of America where he also led the Debt Capital Markets Group for Southern Europe. He also was a vice-president of Risk for the Bank of America in the UK and worked in the International Division of Argentaria. He is on the Board of Santander S.A. Corredores de Bolsa. Mr. Quirante is an economist from the Universidad Complutense de Madrid and has a MBA from IESE.

José Luis Silva became Manager of the Santander Banefe Division of Santander-Chile in August 2007. Prior to that he was a Commercial Director in the Americas Division of Grupo Santander, CEO of Banco Santa Cruz in Bolivia, Commercial Manager of Banco Santander in Perú, Manager of Consumer Finance at Credisur in Perú and Manager of International Banking at Banco O'Higgins in Chile. Mr. Silva is also a member of the Board of Santander Seguros de Vida S.A., Santander Seguros Generales S.A. and Multinegocios S.A. Mr. Silva is a civil engineer from the

Universidad Católica de Chile.

Andrés Heusser is our Middle Banking Manager. He has held the same position in the Old Santander-Chile since 1990, when he joined the Santander Group. Mr. Heusser is on the Board of Santander Factoring S.A. Mr. Heusser holds a degree in business from the Universidad de Santiago and an MBA from the Universidad Adolfo Ibáñez.

Felipe Contreras F. was named Chief Accounting Officer of Santander Chile in October 2008. He has worked for 14 years in the Bank's Accounting Department, most recently as Manager of the Consolidation and Reporting

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Departments, overseeing the Bank's Chilean, U.S. and Spanish GAAP reporting requirements. He recently was in charge of the Bank's recent transition to International Financial Reporting Standards. Mr. Contreras is a Public Accountant from the University of Santiago and is currently a candidate to a Masters in Advanced Finance from the Universidad Adolfo Ibáñez.

Juan Fernández is our manager of Administration and Operations. He is the former Manager of Administration and Cost Control of Old Santander-Chile, a position he held from April 1999 until August 2002, when the merger with Santiago was consummated. Mr. Fernández is also Director of Santander Chile Holding S.A., Aquanima Chile S.A., Santander Factoring S.A., Altec S.A., Bansa Santander S.A., Santander Consumer Chile S.A., Multinegocios S.A. and Santander S.A. Corredores de Bolsa. Previously Mr. Fernández served as Manager for Accounting and Administration of Old Santander-Chile since January 1993. Prior to that, Mr. Fernández held positions at Banchile Agencia de Valores y Subsidiarias, and at JPMorgan in Santiago and Madrid.

Emiliano Muratore was appointed Manager of Financial Management in April 2008. Mr. Muratore entered Santander Group in 1999 in Santander Argentina. From 2002 to 2006 he worked in Financial Management in Santander Spain. He is on the Board of Santander S.A. Agente de Valores. Mr. Muratore has a Business Degree from the Universidad Católica Argentina and a Masters in Finance from the Universidad de San Andrés in Buenos Aires.

Gonzalo Romero is our General Counsel, a position he has held since July 18, 2002. He is also a Director of Santander S.A. Sociedad Securitizadora. Mr. Romero, a lawyer, joined Old Santander-Chile in February 1997 as General Counsel. He was the General Manager of Banco Concepción from 1991 to 1996 and the General Counsel of Banco Concepción from 1986 to 1990. He has a degree in Law from the Universidad de Chile.

B. Compensation

For the year ended December 31, 2008, the aggregate amount of compensation paid by us to all of our directors was Ch\$628 million, including attendance fees and monthly stipends. For the year ended December 31, 2008 the aggregate amount of compensation paid by us to all of our executive officers and our management members was Ch\$35,274 million (US\$55.0 million). At our annual shareholder meeting held on April 28, 2009, shareholders approved a monthly stipend per director of UF 209 (US\$6,992). This amount will be increased by UF 25 per month (US\$836) if a Board member is named to one or more committees of the Board. In addition, we pay certain directors professional service fees for the consulting services they rendered to us in their fields of expertise. For the year ended December 31, 2008, payments to our directors for consulting fees totaled Ch\$656 million (US\$1.0 million).

Santander Spain has set up remuneration systems tied to the performance of the stock market price of the shares of Santander Spain based on the achievement of two targets: appreciation of its share price and growth in earnings per share, in both cases based on a sample of comparable banks.

In this regard, certain high level executives of Santander Chile participate in this global incentive-retention program implemented by Santander Spain. This consisted of giving to qualifying executives a fixed number of options on shares of Santander, if the following parameters were met: (i) share price evolution in top 10 compared to 30 other global banks, (ii) earnings per share growth in top 10 compared to 30 other global banks, (iii) that Banco Santander Chile achieved its commercial and financial budget targets in the last two years and (iv) that the executive achieved his personal targets in the last two years, and remained employed with the Bank until the end of the incentive program. At December 31, 2007, these targets were achieved, and hence the vesting requirements had been met and even though the exercise period (from January 15, 2008 to January 15, 2009) was still open, the Bank recorded the entire cost of the program against net income as at December 31, 2007. This program represented a total cost of Ch\$1,598 million (US\$3.2 million) for the Bank, that corresponds to the fair value (Plan I06) of the equity instruments granted, which was charged to income in the specific period in which the beneficiaries provided their services to

Santander Chile. This program had no dilutive effect for Santander Chile minority shareholders. At December 31, 2007, 104 executives of the Bank were included and 3,659,900 options on Grupo Santander shares at a price of €9.09 correspond to them. There are no significant differences between Chilean GAAP and US GAAP, except for the additional disclosure required by the latter.

The fair value of each option granted is calculated at the grant date. The Bank, in order to determine the value of the incentive-retention plan, obtained two valuation reports performed by two multinational investment banks. These investment banks used the Black-Scholes equity option pricing model considering the following parameters: the expected life of the options,

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interest rates, volatility, exercise price, market price and dividends of the Parent Company shares and the shares of comparable banks. The fair value of the options granted was determined by the Bank based in part upon the above-mentioned valuations.

	Number of Shares	Euros Exercise Price	Employee Group	Number of Persons	Date of Commencement of Exercise Period	Date of Expiry of Exercise Period
Plans outstanding at 1 January 2005	-	--				
Options granted (Plan I06)	3,938,700	9.09 (**)	Managers	112	15/01/2008	15/01/2009
Options exercised	-	-				
Options cancelled or not exercised	-	-				
Plans outstanding at December 31, 2005	3,938,700	9.09				
Options exercised	-	-				
Options cancelled, net (Plan I06)	(115,600)	9.09	Managers	(4)	15/01/2008	15/01/2009
Plans outstanding at December 31, 2006	3,823,100	9.09				
Shares granted (Plan I09)	281,187	-	Managers	181	23/06/2007	31/07/2009
Shares granted (Plan I10)	417,413	-	Managers	181	23/06/2007	31/07/2010
Options cancelled, net (Plan I06)	(163,200)	9.09	Managers	(4)	15/01/2008	15/01/2009
Plans outstanding at December 31, 2007	4,358,500	-				
Shares granted (Plan I09)	137,709		Managers	(5)	23/06/2007	31/07/2009
Shares granted (Plan I10)	136,320		Managers	(5)	23/06/2007	31/07/2010
Options cancelled, net (Plan I06)	(149,300)		Managers	(3)	15/04/2008	15/01/2009
Options exercised, net (Plan I06)	(3,010,300)					
Plans outstanding al December 31, 2008	1,472,929					
Of which:						
Plan I06	500,300	9.09				
Plan I09	418,896	-				

Plan I10

553,733

-

(**)The exercise price of the options under Plan I06 is €9.09 per share, which is the weighted average of the daily average market price of the Bank shares on the continuous market in the first 15 trading days of January 2005. This was the criterion established in the resolution approving Plan I06 adopted at the Annual General Meeting of Santander Spain held on June 18, 2005.

Long-term incentive policy

During 2007, Santander Spain's Board of Directors approved a long-term incentive policy for the period 2008-2010 aimed at Group Santander's executive directors and certain executive personnel in Spain and other Santander Group companies. Certain high level executives of Santander Chile do participate in this global Performance Share Plan implemented by Santander Spain.

Performance Share Plan

This multi-annual incentive plan is payable in shares of Santander Spain. The beneficiaries of the plan are the executive directors and other members of senior management, together with any other Group executives determined by the Board of Directors of Santander Spain or, when delegated by it, the Executive Committee.

This plan will involve successive three-year cycles of share deliveries to the beneficiaries, so that each year one cycle will begin and, from 2009 onwards, another cycle will also end. The aim is to establish an adequate sequence between the end of the incentive program linked to the previous Plan and the successive cycles of this plan. Thus, the first two cycles will commence in July 2007, the first cycle having duration of two years (PI09) and the second cycle having a standard three-year term (PI10). In June 2008, the third three-year cycle was approved by Santander Spain (PI11). This new three-year cycle plan has no effect on the income statement of 2008.

For each cycle, a maximum number of shares of Santander Spain is established for each beneficiary who remains in the Bank's employ for the duration of the plan. The targets, which, if met, will determine the number of shares to be delivered, are defined by comparing the Santander Group's performance with that of a benchmark group of financial institutions and are linked to two parameters, namely Total Shareholder Return (TSR) and growth

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in Earnings per Share (EPS). These parameters each have a 50% weighting in determining the percentage of shares to be delivered. In addition, the executives of Santander Chile must also meet their local commercial and earnings goals in order to receive this benefit and the Bank must also reach other commercial and earnings targets set by Santander Spain.

The ultimate number of shares to be delivered will be determined in each of the cycles by the degree of achievement of the targets on the third anniversary of commencement of each cycle (with the exception of the first cycle, for which the second anniversary will be considered), and the shares will be delivered within a maximum period of seven months from the end of the cycle. This number will range from the maximum percentage of shares, if Grupo Santander, for each of the measures considered (TSR and EPS growth), ranks within the third quartile of the Benchmark Group, including the 75th percentile, to 30% of the maximum number of shares if it is placed at the median (50th percentile). If Grupo Santander ranks below the median, all assignments of shares will be rendered null and void.

At December 31, 2008, the maximum number of shares to be delivered was 274,029 to 176 executives of Santander Chile (for a total of 137,709 for the first cycle (PI09) and 136,320 for the second cycle (PI10)). The fair value of the equity instruments granted under these plans was Ch\$1,312 million (US\$ 2,046 million), PI09 Ch\$662 million and PI10 Ch\$650 million and this amount is charged to "Personnel expenses" in the specific period in which the beneficiaries provide their services to the Bank.

At December 31, 2007, the maximum number of shares to be delivered was 698,600 to 181 executive of Santander Chile (for a total of 281,187 for the cycle (PI09) and 417,413 for the second cycle (PI10)). The fair value of the equity instruments granted under these plans was Ch\$674 million (US\$1.3 million), and this amount is charged to "Personnel expenses" in the specific period in which the beneficiaries provide their services to the Bank.

At December 31, 2008 the fair value of the Share Plans based on the achievement was of the stated objectives calculated as follows:

- It was assumed that the beneficiaries will not leave the Group's employ during the term of each plan.
- The fair value of the 50% relating to the Bank's relative TSR (Total Shareholder Return) position was determined by an independent expert based on the use of the Monte Carlo valuation model which carried out of 10,000 simulations to determine the TSR of each of the companies in the Benchmark Group, taking into account the aforementioned variables. The results (each of which represents the delivery of a number of shares) are classified in descending order by calculating the weighted average and discounting this amount at the risk-free interest rate.

	PI09	PI10
Expected volatility(*)	16.25%	15.67%
Annual dividend yield based on historical	3.23%	3.24%
Risk-free interest rate (return on Treasury Bonds (zero coupon)) over the life of the plan	4.473%	4.497%

(*) Determined on the basis of historical volatility over the period (two or three years)

The application of the simulation model resulted in percentage values of 42.7% for PI09 and 42.3% for PI10 (second cycle), which are applied to 50% of the value of the shares granted, in order to determine the book value of the

TSR-based portion of the incentive. Since this valuation relates to a market condition, it cannot be adjusted after the grant date.

In view of the high correlation between TSR and EPS (Earning per Share), it was considered reasonable to conclude that, in a high percentage of cases, the TSR value is also valid for EPS. Therefore, it was determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, i.e. of the remaining 50% of the shares granted, was the same as that of the 50% corresponding to the TSR. Since this valuation refers to a non-market condition, the number of shares expected to vest shall be reviewed and adjusted on a yearly basis.

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C. Board Practices

Our directors are not contractually entitled to any benefits from the Bank upon termination of employment.

Audit Committee

Board member	Position in Committee
Carlos Olivos	Chairman
Víctor Arbulú C.	Vice Chairman and Financial Expert
Lucia Santa Cruz	Member

The Audit Committee (Comité de Directores y Auditoría) is comprised of three members of the Board of Directors. The General Secretary is the Committee Secretary. The Chief Executive Officer, General Auditor and other persons from the Bank can be invited to the meetings if necessary and are present on specific matters. This Committee's primary responsibility is to support the Board of Directors in the continuous improvement of our system of internal controls, which includes reviewing the work of both the external auditors and the Internal Audit Department. The committee is also responsible for analyzing observations made by regulatory entities of the Chilean financial system about us and for recommending measures to be taken by our management in response. This committee also performs functions of a remuneration committee as established in Chilean Law, and reviews annually the salary and bonus programs for the executive officers of the Bank. The external auditors are recommended by this committee to our Board of Directors and appointed by our shareholders at the annual shareholders' meeting.

Additionally this committee is responsible for:

- Presenting to the Board of Directors a list of candidates for the selection of an external auditor.
- Presenting to the board or directors a list of candidates for the selection of rating agencies.
- Overseeing and analyzing the results of the external audit and the internal reviews.
- Coordinating the activities of internal auditing with the external auditors' review.
- Analyzing the interim and year-end financial statements and reporting the results to the Board of Directors.
 - Analyzing the external auditors' reports and their content, procedures and scope.
 - Analyzing the rating agencies' reports and their content, procedures and scope.
- Obtaining information regard the effectiveness and reliability of the internal control systems and procedures.
- Analyzing the information systems performance, its sufficiency, reliability and use in connection with decision-making processes.

- Obtaining information regarding compliance with the company's policies regarding the due observance of laws, regulations and internal rules to which the company is subject.
- Obtaining information and resolving conflict interest matters and investigating suspicious and fraudulent activities.
 - Analyzing the reports of the inspection visits, instructions and presentations of the Superintendency of Banks.
- Obtaining information, analyzing and verifying the company's compliance with the annual audit program prepared by the internal audit department.
 - Informing the Board of Directors of accounting changes and their effect.

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- Examining on an annual basis the compensation plans of high level executives and managers.

Asset and Liability Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Marco Colodro	Member
Vittorio Corbo	Member
Roberto Zahler	Member
Raimundo Monge	Member

The Comité de Activos y Pasivos or the Asset and Liability Committee (the “ALCO”), following guidelines set by the Board of Directors, Santander Spains’s Global Risk Department, is responsible for establishing Santander-Chile’s policies, procedures and limits with respect to market risks and monitoring the overall performance in light of the risks assumed. The ALCO constantly monitors whether these policies are fulfilled. Santander-Chile’s Market Risk and Control Department and the Financial Management Division carry out the day-to-day risk management of the trading and non-trading activities of Santander-Chile.

The composition of the Asset and Liabilities Management Committee includes the Chairman of the Board, four additional members of the Board, the Chief Executive Officer, the Manager of the Financial Management Division, the Manager of Market Risk, the Manager of the Treasury Division, the Financial Controller and other senior members of management. Senior members of Santander-Chile’s Finance Division meet monthly on a formal basis with the Asset and Liabilities Management Committee and outside consultants.

Market Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Roberto Zahler	Member
Marco Colodro	Member
Vittorio Corbo	Member

The Comité de Mercados or the Market Committee is responsible for establishing Santander-Chile’s policies, procedures and limits with respect to its trading portfolio, market risks and monitoring the overall performance in light

of the risks assumed. The ALCO constantly monitors whether these policies are fulfilled. Santander-Chile's Market Risk and Control Department carry out the day-to-day risk management of the trading and non-trading activities of Santander-Chile.

The composition of the Market Committee includes the Chairman of the Board, three additional members of the Board, the Chief Executive Officer, the Manager of Global Banking and Markets, the Manager of the Treasury Division, the Manager of Proprietary Trading, the Manager of the Financial Management Division, the Manager of Market Risk, the Financial Controller and other senior members of management.

Executive Credit Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Carlos Olivos	Member
Roberto Méndez	Member
Marco Colodro	Member

The Executive Credit Committee is comprised of the Chairman of the Board, three additional Board members, the Corporate Legal Counsel, the CEO, the Manager of Global Banking, the Corporate Director of Risk, the Manager of Corporate Banking, the Manager of Middle Market and two senior members of the Credit Risk department that present the loans being reviewed for approval. This committee confirms the loan positions reviewed

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by the Senior Loan Committee, with approval rights up to the maximum exposure permitted by the General Banking Law.

Marketing and Communications Committee

Board member	Position in Committee
Mauricio Larraín	Chairman
Roberto Méndez	Member

The Marketing and Communications Committee is comprised of the Chairman of the Board and an additional Board member, the CEO, the Manager of Retail Banking, the Manager of Santander Banefe, the Manager of Human Resources, the Manager of Corporate Communications, the Manager of Marketing and other senior managers of the Bank. This committee reviews and confirms all matters related to products, corporate image and communications.

Technology Committee

Board member	Position in Committee
Claudia Bobadilla	Member

The Technology Committee reviews all matters related to analyzing technological developments that improve efficiency and client service. This committee oversees the Annual Technology Plan, which includes the automation of key processes, telecommunication innovations, information security, market intelligence and new technological trends.

University Committee

Board member	Position in Committee
Lucia Santa Cruz	Member

The University Committee reviews the Bank's support to higher education and integrating this with the growth of the Institutional business segment and retail banking for college graduates.

D. Employees

As of December 31, 2008, on a consolidated basis we had 9,169 employees, 8,773 of whom were bank employees and 396 of whom were employees of our subsidiaries. With respect to the average number of employees for the Bank only, during the year ended December 31, 2007 and 2008, we had an average of 8,912 and 9,214 employees, respectively. We have traditionally enjoyed good relations with our employees and their unions. Of the total

headcount, 4,155 or 45.31% were unionized. In March 2007, a new collective bargaining agreement became effective and will expire on March 1, 2011, but this may be negotiated ahead of schedule if management and union agree to. We generally apply the terms of our collective bargaining agreement to unionized and non-unionized employees. The following chart summarizes the number of employees employed by the bank.

Employees	2008
Executives	632
Professionals	4,359
Administrative	4,178
Total	9,169

E. Share Ownership

No director or executive officer owns more than 1% of the shares of Santander-Chile. As of December 31, 2008, the following directors and executives held shares in Santander-Chile:

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Directors
 Mauricio
 Larraín
 Garcés
 Carlos
 Olivos
 Marchant
 Senior
 Manager
 José
 Manuel
 Manzano
 Francisco
 Murillo
 Juan
 Fernández

Santander-Chile currently does not have any arrangements for involving employees in its capital and there is no systematic arrangement for grant of options or shares or securities of Banco Santander-Chile to them. However, our parent company gave each employee 100 shares in Banco Santander Spain in 2007. This program had no costs for Santander-Chile.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of December 31, 2008, Santander-Chile's largest shareholders were the following:

Shareholder	Number of Shares	Percentage
Teatinos Siglo XXI Inversiones Ltda.*	78,108,391,607	41.45%
Santander Chile Holding	66,822,519,695	35.46%

* Formerly know as Teatinos Siglo XXI S.A.

Banco Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding, which are controlled subsidiaries of Banco Santander Spain. As of December 31, 2008, Banco Santander Spain directly or indirectly owned or controlled 99.5% of Santander-Chile Holding and directly or indirectly owned or controlled 100% of Teatinos Siglo XXI S.A. This gives Banco Santander Spain control over 76.91% of the shares of the Bank, and actual participation, when excluding minority shareholders, of 76.74% at December 31, 2008.

Banco Santander Spain is in a position to cause the election of a majority of the members of Santander-Chile's Board of Directors, to determine its dividend and other policies and to determine substantially all matters to be decided by a vote of shareholders. Banco Santander Spain holds ordinary shares to which no special voting rights are attached. Each share represents one vote and there are no shareholders with different voting rights.

The number of outstanding shares of Santander-Chile (of which there is only one class, being ordinary shares) at December 31, 2008, was 188,446,126,794 shares, without par value. Santander-Chile's shares are listed for trading on the Chilean Stock Exchanges and on the NYSE in connection with the registration of ADRs. The market capitalization of Santander-Chile at the same date was Ch\$3,861,261 million (US\$6,353 million), representing 188,446,126,794 shares of common stock. At December 31, 2008, Santander-Chile had 13,153 holders registered in Chile, including JP Morgan as Depositary (the "Depositary") of Santander-Chile's American Depositary Share Program. As of December 31, 2008, there were a total of 32 ADR holders on record. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

Other than the information disclosed in this section, there are no arrangements in the knowledge of Santander-Chile, which can result in a change of control of Santander-Chile.

B. Related Party Transactions

The Chilean Companies Law requires that our transactions with related parties be on a market basis, that is, on similar terms to those customarily prevailing in the market. We are required to compare the terms of any such transaction to those prevailing in the market at the date the transaction is to be entered into. Directors of companies that violate this provision are liable for losses resulting from such violations.

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In addition, under the Chilean Companies Law, a company may not enter into a transaction in which one or more of its directors has a direct or indirect interest unless (i) such transaction has received the prior approval of the company's Board of Directors and (ii) the terms of such transaction are consistent with the terms of transactions of a similar type prevailing in the market. If it is not possible to make this determination, the board may appoint two independent evaluators. The evaluators' final conclusions must be made available to shareholders and directors for a period of 20 business days, during which shareholders representing 5% or more of the issued voting shares may request the board to call a shareholders' meeting to resolve the matter, with the agreement of two thirds of the issued voting shares required for approval. For purposes of this regulation, the law considers the amount of a proposed transaction to be material if (1) it exceeds 1% of the company's net worth (provided that it also exceeds 20,000UF) or (2) it exceeds 20,000 UF.

All resolutions approving such transactions must be reported to the company's shareholders at the next annual shareholders' meeting. Violations of this provision may result in administrative, criminal or civil liability to the corporation, the shareholders and/or third parties who suffer losses as a result of such violation.

Loans granted to related parties

Related party loans, all of which are current, are as follows:

	As of December 31, 2008	
	Loans	Collateral
	Ch\$mnn	Pledged Ch\$mnn
Operating companies	123,822	3,193
Investment companies (1)	297,735	66,106
Individuals (2)	33,604	31,870
Total	455,161	101,169

(1) Includes companies whose purpose is to hold shares in other companies.

(2) Includes debt obligations that are individually equal to or greater than UF 3,000, equivalent to Ch\$64 million (US\$100,363) as of December 31, 2008. Includes loans to certain executive officers. All of the loans to the executive officers were made in our ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

The largest related party loan involved a guarantee by the Bank extended to Santander Asset Management in an amount of Ch\$25,892 million (US\$40 million). The guarantee was incurred in Chilean nominal pesos at an annual rate of 0.15% and this guarantee expires in May 2011.

Under the Chilean General Banking Law, Chilean banks are subject to certain lending limits, including the following:

- a bank may not extend to any person or legal entity (or group of related entities), directly or indirectly, unsecured loans in an amount that exceeds 5.0% of the bank's regulatory capital, or secured loans in an amount that exceeds 25.0% of its regulatory capital. In the case of foreign export trade finance, this 5.0% ceiling is raised to: 10.0% for unsecured financing, 30.0% for secured financing. This ceiling is raised to 15.0% for loans granted to finance public works under the concessions system contemplated in the Decree with Force of Law 164 of 1991, of the Ministry of Public Works, provided that either the loan is secured on the concession, or the loan is granted as part of a loan

syndication;

- a bank may not grant loans bearing more favorable terms than those generally offered by banks in the same community to any entity (or group of related entities) that is directly or indirectly related to its owners or management;
- a bank may not extend loans to another bank in an aggregate amount exceeding 30.0% of its regulatory capital;

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- a bank may not directly or indirectly grant a loan the purpose of which is to allow the borrower to acquire shares in the lending bank;
- a bank may not lend, directly or indirectly, to a Director or any other person who has the power to act on behalf of the bank, or to certain related parties;
- a bank may not grant loans to individuals or legal entities involved in the ownership or management of the bank, whether directly or indirectly (including holders of 1.0% or more of its shares), on more favorable terms than those generally offered to non related parties. Loans may not be extended to senior executives and to companies in which such individuals have a participation of 5.0% or more of the equity or net earnings in such companies. The aggregate amount of loans to related parties may not exceed a bank's regulatory capital; and
- the maximum aggregate amount of loans that a bank may grant to its employees is 1.5% of its regulatory capital, and no individual employee may receive loans in excess of 10.0% of such 1.5% limit. These limitations do not apply to a single home mortgage loan for personal use per term of employment of each employee.

We are not aware of any loans to any related parties exceeding the above lending limits.

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Other transactions with related parties

During the years ended December 31, 2008, the Bank had the following significant income (expenses) from services provided to (by) related parties:

	DESCRIPTION OF SERVICE	Year ended December 31, 2008 Income/(Expenses) Ch\$ million
Redbanc S.A..	- Use of automatic tellers	(4,616)
Transbank S.A.	- Credit card administration.	(8,444)
Santander GRC Ltda.	- Collection services	(3,733)
	- Operational lease	199
Santander Chile Holding S.A.	- Operational lease	144
	- Advising	(50)
Santander Factoring S.A.	- Operational lease	56
Bansa Santander S.A.	- Operational lease	(2,723)
Altec S.A.	- Provision of system services	(4,636)
Santander Cia. De Seguros de vida S.A.	- Life insurance and insurance for the credit line of current accounts and credit cards	(1,884)
	- Operational lease	68
Santander Cia. de Seguros Generales	- Credit card fraud insurance	(2,523)
	- Operational lease	32
Santander Investment Chile Ltda.	- Operational lease	94
Produban Servicios Informaticos Generales S.L. (1)	- Information Processing	(5,451)
Others	- Directors' stipend	(628)

(1) On April 4, 2008, the Superintendency of Bank authorized the transfer of the Bank's data processing center from IBM Chile to Produban, a subsidiary of Banco Santander, S.A. located in Madrid, Spain.

Only transactions with related parties equal to or greater than UF 5,000 are included individually in the table above. Transactions with related parties between UF 1,000 and up to UF 5,000 are included in other transactions with related parties. All transactions were conducted at arms length.

C. Interests of Experts and Counsel

Not applicable.

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ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Information

See Item 18.

Legal Proceedings

We are subject to certain claims and are party to certain legal and arbitration proceedings incidental to the normal course of our business including claims for alleged operational errors. We do not believe that the liabilities related to such claims and proceedings are likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations, however, based on management individual analysis of each proceeding, we have provisioned the amount in “Other provisions” in Note 8(b) of our Audited Consolidated Financial Statements. The Revelations Committee of Santander Chile has defined the cutoff for disclosing individual legal proceeding as those with an expected loss greater than 0.5% of the average net income before taxes and excluding other operating income and expenses for the years ended December 31, 2007 and 2008. At December 31, 2008 this cutoff totaled Ch\$2,080 million (US\$3.2 million). At December 31, 2008, there were no legal proceeding that exceed that amount. There are no material proceedings in which any of our directors, any members of our senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

Dividends and dividend policy

See “Item 3: A. Selected Financial Data—Dividends.”

B. Significant Changes

None.

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ITEM 9. THE OFFER AND LISTING

A. Historical Trading Information

The table below shows, for the periods indicated, the annual, quarterly and monthly high and low closing prices (in nominal Chilean pesos) of the shares of our common stock on the Santiago Stock Exchange and the annual, quarterly and monthly high and low closing prices (in U.S. dollars) as reported by the NYSE.

	Santiago Stock Exchange Common Stock		NYSE ADS(2)	
	High (Ch\$ per share(1))	Low	High (US\$ per ADS)	Low
Annual Price History				
2004	18.20	13.30	33.90	23.55
2005	22.75	17.11	45.86	30.40
2006	26.20	19.60	51.46	37.40
2007	27.10	21.25	55.30	41.76
2008	24.86	16.51	54.60	28.16
Quarterly Price History				
2007				
1st Quarter	26.75	24.35	51.14	46.75
2nd Quarter	27.10	24.49	53.13	48.39
3rd Quarter	25.40	21.25	50.74	41.76
4th Quarter	26.21	21.75	55.30	43.99
2008				
1st Quarter	24.86	20.00	53.37	45.58
2nd Quarter	24.46	21.05	54.60	41.78
3rd Quarter	23.33	19.30	46.41	37.10
4th Quarter	22.96	16.51	42.99	28.16
1st Quarter 2009	23.00	18.23	38.84	31.22
Monthly Price History				
December 2008	21.35	19.93	35.87	30.21
January 2009	23.00	20.45	38.84	34.19
February 2009	22.39	20.10	38.25	34.40
March 2009	20.56	18.23	36.69	31.22
April 2009	20.95	19.44	37.74	34.01
May 2009	22.30	19.80	41.65	37.01

B. Plan of Distribution

Not applicable

C. Nature of Trading Market

Nature of Trading Market

Shares of our common stock are traded on the Chilean Stock Exchanges. Each ADS represents 1,039 shares of common stock. ADRs have been issued pursuant to the Deposit Agreement, dated as of August 4, 2008, among

Santander-Chile, the Depositary and all holders from time to time of ADRs. As of December 31, 2007, 2,815,629 ADSs were outstanding (equivalent to 29,254,384,271 shares of common stock or 15.5% of the total number of issued shares of common stock).

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

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F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

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. The Bank'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 as the surviving entity. In 1999, Santiago became a controlled subsidiary of Banco Santander Spain.

On May 24, 2007, we have changed our by-laws insofar as our official name shall be Banco Santander-Chile (formerly: Banco Santander Chile) and that the Bank may also use the following names: Banco Santander Santiago, Santander Santiago, Banco Santander, or Santander (formerly only: Banco Santander Santiago and Santander Santiago.)

Shareholder rights in a Chilean bank that is also an open stock (public) corporation are governed by (1) the corporation's estatutos, which effectively serve the purpose of both the articles or certificate of incorporation and the by-laws of a company incorporated in the United States, (2) the General Banking Law and (3) to the extent not inconsistent with the General Banking Law, by the provisions of Chilean Companies Law applicable to open stock corporations, except for certain provisions that are expressly excluded. Article 137 of the Chilean Companies Law provides that all provisions of the Chilean Companies Law take precedence over any contrary provision in a corporation's estatutos. Both the Chilean Companies Law and our estatutos provide that legal actions by shareholders against us (or our officers or directors) to enforce their rights as shareholders or by one shareholder against another in their capacity as such are to be brought in Chile in arbitration proceedings, notwithstanding the plaintiff's right to submit the action to the ordinary courts of Chile.

The Chilean securities markets are principally regulated by the Superintendency of Securities and Insurance under the Chilean Securities Market Law and the Chilean Companies Law. In the case of banks, compliance with these laws is supervised by the Superintendency of Banks. These two laws provide for disclosure requirements, restrictions on insider trading and price manipulation and protection of minority investors. The Chilean Securities Market Law sets forth requirements relating to public offerings, stock exchanges and brokers, and outlines disclosure requirements for companies that issue publicly offered securities. The Chilean Companies Law sets forth the rules and requirements for establishing open stock corporations while eliminating government supervision of closed (closely-held) corporations. Open stock (public) corporations are those with 500 or more shareholders, or companies in which 100 or more shareholders own at least 10.0% of the subscribed capital (excluding those whose individual holdings exceed 10.0%), and all other companies that are registered in the Securities Registry of the Superintendency of Securities and Insurance.

Santander-Chile is a bank providing a broad range of commercial and retail banking services, as well as a variety of financial services. Our objects and purposes can be found in Article 4 of our estatutos and the General Banking Law.

Board of Directors

The Board of Directors has 11 regular members and 2 alternate members, elected by shareholder vote at General Shareholders' Meetings. The directors may be either shareholders or non-shareholders of the Company. There is no age limit for directors.

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A director remains in office for three years and may be reelected indefinitely. If for any reason, the General Shareholders' Meeting where the newly appointments of directors are to be made is not held, the duties of those serving as such shall be extended until their replacements are designated, in which case, the Board of Director shall convene a Meeting at the earliest possible time in order to effect the appointments.

The directors are entitled to compensation for the performance of their duties. The amount of their compensation is determined annually by the General Shareholders' Meeting. In addition, payments in the form of wages, fees, travel accounts, expense accounts, dues as representatives of the Board of Directors and other cash payments, payments in kind or royalties of any sort whatsoever, may be paid to certain directors for the performance of specific duties or tasks in addition to their functions as directors imposed upon them specifically by the General Shareholders' Meeting. Any special compensation is authorized or approved at the General Shareholders' Meeting, and for that purpose, a detailed and separate entry shall be made in the Annual Report, which shall expressly indicate the complete name of each of the directors receiving special compensation.

Without prejudice to any other incapacity or incompatibility established by law, the following may not be directors: (a) those persons who have been sentenced or are being tried, either as principals or accessories, for crimes punishable with a penalty of temporary or permanent suspension from or incapacity to hold public office; (b) those persons who have been declared bankrupt and have not been rehabilitated; (c) members of the House of Representatives and the Senate; (d) directors or employees of any other financial institution; employees appointed by the President of the Republic and employees or officers of (i) the State, (ii) any public service, public institution, semi-public institution, autonomous entity or state-controlled company (any such entity a "Public Entity") or (iii) any enterprise, corporation or public or private entity in which the State or a Public Entity has a majority interest, has made capital contributions, or is represented or participating, provided that persons holding positions in teaching activities in any of the above entities may be directors; and (f) the Bank's employees, which shall not prevent a director from holding on a temporary basis and for a term not to exceed ninety days the position of General Manager. Chief Executive Officers may not be elected as directors.

For purposes of the appointment of directors, each shareholder shall have the right to one vote per share for purposes of appointing a single person, or to distribute his votes in between candidates as he may deem convenient, and the persons obtaining the largest number of votes in the same and single process shall be awarded positions, until all positions have been filled. The election of the regular and alternate board members shall be carried out separately. For purposes of the casting of the vote, the Chairman and the Secretary, together with any other persons that may have been previously designated by the Meeting to sign the minutes thereof, shall issue a certificate giving evidence of the oral votes of shareholders attending, following the order of the list of attendance being taken.

Each shareholder shall be entitled, however, to cast his vote by means of a ballot signed by him, stating whether he signs for his own account or as a representative. This entitlement notwithstanding, in order to expedite the voting process, the Chairman of the Bank or the Superintendency, as the case may be, is entitled to order that the vote be taken alternatively or by oral vote or by means of ballots. At the time of polling, the Chairman may instruct that the votes be read aloud, in order for those in attendance to count for themselves the number of votes issued and verify the outcome of the voting process.

The Secretary tabulates the votes and the Chairman announces those who have obtained the largest majorities until all the director positions have been filled. The Secretary places the documents evidencing the outcome of the count, duly signed by the persons charged with the duty of verifying the number of votes issued, together with the ballots delivered by the shareholders who did not vote orally, in an envelope which shall be closed and sealed with the corporate seal and shall remain deposited with the Bank for a least two years.

Every appointment of directors, or any changes in the appointment of directors, shall be transcribed into a public deed before a notary public, published in a newspaper of Santiago and notified to the Superintendency of Banks and Financial Institutions, by means of the filing of a copy of the respective public deed. Likewise, the appointments of General Manager, Manager and Deputy Managers shall be communicated and transcribed into a public deed.

If a director ceases to be able to perform his or her duties, whether by reason of conflict of interest, limitation, legal incapacity or bankruptcy, impossibility, resignation or any other legal cause, the vacancy shall be filled as follows: (a) the positions of regular directors shall be filled by an alternate director; and (b) the positions of alternate directors vacated upon the application of (a) above, and the positions of regular directors if a regular director's

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position can not be filled pursuant to clause (a) because both alternate members have already become regular members, shall be filled by the Board of Directors on its first meeting after the vacancy occurs. Board members appointed pursuant to clause (b) will remain in the position until the next General Shareholders' Meeting, where the appointment may be ratified, in which case, the replacement director will remain in his or her position until the expiration of the term of the director he or she replaced.

The alternate directors may temporarily replace regular directors in case of their absence or temporary inability to attend a board meeting, or in a definitive manner in case of vacancy. The alternate board members are always entitled to attend and speak at board meetings. They will be entitled to vote at such meetings only when a regular member is absent and such alternate member acts as the absent member's replacement.

During the first meeting following the General Shareholders' Meeting, the Board of Directors shall elect in separate votes from among its members, a Chairman, a First Vice Chairman and a Second Vice Chairman. In the event of a tie, the appointment shall be decided by lottery.

The Board of Directors meet in ordinary sessions at least once a month, held on pre-set dates and times determined by the Board. Extraordinary meetings are held whenever called by the Chairman, whether at his own will or upon the request of three or more directors, so long as the Chairman determines in advance that the meeting is justified, except if the request is made by the absolute majority of the directors in office, in which case the meeting shall be held without such prior determination. The extraordinary meetings may only address those matters specifically included in the agenda for the extraordinary meeting, except that, if the meeting is attended by all the directors in office, they may agree otherwise by a unanimous vote. Extraordinary meetings shall be called by means of a written instrument signed by the Chairman or the Secretary or his alternate and delivered to each of the directors at least three days prior to the date set for the meeting.

The quorum for the Board of Directors' Meeting is six of its members. Resolutions shall be adopted by the affirmative vote of the absolute majority of the attending directors. In the event of a tie, the person acting as the Chairman of the meeting shall cast a deciding vote.

Directors having a vested interest in a negotiation, act, contract or transaction that is not related to the bank business, either as principal or as representative of another person, shall communicate such fact to the other directors. If the respective resolutions are approved by the Board, it shall be in accordance to the prevailing fair market conditions and director's interest must be disclosed at the next General Shareholders' Meeting.

The discussions and resolutions of the Board of Directors shall be recorded in a special book of minutes maintained by the Secretary. The relevant minutes shall be signed by the directors attending the meeting and by the Secretary, or his alternate. If a director determines that the minutes for a meeting are inaccurate or incomplete, he is entitled to record an objection before actually signing the minutes. The resolutions adopted may be carried out prior to the approval of the minutes at a subsequent meeting. In the event of death, refusal or incapacity for any reason of any of the directors attending to sign the minutes, such circumstance shall be recorded at the end of the minutes stating the reason for the impediment.

The directors are personally liable for all of the acts they effect in the performance of their duties. Any director who wishes to disclaim responsibility for any act or resolution of the Board of Directors must to record his opposition in the minutes, and the Chairman must report the opposition at the following General Shareholders' Meeting.

The Board will represent the Bank in and out of court and, for the performance of the Bank's business, a circumstance that will not be necessary to prove before third parties, it will be empowered with all the authorities and powers of administration that the law or the by-laws do not set as exclusive to the General Shareholders' Meeting, without being

necessary to grant any special power of attorney, even for those acts that the law requires to do so. This provision is notwithstanding the judicial representation of the Bank that is part of the General Manager's authorities. The Board may delegate part of its authority to the General Manager, to the Managers, Deputy Managers or Attorneys of the Bank, a Director, a Commission of Directors, and for specifically determined purposes, in other persons.

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Meetings and Voting Rights

An ordinary annual meeting of shareholders is held within the first four months of each year. The ordinary annual meeting of shareholders is the corporate body that approves the annual financial statements, approves all dividends in accordance with the dividend policy determined by our Board of Directors, elects the Board of Directors and approves any other matter that does not require an extraordinary shareholders' meeting. The last ordinary annual meeting of our shareholders was held on April 28, 2009. Extraordinary meetings may be called by our Board of Directors when deemed appropriate, and ordinary or extraordinary meetings must be called by our Board of Directors when requested by shareholders representing at least 10.0% of the issued voting shares or by the Superintendency of Banks. Notice to convene the ordinary annual meeting or an extraordinary meeting is given by means of three notices which must be published in a newspaper of our corporate domicile (currently Santiago) or in the Official Gazette in a prescribed manner, and the first notice must be published not less than 15 days nor more than 20 days in advance of the scheduled meeting. Notice must also be mailed 15 days in advance to each shareholder and given to the Superintendency of Banks and the Chilean Stock Exchanges. Currently, we publish our official notices in the El Mercurio newspaper of Santiago.

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing at least an absolute majority of the issued shares. If a quorum is not present at the first meeting, the meeting can be reconvened (in accordance with the procedures described in the previous paragraph) and, upon the meeting being reconvened, shareholders present at the reconvened meeting are deemed to constitute a quorum regardless of the percentage of the shares represented. The shareholders' meetings pass resolutions by the affirmative vote of an absolute majority of those voting shares present or represented at the meeting. The vote required at any shareholders' meeting to approve any of the following actions, however, is a two-thirds majority of the issued shares:

- a change in corporate form, spin-off or merger;
- an amendment of the term of existence, if any, and the early dissolution of the bank;
- a change in corporate domicile;
- a decrease of corporate capital previously approved by the Superintendency of Banks, provided it is not reduced below the legal minimum capital;
- a decrease in the number of directors previously approved by the Superintendency of Banks;
- the approval of contributions and appraisal of properties other than cash, in those cases where it is permitted by the General Banking Act;
- the amendment of authority of the general shareholders' meeting or the restriction of the authority of the Board of Directors;
- the transfer of 50.0% or more of the corporate assets, regardless of whether it includes liabilities, or the implementation or amendment of any business plan that contemplates the transfer of 50.0% or more of the corporate assets;
- a change in the manner of distribution of profits established in the by-laws;
- any non-cash distribution in respect of the shares;

- the repurchase of shares of stock in the Bank; or
- the approval of material related-party transactions when requested by shareholders representing at least 5.0% of the issued and outstanding shares with right to vote if they determine that the terms and conditions of those transactions are not favorable to the interests of the bank or if two independent assessments of those transactions requested by the Board materially differ from each other.

Shareholders may accumulate their votes for the election of directors and cast all of their votes in favor of one person.

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In general, Chilean law does not require a Chilean open stock corporation to provide the level and type of information that U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the bank within the 15-day period before the ordinary annual meeting. Under Chilean law, a notice of a shareholders' meeting listing matters to be addressed at the meeting must be mailed not fewer than 15 days prior to the date of such meeting, and, in cases of an ordinary annual meeting, shareholders holding a prescribed minimum investment must be sent an Annual Report of the bank's activities which includes audited financial statements. Shareholders who do not fall into this category but who request it must also be sent a copy of the bank's Annual Report. In addition to these requirements, we regularly provide, and management currently intends to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend.

The Chilean Corporations Law provides that whenever shareholders representing 10.0% or more of the issued voting shares so request, a Chilean company's Annual Report must include, in addition to the materials provided by the Board of Directors to shareholders, such shareholders' comments and proposals in relation to the company's affairs. Similarly, the Chilean Corporations Law provides that whenever the Board of Directors of an open stock corporation convenes an ordinary shareholders' meeting and solicits proxies for that meeting, or distributes information supporting its decisions, or other similar material, it is obligated to include as an annex to its Annual Report any pertinent comments and proposals that may have been made by shareholders owning 10.0% or more of the company's voting shares who have requested that such comments and proposals be so included.

Only shareholders registered as such with us on the fifth business day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual (who need not be a shareholder) as his proxy to attend and vote on his behalf. Every shareholder entitled to attend and vote at a shareholders' meeting has one vote for every share subscribed. Each share represents one vote and there are no special classes of shares with different rights. Our by-laws do not include any condition that is more significant than required by law to change the right of shareholders.

Capitalization

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in such company's capital. When an investor subscribes for issued shares, the shares are registered in such investor's name, even if not paid for, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and the return of capital, provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends or distributions of capital. The investor becomes eligible to receive dividends and returns of capital once it has paid for the shares (if it has paid for only a portion of such shares, it is entitled to reserve a corresponding pro-rata portion of the dividends declared and/or returns of capital with respect to such shares unless the company's by-laws provide otherwise). If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the stock exchange and collect the difference, if any, between the subscription price and the auction proceeds. However, until such shares are sold at auction, the subscriber continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital).

Article 22 of the Chilean Corporations Law states that the purchaser of shares of a company implicitly accepts its by-laws and any agreements adopted at shareholders' meetings.

Approval of Financial Statements

Our Board of Directors is required to submit our audited financial statements to the shareholders annually for their approval. The approval or rejection of such financial statements is entirely within our shareholders' discretion. If our shareholders reject our financial statements, our Board of Directors must submit new financial statements not later than 60 days from the date of such rejection. If our shareholders reject our new financial statements, our entire Board of Directors is deemed removed from office and a new Board of Directors is elected at the same meeting. Directors who individually approved such rejected financial statements are disqualified for re-election for the ensuing period.

Registrations and Transfers

We act as our own registrar and transfer agent, as is customary among Chilean companies. In the case of jointly owned shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

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Dividend, Liquidation and Appraisal Rights

Under the Chilean Corporations Law, Chilean companies are generally required to distribute at least 30.0% of their earnings as dividends.

In the event of any loss of capital, no dividends can be distributed so long as such loss is not recovered. Also, no dividends of a bank above the legal minimum can be distributed if doing so would result in the bank exceeding its ratio of risk-weighted assets to regulatory capital or total assets.

Dividends that are declared but not paid by the date set for payment at the time of declaration are adjusted from the date set for payment to the date such dividends are actually paid, and they accrue interest.

We may declare a dividend in cash or in shares. When a share dividend is declared above the legal minimum (which minimum must be paid in cash), our shareholders must be given the option to elect to receive cash. Our ADS holders may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash. See “Item 10: B. Memorandum and Articles of Incorporation—Preemptive Rights and Increases of Share Capital.” A dividend entitlement lapses after 5 years and the funds go to the Chilean Treasury.

In the event of our liquidation, the holders of fully paid shares would participate equally and pro rata, in proportion to the number of paid-in shares held by them, in the assets available after payment of all creditors. The holders of fully paid shares would not be required to contribute additional capital to the Bank in the event of our liquidation.

In accordance with the General Banking Law, our shareholders do not have appraisal rights.

Ownership Restrictions

Under Article 12 of the Chilean Securities Market Law and the regulations of the Superintendency of Banks, shareholders of open stock corporations are required to report the following to the Superintendency of Securities and Insurance and the Chilean Stock Exchanges:

- any direct or indirect acquisition or sale of shares that results in the holder’s acquiring or disposing, directly or indirectly, 10.0% or more of an open stock corporation’s share capital; and
- any direct or indirect acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10.0% or more of an open stock corporation’s capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.

In addition, majority shareholders must include in their report whether their purpose is to acquire control of the company or if they are making a financial investment. A beneficial owner of ADSs representing 10.0% or more of our share capital will be subject to these reporting requirements under Chilean law.

Under Article 54 of the Chilean Securities Market Law and the regulations of the Superintendency of Securities and Insurance, persons or entities intending to acquire control, directly or indirectly, of an open stock corporation, regardless of the acquisition vehicle or procedure, and including acquisitions made through direct subscriptions or private transactions, are also required to inform the public of such acquisition at least 10 business days before the date on which the transaction is to be completed, but in any case, as soon as negotiations regarding the change of control begin (i.e., when information and documents concerning the target are delivered to the potential acquiror) through a

filing with the Superintendency of Securities and Insurance, the stock exchanges and the companies controlled by and that control the target and through a notice published in two Chilean newspapers, which notice must disclose, among other information, the person or entity purchasing or selling and the price and conditions of any negotiations.

Prior to such publication, a written communication to such effect must be sent to the target corporation, to the controlling corporation, to the corporations controlled by the target corporation, to the Superintendency of Securities and Insurance, and to the Chilean stock exchanges on which the securities are listed.

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In addition to the foregoing, Article 54A of the Chilean Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Chilean Securities Market Law on tender offers and the regulations of the Superintendency of Securities and Insurance provide that the following transactions must be carried out through a tender offer:

- an offer which allows a person to take control of a publicly traded company, unless (i) the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange and (ii) those shares are acquired (a) through a capital increase, (b) as a consequence of a merger, (c) by inheritance or (d) through a forced sale; and
- an offer for a controlling percentage of the shares of a listed company if such person intends to take control of the parent company (whether listed or not) of such listed company, to the extent that the listed company represents 75.0% or more of the consolidated net worth of the parent company.

In addition, Article 69bis of the Companies Law requires that whenever a controlling shareholder acquires two thirds of the voting shares of a listed company, such controlling shareholder must offer to purchase the remaining shares from the minority shareholders in a tender offer.

Article 200 of the Chilean Securities Market Law prohibits any shareholder that has taken control of a publicly traded company to acquire, for a period of 12 months from the date of the transaction in which it gained control of the publicly traded company, a number of shares equal to or greater than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Chilean Securities Market Law sets forth the basis to determine what constitutes a controlling power, a direct holding and a related party. The Chilean Securities Market Law defines control as the power of a person or group of persons acting (either directly or through other entities or persons) pursuant to a joint action agreement, to direct the majority of the votes at the shareholders' meetings of the corporation, to elect the majority of members of its Board of Directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect of the person or group of persons with an agreement to act jointly that holds, directly or indirectly, at least 25.0% of the voting share capital, unless:

- another person or group of persons acting pursuant to joint action agreement, directly or indirectly, controls a stake equal to or greater than the percentage controlled by such person or group of persons;
- the person or group does not control, directly or indirectly, more than 40.0% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5.0% of the share capital (either directly or pursuant to a joint action agreement); or
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in cases where the Superintendency of Securities and Insurance has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Law, a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the same time and whereby they agree to participate with the same interest in the management of the corporation or in taking control of the same. The law presumes that such an agreement exists between:

- a principal and its agents;
- spouses and relatives within certain degrees of kinship;

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- entities within the same business group; and
- an entity and its controller or any of the members of the controller.

Likewise, the Superintendency of Securities and Insurance may determine that a joint action agreement exists between two or more entities considering, among other things, the number of companies in which they participate and the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at extraordinary shareholders' meetings.

According to Article 96 of the Chilean Securities Market Law, a business group is a group of entities with such ties in their ownership, management or credit liabilities that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interests of the group, or that there are common credit risks in the credits granted to, or in the acquisition of securities issued by, them. According to the Chilean Securities Market Law, the following entities are part of the same business group:

- a company and its controller;
- all the companies with a common controller together with that controller;
- all the entities that the Superintendency of Securities and Insurance declares to be part of the business group due to one or more of the following reasons:
 - a substantial part of the assets of the company is involved in the business group, whether as investments in securities, equity rights, loans or guaranties;
 - the company has a significant level of indebtedness and the business group has a material participation as a lender or guarantor;
 - any member of a group of controlling entities of a company mentioned in the first two bullets above and there are grounds to include it in the business group; or
 - the company is controlled by a member of a group of controlling entities and there are grounds to include it in the business group.

Article 36 of the General Banking Law states that as a matter of public policy, no person or company may acquire, directly or indirectly, more than 10.0% of the shares of a bank without the prior authorization of the Superintendency of Banks, which may not be unreasonably withheld. The prohibition would also apply to beneficial owners of ADSs. In the absence of such authorization, any person or group of persons acting in concert would not be permitted to exercise voting rights with respect to the shares or ADSs acquired. In determining whether or not to issue such an authorization, the Superintendency of Banks considers a number of factors enumerated in the General Banking Law, including the financial stability of the purchasing party.

According to Article 35bis of the General Banking Law, the prior authorization of the Superintendency of Banks is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;

- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

This prior authorization is only required when the acquiring bank or the resulting group of banks would own a significant market share in loans, defined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the Superintendency of Banks; or, if the acquiring bank or resulting group would own a market share in loans determined to be more than 20.0% of all loans in the Chilean banking system, the purchase, merger, or expansion may be conditioned on one or more of the following:

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- the bank or banks maintaining regulatory capital higher than 8.0% and up to 14.0% of risk-weighted assets;
- the technical reserve established in Article 65 of the General Banking Law being applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
 - the margin for interbank loans be reduced to 20.0% of the resulting bank's regulatory capital.

If the acquiring bank or resulting group would own a market share in loans determined by the Superintendency of Banks to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining a regulatory capital not lower than 10% of their risks weighted assets for the period specified by the Superintendency of Banks, which may not be less than one year. The calculation of the risk weighted assets is based on a five category risk classification system applied to a bank's assets that is based on the Basel Committee recommendations.

According to the General Banking Law, a bank may not grant loans to related parties on terms more favorable than those generally offered to non-related parties. Article 84 No. 2 of the General Banking Law and the regulations issued by the Superintendency of Banks creates the presumption that natural persons who are holders of shares and who beneficially own more than 1.0% of the shares are related to the bank and imposes certain restrictions on the amounts and terms of loans made by banks to related parties. This presumption would also apply to beneficial owners of ADSs representing more than 1.0% of the shares. Finally, according to the regulations of the Superintendency of Banks, Chilean banks that issue ADSs are required to inform the Superintendency of Banks if any person, directly or indirectly, acquires ADSs representing 5.0% or more of the total amount of shares of capital stock issued by such bank.

Article 16bis of the General Banking Law provides that the individuals or legal entities that, individually or with other people, directly control a bank and who individually own more than 10.0% of its shares must send to the Superintendency of Banks reliable information on their financial situation in the form and in the opportunity set forth in Resolution No. 3,156 of the Superintendency of Banks.

There are no limitations for non-resident or foreign shareholders to hold or exercise voting rights on the securities.

Preemptive Rights and Increases of Share Capital

The Chilean Corporations Law provides that whenever a Chilean company issues new shares for cash, it must offer its existing shareholders the right to purchase a number of shares sufficient to maintain their existing ownership percentages in the company. Pursuant to this requirement, preemptive rights in connection with any future issue of shares will be offered by us to the Depositary as the registered owner of the shares underlying the ADSs. However, the Depositary will not be able to make such preemptive rights available to holders of ADSs unless a registration statement under the Securities Act is effective with respect to the underlying shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate, at the time of any preemptive rights offering, the practicality under Chilean law and Central Bank regulations in effect at the time of making such rights available to our ADS holders, as well as the costs and potential liabilities associated with registration of such rights and the related shares of common stock under the Securities Act, and the indirect benefits to us of thereby enabling the exercise by all or certain holders of ADSs of their preemptive rights and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such registration statement. We cannot assure you that any registration statement would be filed. If we do not file a registration statement and no exemption from the registration requirements under the Securities Act is available, the Depositary will sell such holders' preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of such sale. In the event that the Depositary is not able, or determines that it is not

feasible, to sell such rights at a premium over the cost of any such sale, all or certain holders of ADSs may receive no value for such rights. Non-U.S. holders of ADSs may be able to exercise their preemptive rights regardless of whether a registration statement is filed. The inability of all or certain holders of ADSs to exercise preemptive rights in respect of shares of common stock underlying such ADSs could result in such holders not maintaining their percentage ownership of the common stock following such preemptive rights offering unless such holder made additional market purchases of ADSs or shares of common stock.

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Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period, and for an additional 30-day period thereafter, a Chilean corporation is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

C. Material Contracts

On December 3, 2007, we entered into a long-term contract with Produban for the operation of certain of our systems, providing us with information data processing, technology services and hardware infrastructure to run our core transactional systems. On April 4, 2008, the Superintendency of Bank authorized the transfer of the Bank's data processing center from IBM Chile to Produban, a subsidiary of Banco Santander, S.A. located in Madrid, Spain. This contract also includes an improvement in transactional capacities, services and back-up requirement compared to previous services. We agreed to pay Produban approximately €55 million (US\$77 million) in the next five years. In 2008, we paid Produban Ch\$5,451 million (US\$8.5 million).

D. Exchange Controls

The Central Bank is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile grants the investor access to the Formal Exchange Market. See "Item 3: A. Selected Financial Data—Exchange Rates." Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 or can be registered with the Central Bank under the Central Bank Act. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be amended. Since April 18, 2001, all exchange controls in Chile have been eliminated.

Previously, Chilean law mandated that holders of shares of Chilean companies that were not residents of Chile register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order to receive dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. 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 ADR holders is required. As of April 19, 2001, the Central Bank deregulated the Exchange Market, eliminating the need to obtain approval from the Central Bank in order to remit dividends, but at the same time eliminating the possibility of guaranteeing access to the Formal Exchange Market. It is important to point out that this does not affect the current Foreign Investment Contract, which was signed prior to April 19, 2001, and still permits access to the Formal Exchange Market based on the prior approval of the Central Bank. Therefore the holders of ADRs of Santander-Chile are still subject to the Foreign Investment Contract, including its clauses referring to the prior exchange rules including the now extinct Chapter XXVI of the Compedium.

E. Taxation

The following discussion summarizes certain material Chilean tax and United States federal income tax consequences to beneficial owners arising from the ownership and disposition of our common stock and ADSs. The summary does not purport to be a comprehensive description of all potential Chilean tax and United States federal income tax considerations that may be relevant to a decision to own or dispose of our common stock and ADSs and is not

intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Chile and the United States. There is currently no income tax treaty between the United States and Chile.

Material Tax Consequences of Owning Shares of Our Common Stock or ADSs

Chilean Taxation

The following is a summary of certain Chilean tax consequences of the ownership and disposition of shares of our common stock or of ADSs evidenced by ADRs by Foreign Holders (as defined herein). The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of shares of our common stock or ADSs and does not purport to deal with the tax consequences applicable to all

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categories of investors, some of whom may be subject to special rules. Holders of shares of our common stock or ADSs are advised to consult their own tax advisors concerning the Chilean and other tax consequences of the ownership and disposition of shares of our common stock or of ADSs evidenced by ADRs.

The description of Chilean tax laws set forth below is based on Chilean laws in force as of the date of this Annual Report and is subject to any changes in such laws occurring after the date of this Annual Report. These changes can be made on a retroactive basis.

For purposes of this summary, the term “Foreign Holder” means either (1) in the case of an individual, a person who is not resident or domiciled in Chile (for purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has resided in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive fiscal years and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile); or (2) in the case of a legal entity, a legal entity that is not domiciled in Chile, unless the shares of our common stock or ADSs are assigned to a branch or a permanent establishment of such entity in Chile.

Taxation of Dividends

Cash dividends paid by us with respect to shares of our common stock held by a Foreign Holder, including shares represented by ADSs, will be subject to a 35% Chilean withholding tax, which is withheld and paid over by us (the “Withholding Tax”). If we have paid corporate income tax (the “First Category Tax”) on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on the pre-tax income. For purposes of determining the rate at which First Category Tax was paid, dividends are treated as paid from our oldest retained earnings.

The effective rate of Withholding Tax to be imposed on dividends paid by us will vary depending upon the amount of First Category Tax paid by us on the earnings underlying the dividends. The effective rate for the First Category Tax attributed to earnings generated during the fiscal year 2004 and onwards is 17.0%. Full applicability of the First Category Tax credit at the 17.0% rate results in an effective Withholding Tax rate of 21.7%. Consequently, the Withholding Tax rate with respect to dividends fluctuates between 21.7% and 35.0%, depending on whether or not we are subject to the First Category Tax.

The example below illustrates the effective Chilean Withholding Tax burden on a cash dividend received by a Foreign Holder, assuming a Withholding Tax rate of 35%, an effective First Category Tax rate of 17% and a distribution of all of the net proceeds available after payment of the First Category Tax.

Taxable income	US\$ 100
First Category Tax (17% of US\$100)	(17)
Net proceeds available	83
Dividend payment	83
Withholding Tax (35% of the sum of the dividend (US\$83) and the available First Category Tax credit (US\$17))	(35)
First Category Tax credit	17
Payable Withholding Tax	(18)
	65
Net dividend received	(83-18)
	21.7%

Effective dividend withholding tax rate

(18/83)

Dividend distributions made in kind would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation. The distributions of preemptive rights relating to shares of common stock will not be subject to Chilean taxation.

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Taxation of Capital Gains

Gain realized on the sale, exchange or other disposition by a Foreign Holder of ADSs (or ADRs evidencing ADSs) will not be subject to Chilean taxation, provided that such disposition occurs outside Chile or that it is performed under the rules of Title XXIV of the Chilean Securities Market Law, as amended by Law No. 19,601, dated January 18, 1999. The deposit and withdrawal of shares of common stock in exchange for ADRs will not be subject to any Chilean taxes.

Gain recognized on a sale or exchange of shares of common stock (as distinguished from sales or exchanges of ADSs representing such shares of common stock) by a Foreign Holder will be subject to both an income tax on capital gains, which is assessed at the same rate as the First Category Tax (currently imposed at a rate of 17%) and the Chilean withholding tax (the former being creditable against the latter) if (1) the Foreign Holder has held such shares of common stock for less than one year since exchanging ADSs for the shares of common stock, (2) the Foreign Holder acquired and disposed of the shares of common stock in the ordinary course of its business or as a regular trader of stock or (3) the sale is made to a company in which the Foreign Holder holds an interest. In certain other cases, gain on the disposition of shares of common stock will be subject only to the tax on capital gains (currently imposed at a rate of 17%). The sale of shares of common stock by a Foreign Holder to an individual or entity resident or domiciled in Chile is subject to a provisional withholding. Such a provisional withholding will be equal to (i) 5% of the amount, without any deduction, paid to, credited to, accounted for, put at the disposal of, or corresponding to, the Foreign Holder if the transaction is subject to the First Category Tax as sole tax, unless the gain subject to taxation can be determined, in which case the withholding is equal to 17% on the gain, or (ii) 20% of the amount, without any deduction, paid to, credited to, accounted for, put at the disposal of, or corresponding to, the Foreign Holder if the transaction is subject to the First Category Tax and the Chilean withholding tax, with a credit of the First Category Tax already paid. For income tax purposes, the capital gain shall be the difference between the sales price and the acquisition cost of the stock. The tax basis of shares of common stock received in exchange for ADSs will be the acquisition value of such shares. The valuation procedure set forth in the deposit agreement, which values shares of common stock that are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of common stock and sale of such shares of common stock for the value established under the deposit agreement will not generate a capital gain subject to taxation in Chile.

In the case where the sale of the shares is made on a day that is different than the date on which the exchange is recorded, capital gains subject to taxation in Chile may be generated. On October 1, 1999, the Chilean Internal Revenue Service issued Ruling No. 3708 whereby it allowed Chilean issuers of ADSs to amend the deposit agreements to which they are parties in order to include a clause that states that, in the case that the exchanged shares are sold by the ADSs' holder in a Chilean Stock Exchange, either on the same day in which the exchange is recorded in the shareholders' registry of the issuer or within the two prior business days to such date, the acquisition price of such exchanged shares shall be the price registered in the invoice issued by the stock broker that participated in the sale transaction. Consequently, because we have included this clause in the form of ADRs attached to the deposit agreement, the capital gain that may be generated if the shares received in exchange for ADSs were sold within two days prior to the date on which the exchange is recorded will not be subject to taxation.

The distribution and exercise of preemptive rights relating to the shares of common stock will not be subject to Chilean taxation. Cash amounts received in exchange for the shares or assignment of preemptive rights relating to the shares will be subject to both the First Category Tax and the Chilean withholding tax (the former being creditable against the latter to the extent described above).

In certain cases and provided certain requirements are met, capital gains realized on the sale of actively traded stock of Chilean public companies may be exempt from Chilean income taxes. Our stock is currently considered an actively

traded stock in the Santiago Stock Exchange, and Foreign Holders of the stock may qualify for an income tax exemption. Foreign Holders are urged to consult with their own tax advisors to determine whether an exemption applies to them.

Other Chilean Taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by gift of shares of our common stock by a

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Foreign Holder. No Chilean stamp, issue, registration or similar taxes or duties apply to Foreign Holders of shares or ADSs.

Withholding Tax Certificates

Upon request, we will provide to foreign holders appropriate documentation evidencing the payment of Chilean withholding taxes. For further information, the investor should contact: Robert Moreno, rmorenoh@santander.cl.

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of 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 above). Owners of the ADSs will not be charged any dividend remittance fees by the Depositary with respect to cash or stock dividends.

U.S. Federal Income Tax Considerations

The following is a discussion of material U.S. federal income tax consequences of owning and disposing of shares of our common stock or ADSs to U.S. holders described below, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such securities. The discussion applies only if you hold shares of our common stock or ADSs as capital assets for tax purposes and it does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use the mark-to-market method of accounting;
- persons holding shares or ADSs as part of a hedge, "straddle," conversion transaction, or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organizations;
- persons holding shares of our common stock or ADSs that own or are deemed to own ten percent or more of our voting stock; or
- persons who acquired our shares of our common stock or ADSs pursuant to the exercise of any employee stock option plan or otherwise as compensation.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds shares of our common stock or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnership holding shares of our common stock or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the shares of our common stock or ADSs.

As used herein, a “U.S. holder” is a beneficial owner of shares of our common stock or ADSs that is for U.S. federal tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or
 - an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

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This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decision and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. It is also based in part on representations by the Depository and assumes that each obligation under the Deposit Agreement and any related agreement will be performed in accordance with its terms. Please consult your own tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of shares or ADSs in your particular circumstances.

In general, if you own ADSs, you will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depository shares are released prior to delivery of shares to the Depository (“pre-release”) or intermediaries in the chain of ownership between U.S. holders of American depository shares and the issuer of the security underlying the American depository shares may be taking actions that are inconsistent with the claiming of foreign tax credits for holders of American depository shares. These actions would also be inconsistent with the claiming of the reduced rates of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of Chilean taxes and the availability of the reduced rates for dividends received by certain non-corporate holders, each described below, could be affected by future actions that may be taken by such parties or intermediaries.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on shares of our common stock or ADSs, other than certain pro rata distributions of common shares or rights, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. holders as dividends. Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, under current law, certain dividends paid by “qualified foreign corporations” to certain non-corporate U.S. holders in taxable years beginning before January 1, 2011, will be taxable at reduced rates, up to a maximum rate of 15%. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock which is readily tradable on a securities market in the United States, such as the NYSE where our ADSs are traded. You should consult your own tax advisers to determine whether the favorable rates may apply to dividends you receive and whether you are subject to any special rules that limit your ability to be taxed at the favorable rates. The amount of the dividend will include any amounts withheld by us or our paying agent in respect of Chilean taxes at the effective rate as described above under “— Chilean Taxation.” The amount of the dividend will be treated as foreign-source dividend income to you and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Dividends will be included in your income on the date of your (or in the case of ADSs, the Depository’s) receipt of the dividend. The amount of any dividend income paid in Chilean pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of its receipt.

Subject to applicable limitations that may vary depending upon your circumstances and the discussion above regarding concerns expressed by the U.S. Treasury, Chilean taxes withheld from cash dividends on shares of our common stock or ADSs at the withholding tax rate, reduced in respect of any First Category Tax, as described above under “—Chilean Taxation,” generally will be creditable against your U.S. federal income tax liability. Instead of claiming a credit, you may, at your election, deduct such Chilean taxes in computing your taxable income, subject to generally applicable limitations under U.S. law. The rules governing foreign tax credits are complex and you should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits.

Sale or Other Disposition of Shares or ADSs

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For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of shares of our common stock or ADSs generally will be capital gain or loss, and will be long-term capital gain or loss if you held the shares of our common stock or ADSs for more than one year. The amount of your gain or loss will be equal to the difference between your tax basis in the shares of our common stock or ADSs disposed of and the amount realized on the disposition in each case as determined in U.S. dollars. If a Chilean tax is withheld on the sale or disposition of the shares of our common stock or ADSs, your amount realized will include the gross amount of the proceeds of such sale or disposition before deduction of the Chilean tax. See “—Chilean Taxation – Taxation of Capital Gains” for a description of when a disposition may be subject to taxation by Chile. Such gain or loss generally will be U.S.-source gain or loss for foreign tax credit purposes. You should consult your tax advisors as to whether the Chilean tax on gains may be creditable against your U.S. federal income tax on foreign-source income from other sources.

Passive Foreign Investment Company Rules

Based on proposed Treasury regulations (“Proposed Regulations”), which are proposed to be effective for taxable years beginning after December 31, 1994, we believe that we were not a “Passive Foreign Investment Company” (“PFIC”) for U.S. federal income tax purposes for the year ended December 31, 2008. However, since the Proposed Regulations may not be finalized in their current form and since PFIC status depends upon the composition of a company’s income and assets and the market value of its assets (including, among others, less than 25 percent owned equity investments) from time to time, there can be no assurance that we will not be a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which you held an ADS or a share, certain adverse tax consequences could apply to you.

If we were a PFIC for any taxable year during which you held shares of our common stock or ADSs, gain recognized by you on a sale or other disposition (including certain pledges) of a share of our common stock or an ADS would generally be allocated ratably over your holding period for the share of our common stock or ADS. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. Similar rules would apply to any distribution in respect of shares of our common stock or ADSs that exceeds 125 percent of the average of the annual distributions on shares of our common stock or ADSs received by you during the preceding three years or your holding period, whichever is shorter. Certain elections (including a mark-to-market election) may be available that would result in alternative treatments of the shares of our common stock or ADSs. In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non-corporate shareholders would not apply.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless (i) you are a corporation or other exempt recipient or (ii), in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

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H. Documents on Display

The documents concerning Santander-Chile which are referred to in this Annual Report may be inspected at our offices at Bandera 140 Santiago, Chile. We are, and Santiago and Old Santander-Chile were, subject to the information reporting requirements of the Exchange Act, except that, as a foreign issuer, we are not subject to the proxy rules or the short-swing profit and disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports and other information filed or furnished by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's Regional Office at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60611-2511. Copies of such material may be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Section by calling the SEC at 1-800-732-0330. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports and information statements and other information regarding us. The reports and information statements and other information about us can be downloaded from the SEC's website and can also be inspected and copied at the offices of the NYSE, Inc., 20 Broad Street, New York, New York 10005.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Introduction

This section describes the market risks that we are exposed to, the tools and methodology used to control these risks, the portfolios over which these market risk methods were applied and quantitative disclosure that demonstrate the level of exposure to market risk that we are assuming. This section also discloses the derivative instruments that we use to hedge exposures and offer to our clients.

The principal types of risk inherent in Santander-Chile's business are market, liquidity, operational and credit risks. The effectiveness with which we are able to manage the balance between risk and reward is a significant factor in our ability to generate long term, stable earnings growth. Toward that end, our senior management places great emphasis on risk management.

Market Risk

Market risk is the risk of losses due to unexpected changes in interest rates, foreign exchange rates, inflation rates and other rates or prices. We are exposed to market risk mainly as a result of the following activities:

- trading in financial instruments, which exposes us to interest rate and foreign exchange rate risk;
- engaging in banking activities, which subjects us to interest rate risk, since a change in interest rates affected gross interest income, gross interest expense and customer behavior;
- engaging in banking activities, which exposes us to inflation rate risk, since a change in expected inflation affects gross interest income, gross interest expense and customer behavior;

- trading in the local equity market, which subjects us to potential losses caused by fluctuations of the stock market; and
- investing in assets whose returns or accounts are denominated in currencies other than the Chilean peso, which subjects us to foreign exchange risk between the Chilean peso and such other currencies.

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Market Risk Exposure Categories

Inflation

Inflation impacts our results of operations. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. Negative inflation rates also negatively impact our results. In 2008, the inflation rate in Chile was 7.1% compared to 7.8% in 2007 and 2.6% in 2006. In the last months of 2008 and the first quarter of 2009, Chile was going through a deflationary environment. 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 our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

- **UF-denominated assets and liabilities.** Our assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. The UF is revalued in monthly cycles. On each day in the period beginning 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 proportional amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF equaled to Ch\$18,336.38 at December 31, 2006, and Ch\$19,622.66 at December 31, 2007 and \$21,452.57 at December 31, 2008. In 2008, UF inflation was 9.3% compared to 7.0% in 2007 and 2.0% in 2006. 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 revenue and expense, respectively. Our net interest revenue 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 revenue 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 revenue 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 assets exceeded our average UF-denominated liabilities by Ch\$2,381,652 million in 2008 compared to Ch\$2,548,506 million in 2007. See “Item 5: G. 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 year ended December 31, 2008, the interest gained on interest earning assets denominated in UF increased 20.1% compared to 2007 as a result of the higher UF inflation rates in 2008 compared to 2007. The interest paid on these liabilities increased by 43.0% during this period.
- **Price level restatement.** Chilean GAAP requires that financial statements be restated to reflect the full effects of loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The Bank must adjust its capital, fixed assets and other non financial assets for variations in price levels on a monthly basis according to the CPI index with a one-month lag. Since the Bank’s capital is generally larger than the sum of fixed and other non financial assets, in an inflationary economy, the Bank would record a loss from price level restatement and a gain in a deflationary environment. For the year ended December 31, 2008, the loss from price level restatement totaled Ch\$78,027 million compared to Ch\$61,332 million in 2007. The inflation rate used for calculating price level restatement was 8.9% in 2008 and 7.4% in 2007. In line with the new accounting standards to be adopted in 2009, the Bank will no longer be required to adjust its capital, fixed assets and other non financial assets for variations in price levels on a monthly basis and, therefore, will no longer recognize a gain or loss from price level restatement.

· 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 denominated in UF, have a longer maturity than the average maturity of our funding base. As most of long term financial instruments and mortgage loans are denominated in UF and most deposits in nominal pesos, the increase in mortgage lending increments the Bank's exposure to inflation and to interest rate risk. The size of this gap is limited

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by internal and regulatory guidelines in order to avoid excessive potential losses due to strong shifts in interest rates (see “Item 11: 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 2008, the financial cost of the swaps taken in order to hedge for inflation and interest rate risk totaled Ch\$53,956 million compared to Ch\$35,283 million in 2007. This higher cost was a direct result of the higher UF inflation rate in these two periods.

Inflation sensitive income	At December 31,		
	2007	2008	% Change
	(In million of constant Chilean pesos at December 31, 2008)		
Interest gained on UF assets	824,173	990,430	20.2%
Interest paid on UF liabilities (1)	(485,921)	(694,758)	43.0%
Price level restatement	(61,332)	(78,027)	27.2%
Net Gain	276,920	217,645	(21.4%)

(1) Includes inflation hedge

- 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 5: F. 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 11: Quantitative and Qualitative Disclosures About Market Risk”). The ratio of the average of such demand deposits to average interest-earning assets was 15.8%, 17.1% and 15.7% for the years ended December 31, 2006, 2007 and 2008, respectively.

Interest Rates

Interest rates earned and paid on Santander-Chile’s assets and liabilities reflect to a certain degree inflation and expectations regarding inflation as well as shifts in short term rates related to the Central Bank’s monetary policies. The Central Bank manages short term interest rates based on its objectives of balancing low inflation and economic growth. In 2008, the Central Bank, throughout the first three quarters of 2008, tightened monetary policy. This was followed by a rapid relaxation in the last quarter of the year in line with international interest rate movements. The overnight interbank rate set by the Central Bank reached a peak of 8.25% as of September 2008. As of May 2009, this rate was currently at 1.25%. Long-term real interest rates followed a similar trend rising throughout most of 2008 followed by downward trend by year-end 2008. The yield on the Chilean Central Bank’s 10-year note in real terms was 3.28% at year-end 2008 compared to 2.98% compared as of December 31, 2007.

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 2008, the Chilean peso in relation to the US\$ depreciated 26.9% compared to a 7.2% appreciation in 2007 and a 3.9% depreciation in 2006. (See “Item 3: A. Selected Financial Data—Exchange Rates”).

Asset and Liability Management

Our policy with respect to asset and liability management is to capitalize on our competitive advantages in treasury operations, maximizing our net interest revenue and return on assets and equity with a view to interest rate, liquidity and foreign exchange risks, while remaining within the limits provided by Chilean banking regulations. Subject to these constraints, we constantly have mismatched positions with respect to interest rates and foreign currencies. Our asset and liability management policies are developed by the Asset and Liability Committee (the "ALCO") following guidelines and limits established by our Board of Directors, Banco Santander Spain's Global Risk Department and our Market Risk and Control Department. The ALCO is composed of the Chairman of the Board, three members of the Board, the Chief Executive Officer, the Manager of Proprietary Trading, the Manager

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of the Financial Management Division, the Manager of Market Risk and the Financial Controller. Senior members of Santander-Chile's Finance Division meet daily and, on a formal basis, weekly with the Asset and Liabilities Management Committee and outside consultants. In addition, our Market Risk Division reports weekly on all of our positions to the ALCO. Our limits and positions are reported on a daily basis to Banco Santander Spain's Global Risk Department. The ALCO reports as often as deemed necessary to our Board of Directors. The risk limits set by the ALCO are implemented by our Finance Division and are controlled by the Market Risk and Control Department, which establishes guidelines and policies for risk management on a day to day basis. The composition of our assets, liabilities and shareholders' equity at December 31, 2008, by currency and term was as follows:

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	December 31, 2008				Percentage
	Ch\$	UF	Foreign Currency	Total	
(in millions of constant Ch\$ as of December 31, 2008, except for percentages)					
Assets					
Cash and due from banks	451,800	-	403,038	854,838	4.0%
Other asset (1):					
Less than one year	4,267,464	1,157,009	1,860,596	7,285,069	34.5%
From one to three years	2,702,761	1,734,935	50,219	4,487,915	21.2%
More than three years	2,786,765	4,886,526	199,134	7,872,425	37.3%
Banks premise and equipment and other	668,747	3,649	249,996	922,392	4.4%
Allowances for loan losses	(285,505)	-	-	(285,505)	(1.4%)
Total	10,592,032	7,782,119	2,762,983	21,137,134	100.0%
Percentage of total assets	50.1%	36.8%	13.1%	100.0%	
Liabilities and shareholders' equity					
Non interest bearing deposits	2,487,571	120,066	342,120	2,949,757	14.0%
Other liabilities:					
Less than one year	6,041,551	1,998,012	3,359,659	11,399,222	53.9%
From one to three years	769,648	1,307,039	309,987	2,386,674	11.2%
More than three years	695,256	1,763,696	364,484	2,823,436	13.4%
Shareholder's equity	1,249,899	-	-	1,249,899	5.9%
2008 net income	328,146	-	-	328,146	1.6%
Total	11,572,071	5,188,813	4,376,250	21,137,134	100.0%
Percentage of total liabilities and shareholders' equity	54.7%	24.5%	20.8%	100.0%	

(1) Other assets include our rights under foreign exchange contracts, and other liabilities include our obligations under foreign exchange contracts. Mortgage finance bonds issued by us are included as other liabilities, and mortgage finance bonds held in our financial investment portfolio (issued by third parties) are included as other assets.

We have generally maintained more peso denominated liabilities than peso denominated assets and more UF-denominated assets than UF-denominated liabilities. In the context of a rising CPI, this has in the past had a positive impact on our net income by generating net income from adjustments of the UF that exceeds losses arising from price level restatements. This effect is expected to decrease significantly if rates of inflation decrease.

Interest Rate Sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest revenue due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets and liabilities mature or reprice in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A positive gap denotes asset sensitivity and means that an increase in interest rates would have a positive effect on net interest revenue while a decrease in interest rates would have a negative effect on net interest revenue.

Our interest rate sensitivity strategy takes into account not only the rates of return and the underlying degree of risk, but also liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds. We monitor our maturity mismatches and

manage them within established limits.

The following table sets forth the repricing of our interest-earning assets and interest-bearing liabilities at December 31, 2008, and may not reflect interest rate gap positions at other times. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to the differing repricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held.

As the following table reflects, we have a negative gap for most periods of one year or less as our main source of funding are short term time deposits. The majority of assets and liabilities with a maturity of 90 days or less are

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denominated in nominal pesos. Ninety days or more is also the most common repricing period for UF-denominated time deposits. In the case of interest-earning assets and interest-bearing liabilities denominated in UF, our exposure to changes in interest rates is reduced by the fact that a significant portion of the interest rate earned or paid on such assets or liabilities is indexed to reflect the daily effect of inflation, and as a result our gap position is limited to variations in the real interest rate among such assets and liabilities. Moreover, mortgage loans which have 8- to 20-year terms were generally financed through bonds issued for the same terms and in the same currency or interest rate swaps.

	Up to 30 days	31-60 days	61-90 days	As of December 31, 2008			1-3 years
				91-180 days	181-365 days	366 days or more	
(in millions of constant Ch\$ as of December 31, 2008, except for percentages)							
Interest-earning assets:							
Interbank loans	95,534						
Financial investments							
Commercial loans	1,780,795	635,773	566,552	832,242	717,621		
Mortgage loans	38,116	15,641	16,517	47,405	96,601		
Consumer loans	872,440	43,407	52,432	129,093	223,751		
Total interest-earning assets	3,318,298	706,246	638,773	1,030,498	1,338,990		
Interest-bearing liabilities:							
Deposits	5,996,800	1,465,908	1,028,096	1,076,934	1,542,054		
Investments under agreements to repurchase							
Interbank borrowings	525,018	15,368	11,469	10,227	299		
Issued debt instruments	55,008	66,767	168,838	389,994	435,403		
Other financial liabilities	20,135	1,582	1,273	10,584	277,775		
Total interest-bearing liabilities	6,689,089	1,549,927	1,211,297	1,488,384	2,256,756		
Asset/liability gap	(3,370,791)	(843,681)	(572,524)	(457,886)	(917,766)		
Cumulative gap	(3,370,791)	(4,214,472)	(4,786,996)	(5,244,882)	(6,162,648)		(4,714,882)

Exchange Rate Sensitivity

The regulations of the Central Bank do not permit the difference, whether positive or negative, between a bank's assets and liabilities denominated in any foreign currency (including assets and liabilities denominated in U.S. dollars but

payable in pesos, as well as those denominated in pesos and indexed to the U.S. dollar exchange rate) to exceed 20% of the bank's paid in capital and reserves; except in case where the balance of such assets exceeds the balance of such liabilities and the excess difference does not exceed the bank's allowances and reserves denominated in such foreign currency (excluding profits to be remitted abroad). Santander-Chile has also set an absolute limit on the size of its net foreign currency trading position. At December 31, 2008, this was equal to US\$200 million. The Bank also uses a sensitivity analysis to limit the potential loss in fluctuations of U.S. interest rates on interest income and a VaR model to limit foreign currency risk.

In recent years, our results of operations have benefited from fluctuations in the exchange rate between the Chilean peso and the U.S. dollar in part due to our policy and Central Bank regulations relating to the control of material exchange rate mismatches. However, the rate of devaluation or appreciation of the peso against the U.S. dollar could also be expected to have the following principal effects:

- (i) If we maintain a net asset position in U.S. dollars and a devaluation of the peso against the U.S. dollar occurs, we would record a related gain, and if an appreciation of the peso occurs, we would record a related loss;

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- (ii) If we maintain a net liability position in U.S. dollars and a devaluation of the peso against the dollar occurs, we would record a related loss, and if an appreciation of the peso occurs, we would record a related gain;
- (iii) If the inflation rate for a period exceeded the devaluation of the peso against the U.S. dollar during the same period, this would mean that in real terms the peso appreciated against the U.S. dollar. Therefore, we would record a related gain if we had a net asset position in UFs that exceeded a net liability position in U.S. dollars, and we would record a related loss if we had a net liability position in U.S. dollars that exceeded a net asset position in UFs; and
- (iv) If the inflation rate for a period were lower than the rate of devaluation of the peso against the U.S. dollar during the same period, this would mean that in real terms the peso depreciated against the U.S. dollar. Therefore, we would record a related gain if it maintained a net asset position in U.S. dollars and a net liability position in UFs and would record a related loss if it had a net liability position in U.S. dollars and a net asset position in UFs.

We enter into foreign exchange forward contracts and interest rate swap contracts as part of our asset and liability management. We enter into two fundamental types of foreign forward exchange contracts: (i) transactions covering two foreign currencies and (ii) transactions covering only Chilean pesos and UFs against U.S. dollars. We use the first type for hedging purposes, such as when we take a liability position in foreign currency other than the U.S. dollar, and use the second type, which is carried out only in the Chilean local market, to take foreign currency positions, subject to the regulatory requirement that the forward foreign currency exposure must be included in the maximum net foreign currency position permitted by applicable regulations. See “Item 4: D. Regulation and Supervision” and “Item 5: F. Selected Statistical Information—Average Balance Sheets, Income Earned from Interest-Earning Assets And Interest Paid on Interest Bearing Liabilities.”

The Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. As noted above, substantially all of our forward contracts are made in U.S. dollars against the Chilean peso or the UF. We may enter into foreign currency forward contracts with companies organized and located outside of Chile, including foreign subsidiaries of Chilean companies. We believe that as the market for forward contracts deepens, our client base in Chile as well as our relationship with Banco Santander Spain will give us an advantage in positioning ourselves within this new market.

Statistical Tools for Measuring and Managing Risk: Regulatory Method

The Bank must separate its balance sheet into two separate categories: trading portfolio (Libro de Negociación) and the permanent, portfolio (Libro de Banca). The trading portfolio, as defined by the Superintendency of Banks, includes all instruments valued at market prices, free of any restrictions for their immediate sale and that are frequently bought and sold by the bank or are maintained with the intention of selling them in the short term in order to profit from short term price variations. The non-trading portfolio is defined as all instruments in the balance sheet not considered in the trading portfolio (See Item 5E-Liquidity and Capital Resources-Financial Investments).

We must also report the following absolute risk levels:

Trading portfolio:

- Exposure to interest rate risk: Interest rate risk of the trading portfolio is basically a sensitivity analysis, which is the calculated potential losses assuming an increase in nominal rate yield curves, real rates and foreign currency rates by 75 to 350 basis point.
- Exposure to foreign currency risk: The foreign currency risk is calculated using sensitivity factors linked to the credit risk rating of the issuing country.

- Market risk exposure of options: Options risk is calculated using sensitivity factors called delta, gamma and vega that basically measure the sensitivity of the value of the options to changes in the price of the underlying security and its volatility.

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Non trading portfolio:

- Exposure to short term interest rate risk: Sensitivity analysis that is calculated for assets and liabilities with maturities of less than 1 year, assuming a 200 basis point parallel shift of the nominal yield curve, 400 for real rates and 200 for foreign interest rates.
- Exposure to inflation risk: Sensitivity analysis that is calculated for assets and liabilities with maturities of less than 1 year, assuming a 200 basis point parallel shift of the nominal yield curve, 400 for real rates and 200 for foreign interest rates.
- Exposure to long term interest rate risk: Sensitivity analysis that is calculated for assets and liabilities with maturities from 1 to over 20 years, assuming a 200 basis point parallel shift of the nominal yield curve, 400 for real rates and 200 for foreign interest rates.

The Superintendency of Banks has defined various limits for these risks.

1) EMR limit. A bank's regulatory capital must be greater or equal to the sum of the exposure to market risk multiplied by the minimum capital adequacy ratio defined in the General Banking Law. In other words:

$$RC - ((k * RWA) + EMR) > 0$$

Where:

RC: Regulatory capital as defined by the General Banking Law.

k: Minimum capital adequacy ratio. The Bank is required to use a 10% minimum capital adequacy ratio for the purpose of calculating the EMR limit.

RWA: Consolidated risk-weighted assets as defined by the General Banking Law.

EMR: Exposure to market risk. Santander-Chile's EMR is equal to the total market risk of its unconsolidated trading portfolio. This includes interest rate risk, foreign currency risk and risks derived from options.

2) Limit on exposure to short-term interest rate and inflation risk of the Bank's non-trading portfolio. Santander-Chile's exposure to short-term interest rate and inflation risk of the non-trading portfolio cannot exceed 20% of its unconsolidated net interest income plus fees sensitive to interest rate volatility.

3) Limit on exposure to long term interest rate risk of a bank's non-trading portfolio. Santander-Chile's exposure to long term interest rate risk of the unconsolidated non-trading portfolio cannot exceed 35% of its regulatory capital.

The following is a description of the models adopted by local regulators for measuring market risks.

Interest rate risk of trading portfolio: Regulatory method

The interest rate risk of the trading portfolio as defined by the Central Bank of Chile is equal to the sum of:

- 1) The sensitivity analysis (sensitivity factor) of the trading portfolio
- 2) Vertical adjustment factor
- 3) Horizontal adjustment factor

The sensitivity factor of the trading portfolio is calculated using the following formula:

Where:

Amt = Trading Assets (pesos, inflation linked and foreign currency)
Lmt = Liabilities funding trading positions (pesos, inflation linked and foreign
currency)
amt = Sensitivity factor to rise in interest rates

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- t = Time period
M = Currency (pesos, inflation linked and foreign currency)
S = Summation
= Absolute value

The vertical adjustment factor is calculated in the following manner

Where:

- Amt = Trading Assets (pesos, inflation linked and foreign currency)
Lmt = Liabilities funding trading positions (pesos, inflation linked and foreign currency)
amt = Sensitivity factor to rise in interest rates
t = Time period
M = Currency (pesos, inflation linked and foreign currency)
b = Vertical adjustment factor = 10%

A horizontal adjustment must be made following the vertical adjustment. To determine the horizontal adjustment one must multiply the horizontal adjustment factor by the compensated net position for Zones 1, Zone 2, Zone 3, Zones 1 and 2, Zones 2 and 3 and Zones 1 through 3

Horizontal adjustment =	Adjusted net position ()
Compensated net position Zone 1,2 or 3	Min (Adjusted net asset position; absolute value of Adjusted net liability position in Zone 1, 2 or 3)
Compensated net position Zones 1 and 2	Min (Adjusted net asset position in Zones 1 and 2 , absolute value of adjusted net liability position in Zones 1 and 2)
Compensated net position Zones 2 and 3	Min (Adjusted net asset position in Zone 3 and Zone 2 (deducting adjusted net asset position that have been compensated for with net liability positions in Zone 1) , absolute value of adjusted net liability position in Zone 3 and Zone 2 (deducting adjusted net liability positions that have been compensated for with net liability positions in Zone 1))
Compensated net position Zones 1 – 3	Min (Adjusted net asset position in Zone 3 and Zone 1 (deducting adjusted net asset position that have been compensated for with net liability positions in Zone 2) , absolute value of adjusted net liability position in Zone 3 and Zone 1 (deducting adjusted net liability positions that have been compensated for with net liability positions in Zone 2))

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The following table illustrates the value of the different factors used for calculating the interest rate risk of the trading portfolio.

Table 1 Sensitivity Factors - Trading Portfolio

Zone	T	Period	Change in			Sensitivity factor(amt)			Vertical adjustment factor ()	Horizontal adjustment factor ()
			peso	UF	FX	Peso	UF	FX		
Zone 1	1	Up to 30 days	125	350	125	0.0005	0.0014	0.0005		
	2	31 days to 3 mth	125	300	125	0.0019	0.0047	0.0020		40%
	3	3 – 6 mths	125	250	125	0.0042	0.0088	0.0044		40%
	4	6 – 9 mths	125	200	125	0.0069	0.0116	0.0072		
	5	9 mths – 1 year	125	175	125	0.0095	0.0140	0.0100	10%	100%
Zone 2	6	1-2 years	100	125	100	0.0124	0.0166	0.0133		
	7	2-3 years	100	100	100	0.0191	0.0211	0.0211		30%
	8	3-4 years	100	100	100	0.0248	0.0281	0.0281		
Zone 3	9	4-5 years	75	75	75	0.0221	0.0258	0.0258		40%
	10	5-7 years	75	75	75	0.0263	0.0320	0.0320		
	11	7-10 years	75	75	75	0.0307	0.0401	0.0401	30%	
	12	10-15 years	75	75	75	0.0332	0.0486	0.0486		
	13	15-20 years	75	75	75	0.0317	0.0534	0.0534		
	14	> 20 years	75	75	75	0.0278	0.0539	0.0539		

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Interest rate and inflation risk of trading portfolio: Regulatory method

The short term interest rate risk and inflation risk of the non-trading portfolio as defined by the Central Bank is equal to:

The long term interest rate risk of the non-trading portfolio is calculated according to the following formula:

Where:

- Amt =Non trading Assets (pesos, inflation linked and foreign currency)
 Lmt =Non Trading Liabilities (pesos, inflation linked and foreign currency)
 mt =Sensitivity factor associated with interest rate movement scenario
 NPur =Net position in inflation linked instruments, including those subject to price level restatement
 t =Factor that measures the sensitivity of/to movements in the inflation index. This factor is equal to 2%
 Df =Effect on fees from shifts in interest rate. Each bank must determine which fees are sensitive to shifts in interest rates and assumes a 200 basis point movement.
 rt =Sensitivity factor to increase in interest rates
 t =Time period
 M =Currency (pesos, inflation linked and foreign currency)
 S =Summation
 =Absolute value

The following table illustrates the value of the different factors used for calculating the interest and inflation rate risks of the non-trading portfolio.

Table 2 Sensitivity Factors Trading Portfolio

t	Period	Change in interest rate (bp)			Sensitivity factor long-term (rt)			Sensitivity factor short-term
		peso	UF	FX	peso	UF	FX	(mt)
1	Up to 30 days	200	400	200	0.0008	0.0016	0.0008	0.0192
2	31 days to 3 mth	200	400	200	0.0030	0.0063	0.0031	0.0167
3	3 – 6 mths	200	400	200	0.0067	0.0140	0.0070	0.0125
4	6 – 9 mths	200	400	200	0.0110	0.0231	0.0116	0.0075
5	9 mths – 1 year	200	400	200	0.0152	0.0320	0.0160	0.0025
6	1-2 years	200	400	200	0.0248	0.0399	0.0266	
7	2-3 years	200	400	200	0.0382	0.0422	0.0422	
8	3-4 years	200	400	200	0.0496	0.0563	0.563	
9	4-5 years	200	400	200	0.0591	0.0690	0.0690	
10	5-7 years	200	400	200	0.0702	0.0856	0.0856	
11	7-10 years	200	400	200	0.0823	0.1076	0.1076	

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12	10-15 years	200	400	200	0.0894	0.1309	0.1309
13	15-20 years	200	400	200	0.0860	0.1450	0.1450
14	> 20 years	200	400	200	0.0762	0.1480	0.1480

Foreign currency risk: local method

The foreign currency risk as defined by the Central Bank is equal to:

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Where:

NAP =Net asset position
 NLP =Net liability position
 NPgold =Net position in gold
 si =Sensitivity factor
 Max =Maximum value
 S =Summation
 [jpg] =Absolute value

The following table illustrates the value of the different factors used for calculating foreign currency risk.

Table 3 Sensitivity Factors Foreign Currency Risk

Currency Group	Description	Sensitivity factor (si)
I	All currencies of countries with a AAA sovereign rating	8%
J	All other currencies	35%

Options risk: Regulatory method

The exposure to market risk of options is calculated using sensitivity factors delta, gamma and vega.

Delta

Delta of a derivative security is the rate of change of its price relative to the price of the underlying asset. It is the first derivative of the curve that relates the price of the derivative to the price of the underlying security. When delta is large, the price of the derivative is sensitive to small changes in the price of the underlying security.

Gamma

Gamma of a derivative security is the rate of change of delta relative to the price of the underlying asset; i.e., the second derivative of the option price relative to the security price. When gamma is small, the change in delta is small. The Gamma impact is calculated using the following formula.

$$\text{Gamma impact} = \text{Gamma} * (\text{Variation of underlying security})^2 / 2$$

When the underlying security for an interest rate options is a debt instrument then the variation of the value of the underlying security will be calculated using the sensitivity factors established in Tables 1 and 2 above. When the underlying security is an interest rate then the change in interest rates assumed will be those used in Table 1 and 2 above. Finally, for foreign exchange options, the variation of the underlying security will be calculated using the factors used in Table 3 above.

Vega

Vega is one of the factor sensitivities used to measure sensitivity to the implied volatilities of the underlying security. Vega is the rate of change in the price of a derivative security relative to the volatility of the underlying security.

When vega is large the security is sensitive to small changes in volatility. In general, a long option position will benefit from rising implied volatilities and suffer from declining implied volatilities. Short option positions display opposite behavior. As defined by the Central Bank, the Vega Risk is the sum in absolute value of the vega impacts for each option a bank holds. These impacts will be calculated assuming a change of 25% in the volatility rate.

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Assumptions and Limitations of Scenario Simulations/Sensitivity Analysis (Regulatory method)

Our scenario simulation methodology should be interpreted in light of the limitations of our models, which include:

- The scenario simulation assumes that the volumes remain on balance sheet and that they are always renewed at maturity, omitting the fact that credit risk considerations and pre payments may affect the maturity of certain positions.
- This model assumes set shifts in interest rates and sensitivity factors for different time periods and does not take into consideration any other scenario for each time period or other sensitivity factors.
 - The model does not take into consideration the sensitivity of volumes to these shifts in interest rates.
 - The model does not take into consideration our subsidiaries which are subject to market risks.

Quantitative Disclosures about Market Risk: Regulatory Method

The following table illustrates at December 31, 2007 and 2008, our market risk exposure according to the Chilean regulatory method. This report is sent to the Superintendency of Banks and is published on our website on a quarterly basis. The Bank maximum exposure to long term interest rate fluctuations is set at 35% of regulatory capital and is approved by the Board.

Regulatory Market Risk	At December 31, 2007	At December 31, 2008
	(in millions of nominal Ch\$)	
Market risk of Trading portfolio (EMR)		
Interest rate risk of trading portfolio	64,484	149,709
Foreign currency risk of trading portfolio	2,576	1,530
Risk from interest rate options	39,111	46,998
Risk from foreign currency options	2	173
Total market risk of trading portfolio	106,173	198,410
10% x Risk-weighted assets	1,312,391	1,548,149
Subtotal	1,418,564	1,746,558
Limit = Regulatory Capital	1,602,432	2,143,619
Available margin	183,868	397,061
Non trading portfolio market risk		
Short-term interest rate risk	39,545	8,868
Inflation risk	18,202	8,938
Long term interest rate risk	368,422	409,693
Total market risk of non-trading portfolio	426,169	427,499
Regulatory limit of exposure to short-term interest rate and inflation risk		
Short-term exposure to interest rate risk	39,545	8,868
Exposure to inflation risk	18,202	8,938
Limit: 20% of (net interest income + net fee income sensitive to interest rates)	157,844	188,476

Available margin	100,097	170,670
Regulatory limit of exposure to long term interest rate risk		
Long-term exposure to interest rate risk	368,422	409,693
35% of regulatory capital	560,851	750,267
Available margin	192,429	340,574

Internal Regulations Regarding Market Risk

Our relationship with Banco Santander Spain has allowed us to take advantage of Banco Santander Spain's banking policies, procedures and standards, especially with respect to credit approval and risk management. Banco Santander Spain has successfully used these policies and expertise in the Spanish and other banking markets, and our management believes that such policies and expertise have a beneficial effect upon our operations. Below is a qualitative and quantitative description of our market risks according to our internal guidelines. These guidelines

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were established prior to the adoption of the applicable regulations required by local authorities and are still being used.

The main difference between the regulatory and internal methods is that the internal measures divide the Bank's balance sheet into three categories and impose limits based on these categories. Our internal methods also takes into account Santander S.A. Agente de Valores. As a result, the sensitivity analysis performed incorporates a broader range of instruments and portfolios. The internal method also incorporates a value at risk methodology for measuring the market risk of our consolidated trading positions.

Value at Risk: Consolidated Trading Portfolio (Cartera de Negociación)

The VaR model is mainly used to measure the market risk of our trading portfolio. The Finance Division manages trading activities following the guidelines set by the ALCO and Banco Santander Spain's Global Risk Department. The Market Risk and Control Department's activities consist of (i) applying VaR techniques (as discussed above) to measure interest rate risk; (ii) marking to market our trading portfolios and measuring daily profit and loss from trading activities; (iii) comparing actual trading VaR and other limits against the established limits; (iv) establishing control procedures for losses in excess of such limits; and (v) providing information about trading activities to the ALCO, other members of senior management, the Finance Division and Banco Santander Spain's Global Risk Department.

The Bank has a consolidated trading position comprised of fixed income trading, foreign currency trading and a minor equity trading position. The market risk of this trading portfolio is measured by using a VaR technique. The composition of this portfolio mainly consisted of Central Bank bonds, mortgage bonds and low risk Chilean corporate bonds issued locally. There is also an equity portfolio that represents less than 5% of the total trading portfolio. Under Chilean GAAP, a bank must separate its unconsolidated financial investment portfolio between "trading" and "available for sale" investment portfolios. Under Chilean GAAP, the unrealized holding gains (losses) related to investments classified as available for sale have been included in equity. The size of the available for sale portfolio is limited to an amount equal to such bank's capital. Any amount above this must be considered as "trading"; the unrealized gains (losses) related to investments classified as "trading" are included in operating results. The ALCO has taken a conservative approach and has set even more restrictive limits on the Finance Division's actual trading portfolio. This portfolio is denominated "Cartera de Negociación". The market risk of the portfolio defined as "trading" for accounting purposes is measured by using the regulatory method.

VaR Model

All VaR measurements are intended to determine the distribution function for the change in value of a given portfolio, and once this distribution is known, to calculate a percentile linked to the confidence level required which will be equal to the VaR under those parameters. Therefore, if the distribution function of the change in value of a portfolio is known and given by $f(x)$, where x is the random variable of the change in value of the portfolio, then the VaR for a determined level of confidence of $k\%$ is given by the number such that:

As calculated by Santander-Chile, VaR is an estimate of the expected maximum loss in the market value of a given portfolio over a one day horizon at a one tailed 99.00% confidence interval. It is the maximum one day loss that Santander-Chile would expect to suffer on a given portfolio 99.00% of the time, subject to certain assumptions and limitations discussed below. Conversely, it is the figure that Santander-Chile would expect to exceed only 1.0% of the time. VaR provides a single estimate of market risk that is comparable from one market risk to the other. Volatility is calculated utilizing 520 historical observations. A one day holding period is utilized.

Santander-Chile uses VaR estimates to alert senior management whenever the statistically expected losses in its trading portfolio exceed prudent levels. Limits on VaR are used to control exposure on the fixed income trading

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portfolio, the net foreign currency trading position and the equity trading portfolio. Santander-Chile's trading portfolio is mainly comprised of government bonds, mortgage finance bonds, mortgage finance bonds, the foreign currency trading position and a minor position in equities through Santander S.A. Agente de Valores. A daily VaR is calculated for the trading portfolio.

Assumptions and Limitations of VaR Model

Our VaR model assumes that changes in the market risk factors have a normal distribution and that the parameters of this joint distribution (in particular, the standard deviation of risk factor changes and the correlation between them) have been estimated accurately. The model assumes that the correlation and changes in market rates/prices included in our historical databases are independent and identically distributed random variables, and provide a good estimate of correlation and rate/price changes in the future.

Our VaR methodology should be interpreted in light of the limitations of our models, which include:

- Changes in market rates and prices may not be independent and identically distributed random variables or have a normal distribution. In particular, the normal distribution assumption may underestimate the probability of extreme market moves;
- The historical data we use in our VaR model may not provide the best estimate of the joint distribution of risk factor changes in the future, and any modifications in the data may be inadequate. In particular, the use of historical data may fail to capture the risk of possible extreme adverse market movements independent of the time range utilized. For example, the use of extended periods of historical data might erroneously lead to an important decrease in volatility especially after the Asian crisis. We typically use 520 historical observations of market data depending on circumstances, but also monitor other ranges of market data in order to be more conservative. However, reliable historical risk factor data may not be readily available for certain instruments in our portfolio;
- A one day time horizon may not fully capture the market risk positions that cannot be liquidated or hedged within one day. It would not be possible to liquidate or hedge all positions in one day;
- At present, we compute VaR at the close of business and trading positions may change substantially during the course of the trading day;
- The use of 99% confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this level of confidence; and
- Value at risk does not capture all of the complex effects of the risk factors on the value of positions and portfolios and could, therefore, underestimate potential losses.

There are also a number of approximations in the VaR calculation. For example, benchmark indexes are used instead of certain risk factors, and in the case of some activities, not all the relevant risk factors are taken into account which can be due to difficulties obtaining daily data.

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Quantitative Disclosures: Market Risk Consolidated Trading Portfolio (VaR)

We did not exceed our daily VaR in 2007 and 2008 in the fixed income, equity or foreign currency trading portfolios. For Santander-Chile's various trading portfolios, the average, high and low amounts of the daily VaR in the years ended December 31, 2007 and 2008, were the following:

	For the year ended December 31,	
	2007	2008
Consolidated Trading Portfolio		
High	7.1	11.6
Low	2.8	3.7
Average	4.2	6.6

	For the year ended December 31,	
	2007	2008
Fixed income Trading Portfolio		
High	6.5	9.5
Low	3.0	3.3
Average	4.0	6.0

	For the year ended December 31,	
	2007	2008
Equity Trading Portfolio		
High	1.8	1.4
Low	0.1	0.2
Average	0.7	0.5

	For the year ended December 31,	
	2007	2008
Foreign currency Trading Portfolio		
High	4.0	4.0
Low	0.1	0.6
Average	1.1	2.5

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Quantitative Disclosure: Derivatives

Derivatives

The Bank enters into transactions involving derivative instruments, particularly foreign exchange contracts, as part of its asset and liability management, and in acting as a dealer in order to satisfy its clients' needs. The notional amounts of these contracts are carried off-balance sheet.

Foreign exchange forward contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These contracts are generally standardized contracts, normally for periods between 1 and 180 days and are not traded in a secondary market; however, in the normal course of business and with the agreement of the original counterparty, they may be terminated or assigned to another counterparty.

When the Bank enters into a forward exchange contract, it analyses and approves the credit risk (the risk that the counterparty might default on its obligations). Subsequently, on an ongoing basis, it monitors the possible losses involved in each contract. To manage the level of credit risk, the Bank deals with counterparties of good credit standing, enters into master netting agreements whenever possible and when appropriate, obtains collateral.

The Chilean Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. In the case of the Bank, most forward contracts are made in U.S. dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary.

During the period ended December 31, 2007 and 2008, the Bank entered into interest rate and cross currency swap agreements to manage exposure to fluctuation in currencies and interest rates. The differential between the interest paid or received on a specified notional amount is recognized under the caption "Amounts payable from forward contracts, net". The fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates are recognized in the consolidated financial statements.

The Bank's foreign currency futures and forward operations and other derivative products outstanding at December 31, 2007 and 2008, are summarized below:

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	Cash Flow hedge (CF) or fair value hedge (FV)	Notional amounts			Fair Value	
		Within 3 months MCh\$	After 3 months but within one year MCh\$	After one year MCh\$	Assets MCh\$	Liabilities MCh\$
Derivative instruments in designated hedge accounting relationships						
Currency forwards	()	-	-	-	-	-
Interest rate swaps	(FV)	-	-	45,849	1,234	1,332
Currency swaps	()	-	-	-	-	-
Cross currency swaps	(FV)	-	-	359,100	106,335	-
Cross currency swaps	(CF)	51,300	573,598	128,250	73,036	151
Call currency options	()	-	-	-	-	-
Call interest rate options	()	-	-	-	-	-
Put currency options	()	-	-	-	-	-
Put interest rate options	()	-	-	-	-	-
Interest rate future	()	-	-	-	-	-
Others derivatives	()	-	-	-	-	-
Subtotal		51,300	573,598	533,199	180,605	1,483
Derivative instruments for Trading						
Currency forwards		5,643,973	2,983,543	438,347	600,199	302,479
Interest rate swaps		3,865,373	4,635,536	9,922,492	239,867	362,813
Currency swaps		-	-	-	-	-
Cross currency swaps		619,041	1,634,073	9,281,020	803,199	780,614
Call currency options		225,936	157,871	1,347	21,901	18,126
Call interest rate options		-	128,250	-	-	45
Put currency options		195,792	138,795	1,347	657	4,164
Put interest rate options		-	64,125	-	-	-
Interest rate future		-	-	-	-	-
Others derivatives		15,016	-	-	81	-
Subtotal		10,565,131	9,742,193	19,644,553	1,665,904	1,468,241
Total		10,616,431	10,315,791	20,177,752	1,846,509	1,469,724

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	Cash Flow hedge (CF) or fair value hedge (FV)	Notional amounts			Fair Value	
		Within 3 Months MCh\$	After 3 months but within one year MCh\$	After one year MCh\$	Assets MCh\$	Liabilities MCh\$
Derivative instruments in designated hedge accounting relationships						
Currency forwards	()	-	-	-	-	-
Interest rate swaps	(FV)	-	-	131,985	4,237	546
Currency swaps	()	-	-	-	-	-
Cross currency swaps	(FV)	-	-	303,538	-	10,068
Cross currency swaps	(CF)	-	-	523,062	-	60,075
Call currency options	()	-	-	-	-	-
Call interest rate options	()	-	-	-	-	-
Put currency options	()	-	-	-	-	-
Put interest rate options	()	-	-	-	-	-
Interest rate future	()	-	-	-	-	-
Others derivatives	()	-	-	-	-	-
Subtotal		-	-	958,585	4,237	70,689
Derivative instruments for Trading						
Currency forwards		6,290,081	4,288,887	855,702	121,609	174,191
Interest rate swaps		2,107,282	3,543,727	9,537,991	94,207	173,294
Currency swaps		-	-	-	-	-
Cross currency swaps		145,573	501,876	7,140,415	627,767	427,215
Call currency options		70,507	32,349	702	286	318
Call interest rate options		-	-	81,305	1	-
Put currency options		173,985	39,779	-	1,635	1,277
Put interest rate options		-	-	82,394	-	10
Interest rate future		-	-	-	-	-
Others derivatives		213,828	3,205	-	444	407
Subtotal		9,001,256	8,409,823	17,698,509	845,949	776,712
Total		9,001,256	8,409,823	18,657,094	850,186	847,401

The notional amounts refer to the U.S. dollar bought or sold or to the U.S. dollar equivalent of foreign currency bought or sold for future settlement. The contract terms correspond to the duration of the contracts as from the date of the transaction to the date of the settlement.

Sensitivity Analysis: Consolidated Non Trading Portfolios

The Bank's non-trading portfolio or Financial Management (Gestión Financiera) portfolio includes the majority of the Bank's assets and liabilities that are not trading, including the loan portfolio. Investment and funding decisions are heavily influenced by commercial strategies.

We use a sensitivity analysis to measure the market risk of the local and foreign currency-denominated non-trading portfolio. We perform a scenario simulation by calculating the potential loss over the entire balance from an increase (or decrease) of 100 basis points in the entire yield curve in terms of local rates. All local currency positions indexed to inflation are adjusted for a sensitivity factor of 0.57, which represents a shift of yield curve by 57 basis points in real rates and 100 basis point in nominal rates. The same scenario is performed for the net foreign currency

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position and U.S. dollar interest rates. We set limits as to the maximum loss these types of movements in interest rates can lead to over our capital and net financial income budgeted for the year. These limits are calculated according to the formulas discussed below.

Scenario Simulation (Net Financial Income)

To determine the percentage of our budgeted net financial income for the year that is at risk of loss upon a sudden 100 basis point movement in the entire yield curve, we utilize the following equation:

n: Number of intervals in which sensitivity is measured.

ti: Average maturity (or duration) for each interval being measured.

Δr : Change in interest rate. A 100 basis point increase (decrease) in the yield curve is used.

GAP: Difference between assets and liabilities that are sensitive to interest rates for each period.

Scenario Simulation (Capital and Reserves)

To determine the percentage of our capital and reserves that is at risk of loss upon a sudden 100 basis point movement in the entire yield curve, we utilize the following equation:

N: Number of intervals in which sensitivity is measured.

Dmj: Modified duration for interval i.

Δr : Change in interest rate. A 100 basis point increase (decrease) in the yield curve is used.

GAP: Difference between assets and liabilities that are sensitive to interest rates for each period.

Consolidated limits:

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial income loss limit and the loss limit over capital and reserves using the following formula:

Consolidated limit = Square root of $a^2 + b^2 + 2ab$

a: limit in local currency.

b: limit in foreign currency.

Since correlation is assumed to be 0. $2ab = 0$.

Assumptions and Limitations of Scenario Simulations/Sensitivity Analysis

The most important assumption is the usage of a 100 basis point shift in the yield curve (57 basis points for real rates). We use a 100 basis point shift since a sudden shift of this magnitude is considered realistic, but not an everyday

occurrence given historical movements in the yield curve, and significant in terms of the possible effects a shift of this size could have on our performance. The Global Risk Department at Banco Santander Spain has also set comparable limits by country in order to be able to compare, monitor and consolidate market risk by country in a realistic and orderly manner.

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Our scenario simulation methodology should be interpreted in light of the limitations of our models, which include:

- The scenario simulation assumes that the volumes remain on balance sheet and that they are always renewed at maturity, omitting the fact that credit risk considerations and pre payments may affect the maturity of certain positions.
- This model assumes an equal shift throughout the entire yield curve and does not take into consideration different movements for different maturities.
 - The model does not take into consideration the sensitivity of volumes to these shifts in interest rates.
- The limits to the loss of the budgeted financial income are calculated over an expected financial income for the year which may not be obtained, signifying that the actual percentage of financial income at risk could be higher than expected.

Quantitative Disclosure: Market Risk Non Trading Portfolio (Sensitivity Analysis/Scenario Simulations)

The Finance Division manages the risk management of the consolidated non-trading portfolios under guidelines approved by the ALCO and Banco Santander Spain's Global Risk Department. In carrying out its market risk management functions, the Finance Division manages interest rate risk that arises from any mismatches with respect to rates, maturities, repricing periods, notional amounts or other mismatches between our interest earning assets and our interest bearing liabilities.

The Market Risk and Control Department: (i) applies scenario simulations (as discussed below) to measure the interest rate risk of the local currency activities and the potential loss as forecast by these simulations; and (ii) provides the ALCO, the Finance Division and Banco Santander Spain's Global Risk Department with risk/return reports.

Non-trading local currency portfolio

The potential loss in the market value of our local currency-denominated non-trading balance sheet resulting from a 100 basis point shift in the yield curve was set at approximately Ch\$94,000 million of equity at year-end 2007. In 2008, this limit was reduced to Ch\$86,400 as the Bank viewed that interest rates in Chile were going to rise and this potential risk controlled. The Bank remained within this limit in 2008. At the same time, the variation in net interest income caused by a 100 basis point shift of the local yield curve was set at Ch\$24,000 million and Santander-Chile was within the limits established in 2008. These limits are internally set by the ALCO. The ALCO has authority to lower this limit. However, approval from the Santander Central Hispano Global Risk Department is required to lift this limit. The following table, sets forth the loss limit and the high, low and average potential loss in 2007 and 2008 resulting from a 100 basis point shift in the relevant interest rate.

Local
Currency-denominated
Financial Management
Portfolio
Capital
and
Financial Income Reserves
(in millions of constant
Ch\$ as of December

	31, 2008)	
Loss limit at December 31, 2008	24,000	86,400
High	16,720	85,837
Low	3,138	60,251
Average in 2008	10,707	72,622

	Local Currency-denominated Financial Management Portfolio Capital and Financial Income Reserves (in millions of constant Ch\$ as of December 31, 2007)	
Loss limit at December 31, 2007	20,000	94,000
High	13,835	91,733
Low	386	50,630
Average in 2007	8,243	75,450

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Non-trading foreign currency portfolio

For our net non-trading foreign currency position, any loss caused by a 100 basis point shift in U.S. dollar interest rates may not exceed US\$54 million of equity and US\$36 million of budgeted net interest income. These limits are internally imposed limits set by the ALCO. The ALCO has the authority to lower this limit. However, approval from Banco Santander Spain Global Risk Department is required to lift this limit. The following table sets forth the loss limit and the high, low and average potential loss in 2007 and 2008, resulting from a 100 basis point shift in the interest rates on U.S. dollar-denominated assets and liabilities

	Foreign Currency-denominated Financial Management Portfolio Capital and Reserves (in millions of constant US\$)	
Loss limit at December 31, 2008	36.0	54.0
High	31.2	9.4
Low	1.8	0.2
Average in 2008	15.1	4.2

	Foreign Currency-denominated Financial Management Portfolio Capital and Reserves (in millions of constant US\$)	
Loss limit at December 31, 2007	30.0	45.0
High	16.0	7.9
Low	1.0	0.7
Average in 2007	6.7	4.2

Combined non-trading local and foreign currency

We track a consolidated indicator to track the total interest risk of the local and foreign currency-denominated non-trading portfolios. The consolidated loss limit for equity at risk was set at Ch\$94,000 million at the beginning of 2008 and was subsequently lowered to Ch\$86,400 million. The Bank has remained within this limit for this portfolio in 2008. At the same time, the variation in net interest income caused by a 100 basis point shift of the local yield curve may not exceed Ch\$24,000 million. The following table, which contemplates a 100 basis point shift in the relevant interest rate, indicates that Santander-Chile was within the limits established in 2008. These limits are an internally imposed limit set by the ALCO and Banco Santander Spain's Global Risk Department. The ALCO has authority to lower these limits. However, approval from Banco Santander Spain Global Risk Department is required to lift these limits.

	Combined Financial Management Portfolio Capital and Financial Reserves (in millions of constant Ch\$ as of December 31, 2008)	
Loss limit at December 31, 2008	24,000	86,400
High	16,720	86,051
Low	3,138	60,252
Average in 2008	10,707	72,683

	Combined Financial Management Portfolio Capital and Financial Reserves (in millions of constant Ch\$ as of December 31, 2007)	
Loss limit at December 31, 2007	30,000	94,000
High	15,249	91,733
Low	5,377	50,630
Average in 2007	9,553	75,452

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Volume Limits

We have also developed volume limits, which place a cap on the actual size of the different portfolios being monitored.

Fixed Income: Volume Equivalent. This system is considered to be an additional limit to the size of our consolidated fixed income trading portfolio. This measure seeks to conform the different instruments in our fixed income trading portfolio and convert the portfolio into a single instrument with a duration of one year. Santander-Chile limits the size of this volume equivalent portfolio. The equivalent volume is calculated by the Market Risk and Control Department and limits are set by the ALCO with respect to the size of the volume equivalent portfolio.

Net Foreign Currency Trading Position: Maximum Net Position. We also set an absolute limit on the size of Santander-Chile's consolidated net foreign currency trading position. At December 31, 2008, this was equal to US\$200 million. The limit on the size of the net foreign currency position is determined by the ALCO and is calculated and monitored by the Market Risk and Control Department.

Liquidity Management

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

- The sum of the liabilities with a maturity of less than 30 days may not exceed the sum of the assets with a maturity of less than 30 days by more than an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2008, the percentage of (x) our liabilities with a maturity of less than 30 days in excess of our assets with a maturity of less than 30 days to (ii) our capital and reserves was 51.0%. In 2008, we did not surpass the limit.
- The sum of the liabilities with a maturity of less than 90 days may not exceed the sum of the assets with a maturity of less than 90 days by more than 2 times our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2008, the percentage of (x) our liabilities with a maturity of less than 90 days in excess of our assets with a maturity of less than 90 days to (y) 2 times our capital and reserves was 53.0%. In 2008, we did not surpass the limit.

Other Subsidiaries

For VaR measurements and scenario simulations, our consolidated trading and consolidated non-trading portfolios do not consolidate the asset liability structure of the following subsidiaries:

- Santander S.A. Corredores de Bolsa
- Santander Asset Management S.A. Administradora General de Fondos
- Santander S.A. Sociedad Securitizadora
- Santander Corredores de Seguros Ltda.
- Santander Servicios de Recaudación y Pagos Ltda.

The balance sheets of these subsidiaries are mainly comprised of non sensitive assets and liabilities, fixed assets and capital and in total only represent 1.8% of our total consolidated assets.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2008, the Bank, under the supervision and with the participation of Bank's management, including the President, Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(f) under the Exchange Act). There are, as described below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the Bank's President, Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective in ensuring that information relating to the Bank, including its consolidated subsidiaries, required to be disclosed in the reports it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to the management, including principal financial officers as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15 (f) under the Exchange Act. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Chile, including the reconciliation to U.S. GAAP, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
 - Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Bank's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed may not prevent or detect misstatements, due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Bank's management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the Enterprise-Wide Risk Management – Integrated Framework.

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Based on this assessment, our management concluded that, as of December 31, 2008, our internal control over financial reporting was effective based on those criteria.

Our internal control over financial reporting as of December 31, 2008, has been audited by Deloitte Auditores y Consultores Limitada, an independent registered public accounting firm, as stated in their report which follows below.

Changes in Internal Control Over Financial Reporting

There has been no change in the Bank's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders of Banco Santander Chile

We have audited the internal control over financial reporting of Banco Santander Chile and subsidiaries (the "Bank") as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exist, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank's internal control over financial reporting is a process designed by, or under the supervision of, the bank's principal executive and principal financial officers, or persons performing similar functions, and effected by the bank's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of

changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated financial statements as of and for the year ended December 31, 2008 and our report dated June 22, 2009 expressed an unqualified opinion on those consolidated financial statements and

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included three explanatory paragraphs stating that (1) as explained in Note 2 to the consolidated financial statements, during 2008 the Superintendency of Banks issued Circular No. 3,410 which modified the presentation format of financial statements models, the definition of cash and cash equivalent, and adopted a criterion of provisions for minimum dividends. For this reason, the consolidated financial statements for 2007 and 2006 have been restated to conform to the new presentation formats required by the Superintendency, (2) the accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”), and that the information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements of the Bank, and (3) that a convenience translation of Chilean peso amounts to U.S. dollars was presented.

/s/ Deloitte
Santiago, Chile
June 22, 2009

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that one of the members of our Audit Committee, Víctor Arbulú Crousillat, meets the requirements of an “audit committee financial expert” in accordance with SEC rules and regulations, in that he has an understanding of Chilean GAAP and financial statements, the ability to assess the general application of Chilean GAAP in connection with the accounting for estimates, accruals and reserves, experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our consolidated financial statements, an understanding of internal controls over financial reporting, and an understanding of audit committee functions. All three members of our Audit Committee have experience overseeing and assessing the performance of Santander-Chile and its consolidated subsidiaries and our external auditors with respect to the preparation, auditing and evaluation of our consolidated financial statements.

All three members of our Audit Committee are considered independent under applicable NYSE criteria. Both Víctor Arbulú C. and Lucia Santa Cruz are relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B), which allows an otherwise independent director to serve on both the audit committee of the issuer and the Board of Directors of an affiliate.

ITEM 16B. CODE OF ETHICS

The Bank has adopted a code of ethics that is applicable to all of the Bank’s employees and a copy is included as an exhibit hereto. We will provide to any person without charge, upon request, a copy of our code of ethics. Please email rmorenoh@santander.cl to request a copy.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Amounts paid to the auditors for statutory audit and other services were as follows:

	2007	2008
	(in millions of constant Ch\$ as of December 31, 2008)	
Audit Services		
- Statutory audit	859	528
- Audit-related regulatory reporting	108	106
Tax Fees		
- Compliance	-	-
- Advisory Services	1	28
All Other Services	16	61
Total	984	723

Statutory audit: Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements that are provided by Deloitte Auditores y Consultores Limitada in 2007 and 2008 in connection with statutory and regulatory filings or engagements, and attest services.

Audit-related regulatory reporting: Consists of fees billed for assurance and related services that were specifically related to the performance of the audit and review of our filings under the Securities Act.

Auditors are pre-approved by the Audit Committee. The selection of external auditors is subject to approval by shareholders at the Annual Shareholders' Meeting. All proposed payments have been presented to our Audit Committee, which has determined that they are reasonable and consistent with internal policies.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2008, neither Santander-Chile nor any of its affiliates purchased any of Santander-Chile's equity securities.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Summary Comparison of Corporate Governance Standards and NYSE Listed Company Standards

Our corporate governance standards, dictated by Chilean corporate law, differ from the standards followed by U.S. companies under the New York Stock Exchange (NYSE) listing standards in a number of ways. Consequently, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements. The following is a non-exhaustive summary of a few key differences:

- Whether a company's executive officers may serve as its directors – the NYSE standards do not prohibit a U.S. company's executive officer from also serving as a director, whereas our corporate governance standards prohibit this.
- Whether the shareholders must be given an opportunity to vote on equity-compensation plans – the NYSE standards require that shareholders be allowed to vote on all equity compensation plans of a U.S. company,

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whereas our corporate governance standards only require that shareholders be allowed to vote on director compensation.

- The adoption and disclosure of corporate governance guidelines – the NYSE standards require all U.S. companies listed on the NYSE to adopt the NYSE corporate governance guidelines, whereas we follow the corporate governance guidelines established under Chilean law.

As more than 50% of our voting power is held by another company, Banco Santander Spain, S.A., we would be permitted to elect for certain exemptions under NYSE corporate governance standards if we were a U.S. company. Specifically, as a U.S. company, we could elect to be exempted from the requirements (i) that we have a majority of independent directors (as defined by the NYSE), (ii) that we have a nominating/corporate governance committee meeting certain conditions, and (iii) that we have a compensation committee meeting certain requirements. Because we would not be required to follow these standards if we were a U.S. company, we have not summarized the differences, if any, between these provisions and our own corporate governance procedures.

Summary of Corporate Governance Standards

Santander-Chile has adopted diverse measures to promote good corporate governance. Among the measures adopted are:

- Board of Directors mainly composed of professionals not related to Banco Santander Spain, our parent company.
 - Active participation of Directors in main committees of the Bank.
- All personnel must subscribe to a code of ethics and good conduct. Those who interact directly with the capital markets must also subscribe to an additional code of conduct.
- Segregation of functions in order to assure adequate management of risks. Commercial areas separated from back office areas. Risk management independent of commercial areas. Main credit decisions taken in committees.
 - Internal Auditing Area clearly independent from the Administration.
- The Bank also has an Internal Compliance Division that oversees the fulfillment of the Bank's codes of conduct.

Santander-Chile has a commitment to transparency. This includes:

- Equal treatment for all shareholders: one share equals to one vote.
- Monthly publication of the Bank's results by the Superintendency of Banks.
- Quarterly report of a detailed analysis of Bank results published by us at least 30 days after the close of each interim quarter and 40 days after close of the full year.
 - Quarterly conference call open to the public.
- All information relevant to the public available immediately on the web page www.santander.cl.
- Ample and periodic coverage of the Bank by international and local stock analysts.

- The Bank has five credit risk ratings by five independent rating agencies, domestic and international.

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PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this Annual Report.

ITEM 19. EXHIBITS

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<u>Consolidated Statements of Income for each of the three years in the period ended December 31, 2008</u>	F-5
<u>Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2008</u>	F-6
<u>Consolidated Statements of Changes in Shareholders' Equity for each of the three years ended December 31, 2008</u>	F-7
<u>Consolidated Statements of Cash Flows for each of the three years ended December 31, 2008</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-9

b) Index to Exhibits

Exhibit Number	Description
1A.1	Restated Articles of Incorporation of Santander-Chile (in Spanish) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1A.2	Restated Articles of Incorporation of Santander-Chile (English translation) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1B.1	Amended and Restated By-Laws (estatutos) of Santander-Chile (in Spanish).
1B.2	Amended and Restated By-Laws (estatutos) of Santander-Chile (English translation).
2A.1	Form of Amended and Restated Deposit Agreement, dated August 4, 2008, among Banco Santander-Chile, JPMorgan Chase Bank, N.A. (as depositary) and Holders of American Depositary Receipts (incorporated by reference to our Registration Statement on Form F-6 (Registration No. 333-152664)).

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filed with the Commission on July 31, 2008).

- 2A.2 Form of Foreign Investment Contract among Banco Santiago, JPMorgan Chase Bank, N.A. and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs (accompanied by an English translation) (incorporated by reference to our Registration Statement on Form F-1 (Registration No. 333-7676) filed with the Commission on October 23, 1997).
- 2A.3 Copy of the Central Bank Chapter XXVI Regulations Related to the Acquisition of Shares in Chilean Corporations and the Issuance of Instrument on Foreign Stock Exchanges or under Other Terms and Conditions of Issue (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 2B.1 Agreement for the Issuance of Bonds dated November 26, 1996 between Old Santander-Chile and Banco Security (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 2B.2 Indenture dated December 9, 2004 between Santander-Chile and Deutsche Bank Trust Company Americas, as trustee, providing for issuance of securities in series (incorporated by reference to Banco Santiago's Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (File No. 1-4554) filed with the Commission on April 12, 2006).
- 2B.3 Indenture dated March 16, 2001, as amended on May 30, 2003, October 22, 2004, May 3, 2005, and September 20, 2005 between Santander-Chile and Banco de Chile, as trustee, relating to issuance of UF14 million senior notes (copy to be furnished upon request).
- 4A.1 Automatic Teller Machines Participation Agreement dated October 1, 1988 between Banco Espanol-Chile (predecessor to Old Santander-Chile) and REDBANC (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 4A.2 Systems and Technology Service and Consulting Agreement between Santander-Chile and Altec dated December 30, 2003 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14554) filed with the Commission on June 29, 2004).
- 4A.3 Purchase-Sale Contract between Santander-Chile and Empresas Almacenes París dated December 6, 2004 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (File No. 1-14554) filed with the Commission on June 12, 2006).

- 4A.4 Service Participant operating contract dated August 9, 2005 between Banco Santander-Chile and Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 1-14554) filed with the Commission on June 19, 2007).
- 4A.5 Contract for the Outsourcing of Computer Services between Santander-Chile and Produban, Servicios Informaticos Generales, S.L, dated December 3, 2007 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007 (File No. 1-14554) filed with the Commission on June 27, 2008).
- 7.1 Statement explaining calculation of ratios.
- 8.1 List of Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).

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- 11.1 Code of Conduct for Executive Personnel of Banco Santander-Chile and Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.2 Code of Conduct for all Grupo Santander Personnel (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 12.1 Section 302 Certification by the Chief Executive Officer.
- 12.2 Section 302 Certification by the Chief Financial Officer.
- 13.1 Section 906 Certification.
- 23.1 Consent of Deloitte & Touche Sociedad de Auditores y Consultores, Ltda.

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Banco Santander-Chile.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO SANTANDER-CHILE

By: /s/ Andrés Heusser R.
Name: Andrés Heusser R.
Title: Deputy Chief Executive
Officer

Date: June 29, 2009

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Ch\$	-	Chilean pesos
MCh\$	-	Millions of Chilean pesos
US\$	-	United States dollars
ThUS\$	-	Thousands of United States dollars
UF	-	A UF is a daily-indexed peso-denominated monetary unit. The UF rate is set daily in advance based on the previous month's inflation rate.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Banco Santander Chile

We have audited the accompanying consolidated balance sheets of Banco Santander Chile and subsidiaries (the “Bank”) as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for each of three years in the period ended December 31, 2008, all expressed in millions of constant Chilean pesos. These consolidated financial statements (including the related notes) are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Santander Chile and subsidiaries as of December 31, 2008 and 2007, the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in Chile and the rules of the Superintendencia de Bancos e Instituciones Financieras.

As explained in Note 2 to the consolidated financial statements, during 2008 the Superintendency of Banks issued Circular N° 3,410 which modified the presentation format of financial statements models, the definition of cash and cash equivalent, and adopted a criterion of provisions for minimum dividends. For this reason, the consolidated financial statements for 2007 and 2006 have been restated to conform to the new presentation formats required by the Superintendency.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America (U.S. GAAP). Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements.

Our audit also comprehended the translation of Chilean peso amounts into U.S. dollar amounts and we are not aware of any modifications that should be made for such translation to be in conformity with the basis stated in Note 1.s. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Banks’ internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 22, 2009 expressed an unqualified opinion on the Bank’s internal control over financial reporting.

/s/Deloitte
Santiago, Chile
June 22, 2009

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BANCO SANTANDER CHILE
CONSOLIDATED BALANCE SHEETS

Expressed in millions of constant Chilean pesos (MCh\$) as of
December 31, 2008 and thousands of U.S. dollars (ThUS\$)

ASSETS	Note	As of December 31,		
		2007(*) MCh\$	2008 MCh\$	2008 ThUS\$ (Note 1.s)
Cash and deposits in banks	3	1,206,985	854,838	1,333,081
Unsettled transaction	3	344,354	335,405	523,049
Trading investments	4	1,186,905	1,161,631	1,811,510