BANCO SANTANDER CHILE
Form 6-K
April 15, 2010

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April 2010

Commission File Number: 001-14554

Banco Santander Chile
Santander Chile Bank
(Translation of Registrant's Name into English)

Bandera 140
Santiago, Chile
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F	X	Form 40-F	

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes		No	X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes		No	X

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes		No	X

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

Banco Santander Chile

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Banco Santander Chile

We have audited the consolidated statements of financial position of Banco Santander Chile and affiliates as of December 31, 2009 and 2008 and the consolidated opening statements of financial position as of January 1, 2008, and the corresponding consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years ending December 31, 2009 and 2008. The preparation of these financial statements (including the related notes) are the responsibility of the Management of Banco Santander Chile. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Chile. 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 statements 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 affiliates as of December 31, 2009 and 2008 and as of January 1, 2008, the results of their operations, the comprehensive income, and the changes in shareholders' equity and cash flows for the years ending December 31, 2009 and 2008, in accordance with Accounting Principles issued by the Superintendency of Banks and Financial Institutions.

As is indicated in Note 2 to the consolidated financial statements, on November 9, 2007 the Superintendency of Banks and Financial Institutions issued the new "Compendium of Accounting Standards," which contains the accounting and reporting standards for Banks, which have been applied for these purposes since January 1, 2009. The financial statements for 2008 and the statement of opening consolidated financial position have been reformulated for comparative purposes.

/s/ Deloitte

January 25, 2010

/s/ Alberto Kulenkampff G.

Alberto Kulenkampff G.

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BANCO SANTANDER CHILE AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the periods ending as of

	NOTE	December 31, 2009 ThUS$	December 31, 2009 MCh$	December 31, 2008 MCh$	January 1, 2008 MCh$
ASSETS					
Cash and deposits in banks	5	4,028,503	2,043,458	855,411	1,108,637
Unsettled transactions	5	922,886	468,134	335,405	316,240
Trading investments	6	1,574,251	798,539	1,166,426	1,093,445
Investments under resale agreements	7	27,639	14,020	-	33,999
Financial derivative contracts	8	2,747,911	1,393,878	1,846,509	780,775
Interbank loans	9	46,072	23,370	95,499	45,961
Loans and accounts receivables from customers	10	26,374,330	13,378,379	14,311,349	12,022,275
Available for sale investments	12	3,607,866	1,830,090	1,580,240	779,635
Held to maturity investments	12		-	-	-
Investments in other companies	13	14,622	7,417	7,277	7,301
Intangible assets	14	152,311	77,260	68,232	56,224
Property, plant and equipment	15	362,981	184,122	200,389	202,489
Current taxes	16	8,952	4,541	18,715	2,499
Deferred taxes	16	187,736	95,229	88,825	80,989
Other assets	17	892,181	452,559	508,655	460,282
TOTAL ASSETS		40,948,241	20,770,996	21,082,932	16,990,751
LIABILITIES					
Deposits and other demand liabilities	18	6,966,060	3,533,534	2,948,162	2,867,934
Unsettled transactions	5	543,073	275,474	142,552	135,219
Investments under repurchase agreements	7	2,197,348	1,114,605	562,223	307,630
Time deposits and other time liabilities	18	14,145,406	7,175,257	9,756,266	7,887,897
Financial derivative contracts	8	2,659,253	1,348,906	1,469,724	778,217
Interbank borrowings	19	4,035,071	2,046,790	1,425,067	1,099,457
Issued debt instruments	20	5,765,749	2,924,676	2,651,372	2,154,996
Other financial liabilities	20	289,622	146,911	131,318	175,667
Current taxes	16	125,837	63,831	791	16,067
Deferred taxes	16	6,663	3,380	19,437	11,084
Provisions	22	366,922	186,121	166,719	50,102
Other liabilities	23	519,263	263,396	293,733	118,549
TOTAL LIABILITIES		37,620,267	19,082,881	19,567,364	15,602,819
SHAREHOLDERS' EQUITY					
Attributable to Bank shareholders:		3,269,228	1,658,316	1,489,689	1,369,798

Capital	25	1,757,128	891,303	891,303	818,535
Reserves	25	101,605	51,539	51,539	47,330
Valuation adjustments	25	(52,842)	(26,804)	(7,552)	(9,475)
Retained earnings	25	1,463,337	742,278	554,399	513,408
Retained earnings of prior years	25	868,213	440,401	237,788	513,408
Income for the period	25	850,178	431,253	415,055	-
Minus: Provision for mandatory dividends	25	(255,054)	(129,376)	(98,444)	-
Minority interest	27	58,746	29,799	25,879	18,134
TOTAL SHAREHOLDERS' EQUITY		3,327,974	1,688,115	1,515,568	1,387,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,948,241	20,770,996	21,082,932	16,990,751

BANCO SANTANDER CHILE AND AFFILIATES
CONSOLIDATED STATEMENTS OF INCOME
For the periods ending as of

	NOTE	December 31, 2009 ThUS$	December 31, 2009 MCh$	December 31, 2008 MCh$
OPERATING INCOME				
Interest income	28	2,381,031	1,207,778	2,061,346
Interest expense	28	(692,483)	(351,262)	(1,169,280)
Net interest income		1,688,548	856,516	892,066
Fee and commission income	29	622,819	315,925	295,969
Fee and commision expense	29	(121,824)	(61,795)	(52,840)
Net fee and commission income		500,995	254,130	243,129
Net income from financial operations (net trading income)	30	7,663	3,887	273,477
Foreign exchange profit (loss), net	31	321,816	163,241	(187,042)
Other operating income	36	65,536	33,243	18,222
Total operating income		2,584,558	1,311,017	1,239,852
Provision for loan losses	32	(658,151)	(333,847)	(287,983)
NET OPERATING PROFIT		1,926,407	977,170	951,869
Personnel salaries and expenses	33	(442,551)	(224,484)	(246,775)
Administrative expenses	34	(269,516)	(136,712)	(133,682)
Depreciation and amortization	35	(91,913)	(46,623)	(47,627)
Impairment	15	(148)	(75)	(84)
Other operating expenses	36	(87,541)	(44,405)	(41,594)
TOTAL OPERATING EXPENSES		(891,669)	(452,299)	(469,762)
OPERATING INCOME		1,034,738	524,871	482,107
Income from investments in other companies	13	586	297	632
Income before tax		1,035,324	525,168	482,739
Income tax expense	16	(175,184)	(88,862)	(60,087)
CONSOLIDATED INCOME FOR THE PERIOD		860,140	436,306	422,652

Attributable to:				
Bank shareholders (Equity holders of the Bank)		850,178	431,253	415,055
Minority interest	27	9,962	5,053	7,597
Earnings per share attributable to Bank shareholders:				
(expressed in pesos)				
Basic earning	25	4.511	2.288	2.203
Diluted earning	25	4.511	2.288	2.203

BANCO SANTANDER CHILE AND AFFILIATES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the periods ending as of

	NOTE	December 31, 2009 ThUS$	December 31, 2009 MCh$	December 31, 2008 MCh$
CONSOLIDATED INCOME FOR THE PERIOD		860,140	436,306	422,652
OTHER COMPREHENSIVE INCOME				
Available for sale investments	12	(18,305)	(9,285)	(14,471)
Cash flow hedge	8	(27,669)	(14,035)	16,740
Other comprehensive income before income tax		(45,974)	(23,320)	2,269
Income tax related to other comprehensive income	16	7,815	3,964	(385)
Total other comprehensive income		(38,159)	(19,356)	1,884
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR		821,981	416,950	424,536
Attributable to:				
Bank shareholders		812,225	412,001	416,978
Minority interest	27	9,756	4,949	7,558

BANCO SANTANDER CHILE AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the periods ending as of December 31, 2009 and 2008 (in millions of pesos)

		RESERVES		VALUATION ACCOUNTS			RETAINED EARNINGS				
	Capital	Reserves and other retained earnings	Merger of companies under common control	Available for sale investments	Cash flow coverage	Income tax	Retained earnings from prior years	Income for the Period	Provision for mandatory dividend	Total attributable to shareholders	M I
Shareholders' equity as of December 31, 2007	818,535	49,372	(2,042)	(5,548)	(5,867)	1,940	273,005	308,647	-	1,438,042	2
Distribution of income from previous period	-		-	-	-	-	308,647	(308,647)	-	-	
Subtotals	818,535	49,372	(2,042)	(5,548)	(5,867)	1,940	581,652	-	-	1,438,042	2
Effect of first application of IFRS	-	-	-	-	-	-	(68,244)	-	-	(68,244)	
Shareholders' equity as of January 1, 2008	818,535	49,372	(2,042)	(5,548)	(5,867)	1,940	513,408	-	-	1,369,798	
Adjustment pursuant to Circular #3443, mandatory dividend 2008	-	-	-	-	-	-	-	-	(92,594)	(92,594)	
Dividends distributions / Withdrawals made	-	-	-	-	-	-	(200,619)	-	92,594	(108,025)	
2008 price-level restatement restitution	72,768	4,391	(182)				(75,001)			1,976	
Other changes in shareholders' equity	-	-	-	-	-	-	-	-	-	-	
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(98,444)	(98,444)	
Subtotals	72,768	4,391	(182)	-	-	-	(275,620)	-	(98,444)	(297,087)	
	-	-	-	(14,424)	16,740	(393)	-	-	-	1,923	

Other comprehensive income										
Income for the period	-	-	-	-	-	-	-	415,055	-	415,055
Subtotals	-	-	-	(14,424)	16,740	(393)	-	415,055	-	416,978
Shareholders' equity as of December 31, 2008	891,303	53,763	(2,224)	(19,972)	10,873	1,547	237,788	415,055	(98,444)	1,489,689
Shareholders' equity as of December 31, 2008	891,303	53,763	(2,224)	(19,972)	10,873	1,547	237,788	415,055	(98,444)	1,489,689
Distribution of income from previous period	-	-	-	-	-	-	415,055	(415,055)	-	-
Shareholders' equity as of January 1, 2009	891,303	53,763	(2,224)	(19,972)	10,873	1,547	652,843	-	(98,444)	1,489,689
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-
Dividends distributions / Withdrawals made	-	-	-	-	-	-	(213,295)	-	98,444	(114,851)
Other changes in shareholders' equity	-	-	-		-	-	853	-	-	853
Provision for mandatory dividends 2008	-	-	-	-	-	-	-	-	(129,376)	(129,376)
Subtotals	-	-	-	-	-	-	(212,442)	-	(30,932)	(243,374)
Other comprehensive income	-	-	-	(9,160)	(14,035)	3,943	-	-	-	(19,252)
Income for the period	-	-	-	-	-	-	-	431,253	-	431,253
Subtotals	-	-	-	(9,160)	(14,035)	3,943	-	431,253	-	412,001
Shareholders' equity as of December 31, 2009	891,303	53,763	(2,224)	(29,132)	(3,162)	5,490	440,401	431,253	(129,376)	1,658,316

Period	Total attributable to	Allocated to reserves	Allocated to dividends	Percentage distributed	Number of Shares	Dividend per share

	shareholders	or retained earnings				(in pesos)
- Year 2007 (Shareholder's Meeting April 2008)	308,647	108,028	200,619	65%	188,446,126,794	1.065
- Year 2009 (Shareholder's Meeting April 2009)	328,146	114,851	213,295	65%	188,446,126,794	1.132

BANCO SANTANDER CHILE AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the periods ending

	NOTE	December 31, 2009 ThUS$	December 31, 2009 MCh$	December 31, 2008 MCh$
A - CASH FLOWS FROM OPERATING ACTIVITIES:				
CONSOLIDATED INCOME BEFORE TAX		1,035,324	525,168	482,739
Debits (credits) to income that do not represent cash flows		(1,475,048)	(748,218)	(771,815)
Depreciation and amortization	35	91,913	46,623	47,627
Impairment of property, plant and equipment	15	148	75	84
Provision for loan losses	32	735,576	373,121	325,877
Mark to market of trading investments		(58,997)	(29,926)	(1,121)
Net Gain on investments in other companies	13	(586)	(297)	(632)
Net Gain on sale of assets received in lieu of payment	36	(14,600)	(7,406)	(8,844)
Net Gain on sale of investments in other companies	36	(3,665)	(1,859)	(4,348)
Net Gain on sale of property, plant and equipment	36	(14,979)	(7,598)	(719)
Write-off of assets received in lieu of payment	36	16,150	8,192	5,324
Net interest income	28	(1,688,548)	(856,516)	(892,066)
Net fee and commission income	29	(500,995)	(254,130)	(243,129)
Changes in assets and liabilities due to deferred taxes	16	(36,465)	(18,497)	132
Increase/decrease in operating assets and liabilities		3,437,736	1,743,792	133,936
Decrease (increase) of loans and accounts receivable from customers		1,283,578	651,095	(1,947,234)
Decrease (increase) of financial investments		141,031	71,538	(909,242)
Decrease (increase) due to resale agreements		(26,965)	(13,678)	39,512
Decrease (increase) of interbank loans		142,196	72,129	(49,561)
Decrease of assets received or awarded in lieu of payment		15,426	7,825	(10,195)
Increase of debits in checking accounts		998,634	506,557	108,470
Increase (decrease) of time deposits and other time liabilities		(4,361,508)	(2,212,375)	1,547,972
Increase of obligations with domestic banks		54,017	27,400	1,786
Increase (decrease) of other demand liabilities or time obligations		230,484	116,913	(57,278)
Increase of obligations with foreign banks		1,177,311	597,191	321,580
Decrease of obligations with Central Bank of Chile		(1,199)	(608)	(959)
Increase of repurchase agreements		1,093,782	554,821	280,412
Decrease of other short-term liabilities		(18,752)	(9,512)	(58,173)
Net increase of other assets and liabilities		(87,353)	(44,310)	(210,160)
Issuance of letters of credit		8,883	4,506	-
Redemption of letters of credit		(206,957)	(104,979)	(161,664)
Senior bond issuances		1,477,378	749,400	303,722
Redemption of senior bonds and payments of interest		(505,668)	(256,500)	(24,771)
Interest received		3,113,755	1,579,452	1,604,287
Interest paid		(1,417,790)	(719,174)	(828,248)
Dividends received from investments in other companies	13	1,642	833	638

Fees and commissions received	29	622,819	315,925	295,969
Fees and commissions paid	29	(121,824)	(61,795)	(52,840)
Income tax paid	16	(175,184)	(88,862)	(60,087)
Net cash from (used in) operating activities		2,998,012	1,520,742	(155,140)

BANCO SANTANDER CHILE AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the periods ending

	NOTE	December 31, 2009 ThUS$	December 31, 2009 MCh$	December 31, 2008 MCh$
B - CASH FLOWS FROM INVESTMENT ACTIVITIES:				
Purchases of property, plant and equipment	15	(23,176)	(11,756)	(19,562)
Sales of property, plant and equipment		34,322	17,410	12,014
Purchases of investments in other companies	13	(63)	(32)	-
Sales of investments in other companies	13	412	209	386
Purchases of intangible assets	14	(66,949)	(33,960)	(38,177)
Net cash used in investment activities		(55,454)	(28,129)	(45,339)
C - CASH FLOW FROM FINANCING ACTIVITIES:				
From shareholders' financing activities		(601,481)	(305,101)	(40,882)
Increase of other obligations		80,607	40,888	27,044
Subordinated bond issuances		11,856	6,014	145,421
Redemption of subordinated bonds and interest payments		(273,451)	(138,708)	(12,728)
Dividends paid	25	(420,493)	(213,295)	(200,619)
From minority shareholder financing activities		674	342	(33)
Increases of capital		11,040	5,600	-
Dividends and/or withdrawals paid		(10,366)	(5,258)	(33)
Net cash used in financing activities		(600,807)	(304,759)	(40,915)
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		2,341,751	1,187,854	(241,394)
E - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		2,066,563	1,048,264	1,289,658
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	4,408,314	2,236,118	1,048,264

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009, 2008 AND JANUARY 1, 2008

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Corporate Information

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

A Special Meeting of Shareholders of Banco Santiago was held on July 18, 2002, the minutes of which were notarized as a public deed on July 19, 2002 at the Notarial Office of Santiago before Notary Nancy de la Fuente Hernández, and it was agreed to merge Banco Santander Chile with Banco Santiago by merging the former into the latter, which acquired the former's assets and liabilities. It was likewise agreed to dissolve Banco Santander Chile in advance and change the name of Banco Santiago to Banco Santander Chile. This change was authorized by Resolution #79 of the Superintendency of Banks and Financial Institutions, adopted on July 26, 2002, published in the Official Journal on August 1, 2002 and registered on page 19,992 under number 16,346 for the year 2002 in the Registry of Commerce of the Curator of Real Estate of Santiago.

In addition to the amendments to the bylaws discussed above, the bylaws have been amended on multiple occasions, the last time at the Special Shareholders Meeting of April 24, 2007, the minutes of which were notarized as a public deed on May 24, 2007 at the Notarial Office of Nancy de la Fuente Hernández. This amendment was approved pursuant to Resolution #61 of June 6, 2007 of the Superintendency of Banks and Financial Institutions. An extract thereof and the resolution were published in the Official Journal of June 23, 2007 and registered in the Registry of Commerce for 2007 on page 24,064 under number 17,563 of the aforementioned Curator.

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

a) Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF), a regulatory agency. Article 15 of the General Banking Law states that, in accordance with the laws, banks must use the accounting criteria issued by the Superintendence and that, in any situation not provided for therein, provided it is not contrary to its instructions, must abide by the generally accepted accounting principles, which correspond with the technical standards issued by the Colegio de Contadores de Chile AG (Association of Chilean Accountants) (approved by the National Council at its session held on December 21, 2009, issuing updates for Technical Bulletins #79 and #80), which coincide with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). In the event of discrepancies between the accounting principles and the accounting criteria issued by the SBIF (Compendium of Accounting Standards), the latter will prevail.

The financial statements for the period ending December 31, 2009 were the first prepared according to the Compendium of Accounting Standards. This legislation incorporates the following important aspects:

- Significant changes in accounting policies, valuation criteria, and forms of presentation of financial statements.
- A significant increase in the information included in the notes to the financial statements.

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009, 2008 AND JANUARY 1, 2008

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Note 02 “Accounting Changes” contains a reconciliation, pursuant to the new legislation, between the balances in the Consolidated Statements of Financial Position at the beginning and end of the period ended December 31, 2008 and the related Consolidated Statements of Income generated in that period and, accordingly, reflected in the Bank’s financial statements.

The notes to the financial statements contain information in addition to that presented in the Consolidated Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Shareholders’ Equity, and Statement of Cash Flow. They provide narrative descriptions or details of these statements in a clear, relevant, reliable, and comparable format.

b) Basis of consolidation for the Consolidated Financial Statements

The Consolidated Financial Statements include the preparation of separate (individual) financial statements of the Bank and the companies that participate in the consolidation as of December 31, 2009 and 2008 and January 1, 2008, and include the adjustments and reclassifications needed to make the accounting policies and valuation criteria applied by the Bank uniform, in accordance with the Compendium of Accounting Standards issued by the SBIF.

Affiliates

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

The financial statements of the Affiliates are consolidated with those of the Bank through the global integration method (line by line). Accordingly, all the balances and transactions between the consolidated companies are eliminated through the consolidation process.

In addition, third parties’ shares in the Consolidated Bank’s equity are presented as “Minority interests” in the Consolidated Statement of Financial Position. Their shares in the year’s income are presented under “Income attributable to minority interests” in the Consolidated Statement of Income.

The following companies are considered “Associated entities” in which the Bank holds equity and accounts for it through the equity method:

Affiliates	Percentage Share								
	As of December 31, 2009			As of December 31, 2008			As of January 1, 2008		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %

Santander Corredora de Seguros Limitada (formerly Santander Leasing S.A.) (*)	99.75	0.01	99.76	99.75	0.01	99.76	99.50	-	99.50
Santander S.A. Corredores de Bolsa	50.59	0.41	51.00	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asset Management S.A. Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98	99.96	0.02	99.98
Santander S.A. Agente de Valores	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64
Santander Servicios de Recaudación y Pagos Limitada	99.90	0.10	100.00	99.90	0.10	100.00	99.90	0.10	100.00
Santander Corredora de Seguros Limitada (*)	-	-	-	-	-	-	99.99	-	99.99

(*)This Company was merged pursuant to Articles 9 and 10 of Law 18,045 and the dispositions of Chapter 18-10 of the Updated Compendium of Standards of the Superintendency of Banks and Financial Institutions, at a Special Shareholders' Meeting of the Subsidiary Santander Corredora de Seguros S.A. held on October 1, 2008, at which the merger by absorption of the Subsidiary Santander Corredora de Seguros Limitada by Santander Corredores de Seguros S.A. (formerly Santander Leasing S.A.) was approved. During 2008, Santander Leasing S.A. changed its corporate name to Santander Corredora de Seguros S.A. due to its subsequent merger with Santander Corredora de Seguros Limitada; it thereafter changed its corporate name again, ultimately becoming Santander Corredora de Seguros Limitada.

BANCO SANTANDER CHILE AND AFFILIATES
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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Associated entities

Associated entities are those entities over which the Bank may exercise significant influence but not control or joint control, usually because it holds 20% or more of the entity's voting power. Investments in associated entities are accounted for pursuant to the "equity method."

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

Associated entities	Percentage of Interest		
	As of December 31, 2009	As of December 31, 2008	As of January 1, 2008
Redbank S.A.	33.42%	33.42%	33.42%
Transbank S.A.	32.71%	32.71%	32.71%
Centro de Compensación Automatizado	33.33%	33.33%	33.33%
Sociedad Interbancaria de Depósito de Valores S.A.	29.28%	29.28%	29.28%
Cámara Compensación de Alto Valor S.A.	11.52%	11.52%	11.52%
Administrador Financiero del Transantiago S.A.	20.00%	20.00%	20.00%
Sociedad Nexus S.A.	12.90%	12.90%	12.90%

Special Purpose Entities

According to the Compendium of Accounting Standards, the Bank must continuously analyze its perimeter of consolidation. The key criteria for such analysis is the degree of control held by the Bank over a given entity, not the percentage of holding in such entity's equity.

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

- The SPEs' activities have essentially been conducted on behalf of the company that presents the consolidated financial statements and in response to its specific business needs.
- The necessary decision making authority is held to obtain most of the benefits from these entities' activities, as well as the rights to obtain most of the benefits or other advantages from such entities.
- The entity essentially retains most of the risks inherent to the ownership or residuals of the SPEs or its assets, for the purpose of obtaining the benefits from its activities.

This assessment is based on methods and procedures which consider the risks and profits retained by the Bank, for which all the relevant factors, including the guarantees furnished or the losses associated with collection of the related

assets retained by the Bank, are taken into account. As a consequence of this assessment, the Bank concluded that it exercised control over the following entities:

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

At the beginning of 2009, Multimedios S.A. changed its line of business and as a result its income no longer depended mainly on transactions with the Bank. Consequently, it was determined that the Bank no longer exercised control over it and therefore should be excluded from the perimeter of consolidation since March 2009.Investments in other companies

Entities in which the Bank has no control or significant influence are presented in this category. These holdings are shown at purchase value (historical cost).

c) Minority interests

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

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

d) Operating segments

The Bank discloses separate information for each operating segment that:

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

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

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

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

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

ii.

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

Operating segments: An operating segment is a component of an entity:

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

e) Functional and presentation currency

According to International Accounting Standard #21 (IAS 21), the Chilean peso, which is the currency of the primary economic environment in which the Bank operates and the currency which influences its structure of costs and revenues, has been defined as the functional and presentation currency.

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

For presentation purposes we had translated million Chilean pesos (MCh$) into thousand US dollars (ThUS$) using the rate as indicated below, for the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income and for the Consolidated Statement of Cash Flow for the period ended as of December 31, 2009.

f) Foreign currency transactions

According to the new Compendium of Accounting Standards and in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies," a price-level restatement is applicable only when the entity's functional currency is a currency corresponding to a hyperinflationary economy (an economy with 100% inflation during a 3-year period). Since the Chilean economy does not fulfill this requirement, it is not necessary for the Bank to use price-level restatement.

Furthermore, the Bank grants loans and accepts deposits in amounts denominated in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies and only held by the Bank are translated to Chilean pesos based on the market rate published by Reuters at 1:30 p.m. on the last business day of every month; the

rate used was $507.25 per US$1 as of December 31, 2009 ($641.25 per US$1 as of December 31, 2008 and $497.78 per US$1 as of January 1, 2008). The Affiliates record their foreign currency positions at the exchange rate reported by the Central Bank of Chile at the close of operations on the last business day of the month, amounting to $507.10 per US$1 as of December 31, 2009 ($636.45 per US$1 as of December 31, 2008 and $496.89 per US$1 as of January 1, 2008).

Since the use of these exchange rates does not create significant differences, these criteria have been kept in the consolidated financial statements.

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

g) Definitions and classification of financial instruments

i. Definitions

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

A "capital instrument" or "net equity instrument" is a legal transaction that evidences a residual interest in the assets of the entity which issues it after deduction of all its liabilities.

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

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

ii. Classification of financial assets for measurement purposes

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

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

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

- Available-for-sale investment instrument portfolio: debt instruments not classified as "held-to-maturity investments," "Credit investments (loans and accounts receivable from customers or interbank loans)" or "Financial assets at fair value through profit or loss." Available for sale investments are initially recorded at cost, which includes transactional costs. Available-for-sale instruments are subsequently valued at their fair value, or based on appraisals made with the use of internal models when appropriate. Unrealized profits or losses stemming from changes of fair value are recorded as a debit or credit to equity accounts ("Valuation accounts"). When these investments are divested or become impaired, the adjustments to accumulated fair value in equity are transferred to the Consolidated Statement of Income under "Net income from financial operations."

- Held-to-maturity instrument portfolio: this category includes debt securities traded on an active market, with a fixed maturity, and with fixed or determinable payments, for which the Bank has both the intent and a proven ability to

hold to maturity. Held to maturity investments are recorded at their cost plus interest earned, minus provisions for impairment established when their recorded value exceeds the estimated recoverable value.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

iii. Classification of financial assets for presentation purposes

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

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

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

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

- Financial derivative contracts: Financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or hedging, as shown in Note 08 to the Consolidated Financial Statements.

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

- Interbank loans: This item includes the balances of transactions with domestic and foreign banks, including the Central Bank of Chile, other than those reflected in the preceding items.

- Loans and accounts receivable from customers: These loans are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and benefits incidental to the leased asset, the transaction is presented in loans.

- Investment instruments: These are classified into two categories: held-to-maturity investments and available-for-sale instruments. The held-to-maturity investment category includes only those instruments for which the Bank has the ability and intent to hold them until their maturity. Other available for sale investments are treated

as available for sale.

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Available for sale investments are initially recorded at cost, which includes transactional costs. Available-for-sale instruments are subsequently valued at their fair value according to market prices or valuations determined through the use of models. Unrealized profits or losses resulting from changes of fair value are recorded as a debit or credit to equity accounts. When these investments are divested or become impaired, the adjustments to accumulated fair value in equity are transferred to the Consolidated Statement of Income under “Net income from financial operations.”

Held to maturity investments are recorded at their cost plus interest earned, minus provisions for impairment losses established when their book value exceeds the estimated recoverable value.

iv. Classification of financial liabilities for measurement purposes

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

Financial liabilities are classified for measurement purposes into one of the following categories:

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

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

v. Classification of financial liabilities for presentation purposes

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

- Financial derivative contracts: This item includes financial derivative contracts with negative fair values, whether they are for trading or for account hedging purposes, as set forth in Note 08.

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

  - Hedging derivatives: Includes the fair value of the derivatives designated as hedge accounting instruments, including embedded derivatives separated from hybrid financial instruments and designated as hedge accounting instruments.

- Interbank borrowings: This item includes obligations due to other domestic banks, foreign banks, or the Central Bank of Chile, which were not classified in any of the previous categories.

- Debt instruments issued: This encompasses three items. They are obligations under letters of credit, subordinated bonds, and senior bonds.

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

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

In general, financial assets and liabilities are initially recorded at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value based on profit or loss are adjusted by actual transaction costs. Thereafter, and at the end of each accounting period, they are valued pursuant to the following criteria:

i. Valuation of financial assets

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure over the counter (OTC) derivatives.

The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV), option pricing models among other methods.

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

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

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

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

ii. Valuation of financial liabilities

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

iii. Valuation techniques

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market date, mainly interest rates.

The main techniques used as of December 31, 2009 and 2008 by the Bank's internal models to determine the fair value of the financial instruments are as follows:

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

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

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

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

iv. Recording results

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

In the case of trading investments, the fair value adjustments, interest income, indexation adjustments, such as realized profits/losses from trading, are included in the Consolidated Statement of Income under "Net income from financial operations."

Adjustments due to changes in fair value from:

- "Available-for-sale instruments" are recorded as part of the Bank's consolidated net equity (Other comprehensive income) until they are removed from the Consolidated Statements of Financial Position in which they originated, at which time they are recorded in the Consolidated Statement of Income.

- Items debited or credited to "valuation accounts - Available-for-sale instruments" remain in the Bank's consolidated net equity until the related assets are removed, whereupon they are charged to the Consolidated Statement of Income.

BANCO SANTANDER CHILE AND AFFILIATES
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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

v. Hedging transactions

The consolidated entities use financial derivatives for the following purposes:

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

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

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

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

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:
   a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").
   b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness").

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

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

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

   In fair value hedges of interest rate risk on a portfolio of financial instruments, the profits or losses that arise in measuring the hedging instruments are recorded directly in the Consolidated Statement of Income, whereas the profits or losses due to changes in the fair value of the hedged amount (attributable to the hedged risk) are recorded in the Consolidated Statement of Income with an offset to "Adjustments to financial assets for macro-hedges" or

“Adjustments to financial liabilities for macro-hedges,” as applicable.

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

b. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recorded temporarily in Other comprehensive income under “Valuation adjustments - Cash flow hedges” until the forecasted transaction occurs, thereafter being recorded in the Consolidated Statement of Income, unless the forecasted transaction results in the recognition of non-financial assets or liabilities, in which case it is included in the cost of the non-financial asset or liability. The ineffective portion of the change in value of hedging derivatives is recorded directly in the Consolidated Statement of Income.

c. The differences in valuation of the hedging instrument corresponding to the ineffective portion of the cash flow hedging transactions is recorded directly in the Consolidated Statement of Income under “Income from financial operations”.

If a derivative designated as a hedge no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a “trading derivative.” When “fair value hedge accounting” is discontinued, the adjustments previously recorded on the hedged item are attributed to income using the effective interest rate method, recalculated at the date the hedge is discontinued. The adjustments are fully amortized at maturity.

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

vi. Derivatives embedded in hybrid financial instruments

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

vii. Offsetting of financial instruments

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

viii. Removal of financial assets and liabilities from accounts

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

i.

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

1. An associated financial liability for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.

2. Both the income from the transferred (but not removed) financial asset as well as any expenses incurred on the new financial liability.

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

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

2. If the transferor retains control of the financial asset transferred, it continues to be recorded in the Consolidated Statements of Financial Position for an amount equal to its exposure to changes in value and a financial liability associated with the transferred financial asset is recorded. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only removed from the Consolidated Statements of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards have been substantially transferred to third parties. Similarly, financial liabilities are only removed from the Consolidated Statements of Financial Position when the obligations they generate have been terminated or when they are acquired with the intent to either cancel or resell them.

i) Recognizing income and expenses

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

i. Interest revenue, interest expense and similar items

Interest revenue and expense are recorded on an accrual basis using the effective interest method. Dividends received from other companies are recorded as revenue when the consolidated entities' right to receive them arises.

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

As interest and adjustments are generally referred to as "suspended" and are recorded in memorandum accounts which are part of the Consolidated Statements of Financial Position and are reported as part of the complementary information thereto (Note 28).

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Commissions, fees, and similar items

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

- Those arising from transactions or services that are performed over a period of time are recorded throughout the life of such transactions or services.
- Those relating to services provided in a single action are recorded when the action from which they originate occurs.

iii. Non-finance income and expenses

These are recorded for accounting purposes on an accrual basis.

iv. Loan arrangement fees

Loan arrangement fees, mainly loan origination and application fees, are accrued and recorded in the Consolidated Statement of Income over the term of the loan. For loan origination fees, the portion relating to the associated direct costs incurred in the loan arrangement is recorded immediately in the Consolidated Statement of Income.

j) Impairment

i. Financial assets:

A financial asset is evaluated on each financial statement filing date to determine whether objective evidence of impairment exists.

A financial asset or group of financial assets will be impaired if, and only if, objective evidence of impairment exists as a result of one or more events that occurred after initial recognition of the asset ("event causing the loss"), and this event or events causing the loss have an impact on the estimated future cash flows of a financial asset or group of financial assets that can be reliably estimated. It might not be possible to identify a single event that was the individual cause of the impairment.

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

An impairment loss relating to a financial asset available for sale is calculated based on its fair value.

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

All impairment losses are recorded in income. Any cumulative loss relating to a financial asset available for sale previously recorded in equity is transferred to income.

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Non-financial assets:

The Bank's non-financial assets, excluding investment properties, are reviewed at each closing date to determine whether they show signs of impairment. If such evidence exists, the amount to be recovered from the assets is then estimated.

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

k) Property, plant and equipment

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

i. Property, plant and equipment for own use

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

For these purposes, the acquisition cost of awarded assets is equivalent to the net amount of the financial assets surrendered in exchange for its award.

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

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

ITEM	Useful Life (Months)
Land	-
Paintings and works of art	-
Assets retired for disposal	-
Carpets and curtains	36

Computers and hardware	36
Vehicles	36
Computational systems and software	36
ATM’s	60
Machines and equipment in general	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Installations in general	120
Security systems (acquisitions since October 2002)	120
Buildings	1,200

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

ii. Assets leased out under an operating lease

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

l) Leasing

i. Finance leases

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Operating leases

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

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

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight line basis to "Administrative and other expenses" in their Consolidated Statement of Income.

iii. Sale and leaseback transactions

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

m) Factored receivables

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

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

n) Intangible assets

Intangible assets are identified as non-monetary assets (separate from other assets) without physical substance which arise as a result of a legal transaction or are developed internally by the consolidated entities. They are assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated.

Intangible assets are recorded initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Internally developed computer software

Internally developed computer software is recorded as an intangible asset if, among other requirements (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be

demonstrated.

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

The estimate of useful life for software is 3 years.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

o) Cash and cash equivalents

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

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

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

p) Allowances for loan losses

The Bank records allowances for probable loan losses in accordance with the instructions issued by the Superintendency of Banks and Financial Institutions and the models for rating and evaluating credit risk approved by the Bank's Board of Directors.

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

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

The internal risk models used to calculate the allowances are described as follows:

Allowances for individual evaluations on commercial loans

The Bank assigns a risk category to each borrower and the respective loans. The Bank also considers the following risk factors in its analysis: the borrower's industry or sector, its owners or managers, its financial condition, and its payment capacity and payment behavior.

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

i. Categories A1, A2 and A3 correspond to borrowers with no apparent credit risk.
ii. Category B corresponds to borrowers with some credit risk but no apparent impairment of payment capacity.
iii. Categories C1, C2, C3, C4, D1, and D2 correspond to borrowers whose loans have become impaired.

For loans classified as A1, A2, A3, and B, the Bank's Board of Directors is authorized to determine the levels of require reserves. The Bank assigns a specific level of risk to each borrower. Therefore, borrowers in the same category could potentially have different levels of risk.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

Borrowers with insufficient payment capacity in foreseeable circumstances are classified under these categories. The categories listed above relate to a classification based on the level of expected loss of commercial loans and leasing transactions of the customer's business as a whole, quantified according to the methodology used by the Bank.

For purposes of establishing the allowances, credits are applied the percentage associated with the estimated loss rates.

Allowances for group evaluations

These are suitable for the evaluation of a large number of borrowers whose individual loan amounts are relatively small. These models are intended to be used primarily to analyze loans to individuals and small companies.

Levels of required allowances are 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:

ii. A model based on the characteristics of the borrowers and their outstanding loans. Borrowers and their loans having similar characteristics can be placed into groups and each group will be assigned a risk level.

iii. A model based on the behavior of a group of loans. Loans with similar past payment histories and similar characteristics will be placed into groups and each group will be assigned a risk level.

Group evaluation requires the identification of groups of loans which are homogeneous in terms of type of borrower and conditions, in order to estimate, through technically based and prudent approaches, both the group's payment behavior and the recovery of impaired loans, and accordingly, determine the necessary portfolio risk allowances.

Banks may use two alternative methods to determine the allowances for retail loans that are evaluated in a group. The first method relies on experience to explain the payment behavior of each homogeneous group of borrowers and recovery by enforcement of securities and collection actions when needed, so as to directly estimate an expected percentage of loss that will be applied to the amount of the group's loans. Under the second, the Bank's debtors are segmented into homogeneous groups as indicated above, each having a specific probability of default and a recovery rate based on a historical analysis. The allowances are determined by the estimated failure rate considering the recovery percentage and the total loans of the respective group.

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

In both methods, the estimated loss is related to the type of portfolio and the term of the loan operations.

For consumer loans, guarantees are not considered for the purpose of estimating the expected loss.

Allowances are recorded in accordance with the methods used by each bank. In all cases, the banks distinguish between the allowances for the normal and substandard loanss, and those which cover the contingent credit risks associated with those portfolios.

The allowance models developed with loss and profile methodologies must be periodically adjusted or calibrated to reflect more current information in their bases for prediction, so as to have more robust models with which to estimate losses.

Allowances for mortgage and consumer loans

The allowance for mortgage and consumer loans is calculated based on the maturity date of the loan.

All consumer and mortgage loans are assigned a rating on an individual basis using a sophisticated automated statistical model that considers the borrowers' credit behavior. Once a customer's rating has been determined, the allowance for mortgage or consumer loans is calculated using a risk category and a related percentage, which is directly related to the maturity date of the loan.

Additional allowances

Under the SBIF banking regulations, banks are permitted to establish allowances in excess of the limits described above, but only to cover specific risks that have been authorized by their Boards of Directors.

Charge-offs

As a general rule, charge-offs must be made when the contractual rights over cash flows expire. For loans, even when the foregoing has not occurred, charge-offs must be made against the respective asset balances in accordance with Title II, Chapter B-2, of the SBIF's Compendium of Accounting Standards.

The charge-offs remove the asset corresponding to the relevant transaction from the Statement of Financial Position, including the portion that may not have become due in the case of an installment loan or a leasing transaction (there are no partial charge-offs).

Charge-offs must always be recorded through a charge against the loan loss allowances established as prescribed in Chapter B-1 of the Compendium of Accounting Standards, whatever the cause of the charge-off may be.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Beginning this year, charge-offs of loans and accounts receivable are based on due, past-due and current installments, and the term must run from the commencement of the arrears, i.e., the charge-off must be recorded when the arrears on an installment or portion of a loan in a given transaction reaches the time limit for charge-off stipulated below:

Type of loan	Term
Consumer credits, with or without collateral	6 months
Other transactions without collateral	24 months
Commercial credits with collateral	36 months
Housing mortgage credits	48 months
Leasing of consumer goods	6 months
Other non-real estate leasing transactions	12 months
Real estate leasing (commercial or housing)	36 months

The term is the time elapsed from the date on which the payment of all or a part of the obligation in arrears becomes enforceable.

Subsequent payments obtained from charged-off operations must be recorded in the Consolidated Statement of Income as Recoveries of charged-off loans.

Any renegotiation of a previously charged-off loan will not give rise to income as long as the transaction continues to be deemed impaired; the payments actually received must be treated as recoveries of charged-off loans.

A renegotiated loan may be reclassified as assets only if it ceases to be impaired; the income from its reclassification as an asset must likewise be recorded as a recovery of charged-off loans.

Recoveries of previously charged-off loans and accounts receivable

Recoveries of previously charged-off loans and accounts receivable from customers are recorded directly to revenue and presented as a reduction of the provision for loan losses.

q) Provisions, contingent assets and contingent liabilities

Provisions are liabilities in which uncertainty exists as to their amount or maturity. Provisions are recorded in the Consolidated Statements of Financial Position when the following requirements are simultaneously met:

i. It is a present liability as a result of past events; and
ii. As of the date of the financial statements it is likely that the Bank will have to expend resources to settle these obligations and the amount of these resources can be reliably measured.

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

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The following are classified as contingent in the complementary information:

i. Guarantees and bonds: Guarantees, bonds, and standby letters of credit referred to in Chapter 8-10 of the Updated Compilation of Standards. In addition, guarantees of payment from buyers in factored receivables, as provided in Chapter 8-38 of that Compilation.

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

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

iv. Documented guarantees: Guarantees with promissory notes as provided for in Chapter 8-11 of the Updated Compilation of Standards.

v. Interbank guarantees: Guarantees issued as provided in Title II of Chapter 8-12 of the Updated Compilation of Standards.

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

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

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

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

Provisions (which are quantified using the best available information on the consequences of the event and are re-estimated at each accounting close) are used to address the specific liabilities for which they were originally recorded. Partial or total reversals are recorded when such liabilities cease to exist or decrease.

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

- Provisions for staff salaries and benefits.
- Provisions for mandatory dividends.
- Provisions for contingent credit risks.
- Provisions for contingencies.

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

r) Deferred income taxes and other deferred taxes

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

s) Use of estimates

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

In certain cases, generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold, or in the case of a liability, could be incurred or settled, in a current transaction between willing parties instead of a forced settlement or sale. Where available, quoted market prices in active markets have been used as the basis for measurement. Where quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of modeling and other valuation techniques.

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

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

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

- Losses for impairment of certain assets (Notes 09, 10, 22, and 12)
- The useful lives of tangible and intangible assets (Notes 14, 15, and 35)
- The fair value of assets and liabilities (Notes 06, 08, 12, and 38)
- Commitments and contingencies (Note 24)
- Current and deferred taxes (Note 16)

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

t) Non-current assets held for sale

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

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

As of December 31, 2009 and 2008, the Bank has not classified any non-current assets as held for sale.

Assets received or awarded in lieu of payment

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

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

According to the studies conducted by the Bank, as of December 31, 2009 the average cost of sale (the cost of maintaining and divesting the asset) was estimated at 5.9% of the appraisal value; as of December 31, 2008 that average value was 6.5%, and as of January 1, 2008 it was 5.8%.

In general, it is estimated that these assets will be divested within a term of one year from the date on which they are surrendered to the Bank. In compliance with the provisions set forth in Article 84 of the General Banking Act, assets which are not sold within that term are written off in a single lump sum.

u) Earnings per share

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

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

As of December 31, 2009 and 2008 the Bank did not have instruments that generated diluting effects on shareholders' equity.

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AS OF DECEMBER 31, 2009, 2008 AND JANUARY 1, 2008

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

v) Temporary acquisition (assignment) of assets

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

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

w) Assets under management and investment funds managed by the Bank

The assets managed by the different companies that are within the Bank's perimeter of consolidation (Santander Asset Management S.A., Administradora General de Fondos and Santander S.A. Sociedad Securitizadora), which are the property of third parties are not included in the Consolidated Statements of Financial Position. The relevant management fees are included in "Fee and commission income" in the Consolidated Statement of Income.

x) Provision for mandatory dividends

As of December 31, 2009 and 2008 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares.

y) Personnel benefits

i. Defined benefit plans:

The Bank records under the "Provision for other personnel benefits" line in the Consolidated Statements of Financial Position (or in assets under "Other assets," depending on the sign of the difference) the current value of its post-employment defined benefit obligations, net of the fair value of the "plan assets" and of the unrecorded accumulated net actuarial profits and/or losses, revealed in the valuation of these commitments which are deferred by virtue of the treatment of the so-called "fluctuation band," and of the "Cost for past services", the recognition of which is deferred in time as explained below.

"Plan assets" are deemed to be those with which the obligations will be settled and which meet the following requirements:

- They are not the property of the consolidated entities, but that of legally separate third parties that are not related to the Bank.

- They are available only to pay or fund post-employment benefits and cannot return to the consolidated entities except when the assets remaining in the plan are sufficient to fulfill all the obligations of the plan or the entity in relation to the benefits due current or past employees or to reimburse employee benefits previously paid by the Bank.

If the Bank can demand that the insurance companies pay a part or all of the disbursement required to settle a defined benefit obligation, it being practically certain that said insurer will reimburse any or all of the disbursements required to pay off that obligation, but the insurance policy does not fulfill the requirements to be a plan asset, the Bank records its right to reimbursement in assets of the Consolidated Statements of Financial Position under “Other assets,” which is treated as a plan asset in all other respects.

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

"Actuarial profits and losses" are deemed to be those arising from the differences between previous actuarial assumptions and changes in actual fact, and changes in the actuarial assumptions used. For the plans, the Bank applies the "fluctuation band" criterion, whereby it records the amount determined by dividing by five the higher of the net value of the accumulated actuarial profits and/or losses not recorded at the beginning of each period and exceeding 10% of the current value of the obligations or 10% of the fair value of the assets at the beginning of the period in the Consolidated Statement of Income.

"Cost of past services" — which is originated by changes made to existing post-retirement benefits or the introduction of new benefits — is recorded in the Consolidated Statement of Income on a straight line basis over the period beginning on the date on which the new commitments arose to the date on which the employee has an irrevocable right to receive the new benefits.

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

- The cost of services for the current period (understood as the increase in the current value of the obligations arising as a consequence of the services provided by the employees during the period) under the "Personnel expenses" item.

- The interest expense (understood as the increase in current value of the obligations as a consequence of the passage of time which occurs during the period). When the obligations are shown in liabilities in the Consolidated Statements of Financial Position net of the plan assets, the cost of the liabilities which are recorded in the Consolidated Statement of Income reflects exclusively the obligations recorded in liabilities.

- The expected return on assets allocated to hedge the commitments and the profits and losses in their value, minus any cost arising from their management and the taxes to which they are subject.

- Amortization of the actuarial profits and losses in the application of the "fluctuation band" treatment and in the unrecorded past cost of services.

ii. Seniority compensation:

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

ii. Share-based compensation:

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

z) Consolidated Statement of Changes in Equity

The Consolidated Statement of Changes in Equity presents all the changes occurring in net equity, including those produced by changes in accounting criteria and the correction of errors. Accordingly, this statement provides a reconciliation of book value at the beginning and end of the period for all items in consolidated net equity, grouping the changes into the following items based on their nature:

i. Adjustments for changes in accounting criteria and the correction of errors: includes the changes in consolidated net equity arising as a consequence of the retroactive restatement of the financial statement balances as a consequence of changes in the accounting criteria or in the correction of errors.

ii. Revenues and expenses recorded in the period: reflects, in aggregate form, all the items recorded in the Consolidated Statement of Income indicated above.

aa) Consolidated Statement of Comprehensive Income

This represents the income and expenses generated by the Bank as a result of its business activity in the period, separately disclosing the income and expenses recorded in the Consolidated Statement of Income for the period and the other income and expenses recorded directly in consolidated equity.

Accordingly, this statement presents:

i. Consolidated income for the period.

ii. The net amount of the income and expenses temporarily recorded in consolidated equity under valuation adjustments.

iii. The net amount of income and expenses permanently recorded in consolidated equity.

iv. The income tax incurred from the items indicated in b) and c), above, except for valuation adjustments arising from investments in associated or multi-group companies accounted by using the equity method, which are presented net.

v. Total consolidated income and expenses recorded, calculated as the sum of the above items, presenting separately the amount attributable to the Bank shareholders and the amounts relating to minority interests.

ab) New accounting pronouncements

As of the date of issuance of these consolidated financial statements, the following accounting pronouncements have been issued by the IASB, although their application is not mandatory.

SBIF Circulars

Circular #3,478 dated August 17, 2009; tax treatment of allowances, charge-offs, renegotiations, and cancellation of credit granted by Banks.	Applicable to Tax Year 2010, Period 2009
Circular #3,489 dated December 29, 2009; Amendments to the Compendium of Accounting Standards.	Applications in 2009, January 2010 and July 2010

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The importance and impacts of each of these pronouncements to be applied is explained below:

i. SBIF Circulars:

1. Circular #3,478, which the SBIF approved jointly with the Internal Taxes Service and which is issued to adapt the special tax rules for banks for treating allowances, charge-offs, renegotiations, and cancellations of credit by banks to the adoption of the IFRS and the allowances of the Compendium of Accounting Standards which changed the financial treatment and eliminated certain concepts that were reflected in both the Law and the previous joint circular of both agencies. It will mainly favor the cancellations made by a bank in favor of a borrower, since the amount in question was previously subject to a special 35% tax rate, which is eliminated for the portion of the loan that is not covered by real guarantees, is impaired for at least one year with an estimated loss of 40% of that exposure or more, a power that the Bank did not exercise in 2009. These changes will result in a special mandatory control record and a disclosure in the Consolidated Statements of Financial Position, starting in 2010, though it is estimated that there should be no initial impact, or that it will be immaterial.

2. Circular #3,489 amends several chapters of the SBIF's Compendium of Accounting Standards. The significant changes, or those for subsequent application, are the following:

a. It postpones the changes to IAS 39 which were instituted by NIIF 9, published by the IASB on November 12, 2009.

b. Commencing in January 2010, the Bank must supplement the basis on which it currently determines the insolvency allowances for contingent operations, now including the available lines of credit, other contingent credits, and other credit commitments. The Bank must also apply the changes in risk exposure applicable to contingent credits, which appear in Chapter B-3 of the SBIF's Compendium of Accounting Standards. The cumulative effect of these changes must be recorded in equity (retained earnings) in the Consolidated Statements of Financial Position. According to the estimates made by Management, the effect of these rule changes, net of deferred taxes, will be approximately $30,926 million.

c. In July 2009, the SBIF issued Circular #3,476, which suspended the application of the internal models for the determination of the allowances relating to individually evaluated borrowers, which can only be applied beginning in 2012 with that agency's authorization. In turn, Circular #3,489 provided that this amendment, together with new risk categories and new provision percentages, applicable to individually evaluated borrowers, must go into effect beginning in July 2010. The accumulated effect of these changes must be recorded in income for the period being presented in the Consolidated Statement of Income. According to the estimates made by Management, the effect of these rule changes, net of deferred taxes, would be approximately $70,716 million.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. IASB Pronouncements

IASB Pronouncement	Application
NIIF 3 Revision, Business combination	Annual periods commencing July 1, 2009
Amendment of IAS 39, Election of hedged items	Annual periods commencing July 1, 2009
Amendment of IAS 27, Consolidated and separate financial statements	Annual periods commencing July 1, 2009
CINIIF 17, Distribution to owners of non-cash assets	Annual periods commencing July 1, 2009
Amendment IAS 32, Classification of rights over shares	Annual periods commencing February 1, 2010
CINIIF 15, Agreements for construction of buildings	Annual periods commencing January 1, 2010
Amendment of NIIF 2, Share-based payments within the group	Annual periods commencing January 1, 2010
IAS 24 Revision, Itemization of related parties	Annual periods commencing January 1, 2011
CINIIF 19, Cancellation of financial liabilities with equity instruments	Annual periods commencing July 1, 2010

The importance of each of these pronouncements to be applied is explained below:

1. NIIF 3 Revision, Business Combinations, and amendment of IAS 27 Consolidated and separate financial statements

The revised NIIF 3 and the amendments to IAS 27 introduce very important changes in multiple aspects of business combination accounting which, in general, put more emphasis on the use of fair value. Among the most important changes are the treatment of acquisition costs, which will be carried to expenses vs. the current treatment which considers them as a higher cost of the combination; acquisitions in stages, where at the date of taking control the acquirer will revalue their previous holding to its fair value; or the existence of the option to measure the minority interests in the acquired entity at fair value, vs. the current treatment where they are measured as a proportion of the fair value of the acquired assets.

Since the rule is of prospective application, in general for business combinations undertaken, Management does not expect any material changes.

2. Amendment of IAS 39 Financial instruments: recognition and measurement (election of hedged items)

This amendment of IAS 39 is intended to clarify two concrete issues relating to the recognition of hedges: (a) when inflation may be a hedged risk, and (b) in what cases options purchased as hedges may be used. In relation to the

hedging of inflation risk, the amendment provides that it is possible to do so only to the extent it is a contractually identified portion of the cash flows to be hedged. Regarding options, only their intrinsic value can be used as a hedge instrument, but not the time value.

Management considers that this amendment's coming into effect will not materially affect the consolidated annual accounts because there are no hedges in any of the circumstances affected by the amendment.

3. CINIIF 17 Distributions of assets other than cash to the owners

This interpretation addresses the accounting treatment of the distribution of assets other than cash to shareholders ("dividends in kind"), although distributions of assets within the same group or among entities under common control are beyond its scope. The interpretation advocates recognizing the obligation at fair value of the asset to be distributed and recognizing any difference with the book value of the asset in the Consolidated Statement of Income.

Management considers that this interpretation's coming into effect will not have any effect on the consolidated annual accounts.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

4. Amendment of IAS 32 Classification of rights over shares

This amendment relates to the classification of issued rights to acquire shares (rights, options, or warrants) denominated in foreign currencies. According to this amendment, when these rights are for the acquisition of a fixed number of shares for a fixed amount, they are equity instruments, regardless of the currency in which that fixed amount is denominated, provided other requirements set forth by the standard are fulfilled.

Management does not have instruments issued with these characteristics, so this amendment will have no impact whatsoever.

5. CINIIF 15 Agreements for construction of buildings

This interpretation addresses the accounting recognition of the revenues and expenses associated with the construction of buildings, helping to clarify when an agreement for construction of buildings is within the scope of IAS 11 Construction contracts, or in which cases the analysis would come under the scope of IAS 18 “Revenue recognition”, and hence, based on the characteristics of the agreement, when and how revenues must be recognized.

Management considers that this interpretation’s coming into effect will not affect the future consolidated annual accounts, because the Bank has been applying criteria consistent with those now established in the interpretation.

6. Amendments to NIIF 2 Stock-based compensation

The amendment makes reference to the recognition of stock-based compensation plans. The principal changes involve the incorporation into NIIF 2 of the provisions of CINIIF 8 and CINIIF 11 improvements, so that these latter interpretations will be repealed when their content is incorporated into the main body of this standard. It is clarified that an entity which receives the services of employees or suppliers must record the transaction regardless of the fact that another entity within Management is the one that makes the payment and regardless of whether it does so in cash or stock.

In view of the nature of this amendment, no material impact on the consolidated financial statement is expected.

7. IAS 24 Revision-Detail of related parties

This review of IAS 24 addresses the details of related parties to be made in the financial statements. There are two basic changes: one of them introduces a partial exemption for certain details when the list of related parties is produced because they are entities dependent on or related to the government (or an equivalent government agency), and the definition of related party is revised to clarify certain relationships that had previously not been explicit in the standard.

Management has analyzed the impact of this amendment and considers that it will not lead to any change in the related parties currently defined by Management.

8. CINIIF 19 Cancellation of debt with equity instruments

This interpretation addresses the accounting treatment from the point of view of the debtor of the total or partial cancellation of a financial liability through the issuance of equity instruments to the lender. The interpretation does not apply to the kind of transaction where the relevant counterparties are shareholders or related parties and act as such, nor when the debt-equity swap was already provided for in the original contract. In this case the issuance of equity instruments will be measured at its fair value on the date of cancellation of the liability, and any difference between that value and the carrying value of the liability will be recorded in the Consolidated Statement of Income.

Management estimates that this interpretation will not result in any change of accounting policies.

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NOTE 02 - ACCOUNTING CHANGES:

The Superintendency of Banks and Financial Institutions (SBIF), jointly with other superintendencies and other regulatory agencies in Chile, adopted a plan for convergence with the International Financial Reporting Standards (IFRS), to internationalize the financial reporting models for publicly owned companies in Chile. In the framework of the strategic plan, the SBIF, through its Circular #3,410 of November 9, 2007, subsequently supplemented by Circular #3,443 of August 21, 2008, announced the new "Compendium of Accounting Standards," containing the new accounting and reporting standards for the financial industry that will become applicable as of January 1, 2009, based on the transitory standards set forth in Chapter E of that compendium.

Due to legal provisions, banks must use the accounting criteria prescribed by the SBIF, and for all matters not provided for therein nor contrary to its instructions, they must abide by generally accepted accounting principles, represented by the technical standards adopted by the Colegio de Contadores de Chile A.G. (Chilean Accounting Association), which coincide with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). In the event of discrepancies between the accounting principles and the accounting criteria issued by the SBIF (Compendium of Accounting Standards), the latter will prevail.

As a result of the application of these new accounting regulations, the Bank adopted a plan for the transition to the new accounting standards that includes, among other things, an analysis of the differences in accounting criteria, the selection of the accounting criteria to be applied in the cases in which alternative treatments are permitted, and the evaluation of the changes of procedure and information systems.

According to this transition plan, the standards of the new Compendium of Accounting Standards have been applied retroactively as of January 1, 2008, and an opening financial statement as of that date has been drawn up. Furthermore, with the aim of presenting comparative financial standards in 2009, the Bank drew up a set of pro forma financial statements for the year 2008.

Below is a detail and explanation of the principal impacts of the migration to these new accounting standards on the Consolidated Statements of Financial Position and the Consolidated Statement of Income.

a) Reconciliation of Shareholders' Equity under the new Compendium of Accounting Standards

The principal adjustments in Shareholders' Equity arising from the application of the new Compendium of Accounting Standards are:

		Total Shareholders' Equity	
	Explanation (*)	As of January 1, 2008 MCh$ (in millions)	As of December 31, 2008 MCh$ (in millions)
Shareholders' equity before changes in standards		1,458,089	1,602,610

Adjustments:			
Perimeter of consolidation	i	(1,689)	1,664
Associated entities	ii	506	719
Price-level restatement	iii	-	(30,493)
Property, plant and equipment and intangible assets	iv	(64,494)	(58,613)
Assets received in lieu of payment	v	(929)	(408)
Charge-offs of loans	vi	(2,205)	(4,235)
Deferred taxes	vii	11,419	15,700
Other adjustments	viii	(12,765)	(11,376)
Subtotals		(70,157)	(87,042)
Shareholders' equity according to the new Compendium of Accounting Standards		1,387,932	1,515,568

(*) A detailed explanation of the nature of the principal adjustments is given in letter g).

BANCO SANTANDER CHILE AND AFFILIATES
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NOTE 02 – ACCOUNTING CHANGES, continued:

a) Reconciliation of Income under the new Compendium of Accounting Standards

The principal adjustments in Income arising from the application of the new Compendium of Accounting Standards are the following:

	Explanation (*)	Consolidated Income 2008 MCh$
Income before changes in standards		331,017
Adjustments:		
Perimeter of consolidation	i	3,353
Associated entities	ii	213
Price-level restatement	iii	78,027
Property, plant and equipment and intangible assets	iv	5,881
Assets received in lieu of payment	v	521
Charge-offs of loans	vi	(2,030)
Deferred taxes	vii	4,281
Other adjustments	viii	1,389
Subtotals		91,635
Income according to the new Compendium of Accounting Standards		422,652

(*) A detailed explanation of the nature of the principal adjustments is given in letter g).

As discussed above, these adjustments are generated by the adoption of the new SBIF Compendium of Accounting Standards; accordingly, they do not reflect a recognition of errors in prior periods pursuant to IAS 8.

b) Opening Consolidated Statements of Financial Position under the new Compendium of Accounting Standards

As discussed above, the rules of the new Compendium of Accounting Standards were applied retroactively as of January 1, 2008, to prepare the corresponding opening balance sheet under these new accounting standards.

Below is a presentation of the reconciliation of balances for the Statement of Financial Position, for which the following definitions apply:

Closing balances:
These are the balances shown in the consolidated financial statements of the Bank and its Affiliates as of January 1, 2008, which were prepared in accordance with the previously applicable accounting criteria and principles.

Adjustments:
Changes arising mainly from the valuation criteria and accounting policies modified by the new set of standards. Changes in the perimeter of consolidation prescribed by the new Compendium of Accounting Standards are included in this item.

Opening Balances:
These are the balances reflecting the adjustments' effect on the closing consolidated financial statements.

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NOTE 02 – ACCOUNTING CHANGES, continued:

	As of January 1, 2008		
	Closing Balances MCh$	Adjustments (*) MCh$	Opening Balances MCh$
ASSETS			
Cash and deposits in banks	1,108,444	193	1,108,637
Unsettled transactions	316,240	-	316,240
Trading investments	1,090,004	3,441	1,093,445
Investments under resale agreements	33,999	-	33,999
Financial derivative contracts	780,775	-	780,775
Interbank loans	45,961	-	45,961
Loans and accounts receivable from customers	12,028,053	(5,778)	12,022,275
Available for sale investments	779,635	-	779,635
Investments in other companies	6,795	506	7,301
Intangible assets	56,187	37	56,224
Property, plant and equipment	245,619	(43,130)	202,489
Current taxes	1,933	566	2,499
Deferred taxes	61,260	19,729	80,989
Other assets	474,091	(13,809)	460,282
TOTAL ASSETS	17,028,996	(38,245)	16,990,751
LIABILITIES			
Demand deposits and other demand liabilities	2,868,769	(835)	2,867,934
Unsettled transactions	135,219	-	135,219
Investments under repurchase agreements	308,651	(1,021)	307,630
Deposits and other time deposits	7,887,897	-	7,887,897
Financial derivative contracts	778,217	-	778,217
Interbank borrowings	1,099,443	14	1,099,457
Issued debt instruments	2,154,996	-	2,154,996
Other financial liabilities	147,868	27,799	175,667
Current taxes	15,897	170	16,067
Deferred taxes	10,877	207	11,084
Provisions	46,376	3,726	50,102
Other liabilities	116,697	1,852	118,549
TOTAL LIABILITIES	15,570,907	31,912	15,602,819
SHAREHOLDERS’ EQUITY			
Attributable to Bank shareholders:	1,438,042	(68,244)	1,369,798
Capital	818,535	-	818,535
Reserves	47,330	-	47,330
Valuation accounts	(9,475)	-	(9,475)

Retained earnings	581,652	(68,244)	513,408
Retained earnings from prior periods	581,652	(68,244)	513,408
Income for the period	-	-	-
Minus: Provision for minimum dividends	-	-	-
Minority interest	20,047	(1,913)	18,134
TOTAL SHAREHOLDERS' EQUITY	1,458,089	(70,157)	1,387,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	17,028,996	(38,245)	16,990,751

(*) A detailed explanation of the nature of the principal adjustments is given in letter g).

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NOTE 02 – ACCOUNTING CHANGES, continued:

d) Pro forma Balance Sheets

With the aim of presenting comparative financial statements during the year 2009, the Bank made a set of pro forma financial statements for 2008; the below is a presentation of the pro forma Balance Sheet as of December 31, 2008:

	As of December 31, 2008		
	Old Standard MCh$	Adjustment (*) MCh$	Compendium of Accounting Standards MCh$
ASSETS			
Cash and deposits in banks	854,838	573	855,411
Unsettled transactions	335,405	-	335,405
Trading investments	1,161,631	4,795	1,166,426
Investments under resale agreements	-	-	-
Financial derivative contracts	1,846,509	-	1,846,509
Interbank loans	95,499	-	95,499
Loans and accounts receivable from customers	14,319,370	(8,021)	14,311,349
Available for sale investments	1,580,240	-	1,580,240
Investments in other companies	6,990	287	7,277
Intangible assets	73,089	(4,857)	68,232
Property, plant and equipment	260,105	(59,716)	200,389
Current taxes	18,289	426	18,715
Deferred taxes	64,821	24,004	88,825
Other assets	520,348	(11,693)	508,655
TOTAL ASSETS	21,137,134	(54,202)	21,082,932
LIABILITIES			
Deposits and other demand liabilities	2,949,757	(1,595)	2,948,162
Unsettled transactions	142,552	-	142,552
Investments under repurchase agreements	563,234	(1,011)	562,223
Deposits and other time deposits	9,756,266	-	9,756,266
Financial derivatives contracts	1,469,724	-	1,469,724
Interbank borrowings	1,425,065	2	1,425,067
Issued debt instruments	2,651,372	-	2,651,372
Other financial obligations	103,278	28,040	131,318
Current taxes	163	628	791
Deferred taxes	18,766	671	19,437
Provisions	162,165	4,554	166,719

Other liabilities	292,182	1,551	293,733
TOTAL LIABILITIES	19,534,524	32,840	19,567,364
SHAREHOLDERS' EQUITY			
Attributable to Bank shareholders:	1,578,045	(88,356)	1,489,689
Capital	891,303	-	891,303
Reserves	51,539	-	51,539
Valuation accounts	(7,552)	-	(7,552)
Retained earnings	642,755	(88,356)	554,399
Retained earnings from prior periods	413,053	(175,265)	237,788
Income for the period	328,146	86,909	415,055
Minus: Provision for minimum dividends	(98,444)	-	(98,444)
Minority interest	24,565	1,314	25,879
TOTAL SHAREHOLDERS' EQUITY	1,602,610	(87,042)	1,515,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21,137,134	(54,202)	21,082,932

(*) A detailed explanation of the nature of the principal adjustments is given in letter g).

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NOTE 02 – ACCOUNTING CHANGES, continued:

e) Pro forma Statements of Income

The Bank completed pro forma financial statements for the year 2008 in order to present comparative information. Below are the pro forma Statements of Income for the period ending December 31, 2008:

	As of December 31, 2008		
	Old Standard MCh$	Adjustment (*) MCh$	Compendium of Accounting Standards MCh$
OPERATING INCOME			
Interest income	2,061,112	234	2,061,346
Interest expense	(1,164,071)	(5,209)	(1,169,280)
Net interest income	897,041	(4,975)	892,066
Fee and commission income	276,433	19,536	295,969
Fee and commission expense	(52,840)	-	(52,840)
Net fee and commission income	223,593	19,536	243,129
Net income from financial operations	273,084	393	273,477
Currency exchange profit (loss), net	(187,042)	-	(187,042)
Other operating revenue	16,512	1,710	18,222
Total operating income	1,223,188	16,664	1,239,852
Provision for loan losses	(285,953)	(2,030)	(287,983)
NET OPERATING PROFIT	937,235	14,634	951,869
Personnel salaries and expenses	(209,134)	(37,641)	(246,775)
Administrative expenses	(161,977)	28,295	(133,682)
Depreciation and amortization	(51,944)	4,317	(47,627)
Impairment	-	(84)	(84)
Other operating expenses	(42,259)	665	(41,594)
TOTAL OPERATING EXPENSES	(465,314)	(4,448)	(469,762)
OPERATING INCOME	471,921	10,186	482,107
Income from investments in other companies	851	(219)	632
Price-level restatement	(78,027)	78,027	-

Income before tax	394,745	87,994	482,739
Income tax expense	(63,728)	3,641	(60,087)
CONSOLIDATED INCOME FOR THE PERIOD	331,017	91,635	422,652
Attributable to:			
Bank shareholders	328,146	86,909	415,055
Minority interest	2,871	4,726	7,597
(expressed in pesos)			
Basic earnings	1.741	0.462	2.203
Diluted earnings	1.741	0.462	2.203

(*) A detailed explanation of the nature of the principal adjustments is given in letter g).

BANCO SANTANDER CHILE AND AFFILIATES
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NOTE 02 - ACCOUNTING CHANGES, continued:

f) Pro forma Statement of Cash Flow

With the goal of providing a reconciliation between the Statement of Cash Flows presented under the previous accounting standards for the period ending December 31, 2008 to the new accounting standards, the following pro forma statement was completed:

	As of December 31, 2008		
	Old Standard MCh$	Adjustment (*) MCh$	Compendium of Standards MCh$
A - CASH FLOWS FROM OPERATING ACTIVITIES:			
CONSOLIDATED INCOME BEFORE TAX	394,745	87,994	482,739
Debits (credits) to income that do not represent cash flows	(831,975)	60,160	(771,815)
Depreciation and amortization	51,944	(4,317)	47,627
Impairment of property, plant and equipment	84	-	84
Provision for loan losses	323,848	2,029	325,877
Mark to market of trading investments	(1,121)	-	(1,121)
Net Gain on investments in other companies	(851)	219	(632)
Net Gain on sale of assets received in lieu of payment	(8,481)	(363)	(8,844)
Net Gain on sale of investments in other companies	(4,348)	-	(4,348)
Net Gain on sale of property, plant and equipment	139	(858)	(719)
Write-off of assets received in lieu of payment	5,410	(86)	5,324
Net interest income	(897,041)	4,975	(892,066)
Net fee and commission income	(223,593)	(19,536)	(243,129)
Price-level restatement	(78,097)	78,097	-
Changes in assets and liabilities due to deferred taxes	132	-	132
Increase/decrease in operating assets and liabilities	278,808	(144,872)	133,936
Decrease (increase) of loans and accounts receivable from customers	(1,949,477)	2,243	(1,947,234)
Decrease (increase) of financial investments	(907,888)	(1,354)	(909,242)
Decrease (increase) due to resale agreements	39,512	-	39,512
Decrease (increase) of interbank loans	(49,561)	-	(49,561)
Decrease of assets received in lieu of payment	(10,195)	-	(10,195)
Increase of debits in checking accounts	109,230	(760)	108,470
Increase (decrease) of time deposits and other time liabilities	1,547,972	-	1,547,972
Increase of obligations with domestic banks	1,786	-	1,786
Increase (decrease) of other demand liabilities or time obligations	(57,518)	240	(57,278)
Increase of obligations with foreign banks	321,580	-	321,580
Decrease of obligations with the Central Bank of Chile	(959)	-	(959)
Increase of repurchase agreements	280,402	10	280,412
Decrease of other short-term liabilities	(58,173)	-	(58,173)
Net increase of other assets and liabilities	(46,707)	(163,453)	(210,160)

Redemption of letters of credit	(161,664)	-	(161,664)
Senior bond issuances	303,722	-	303,722
Redemption of senior bonds and interest payments	(24,771)	-	(24,771)
Interest received	1,604,053	234	1,604,287
Interest paid	(823,039)	(5,209)	(828,248)
Dividends received from investments in other companies	638	-	638
Fees and commissions received	276,433	19,536	295,969
Fees and commissions paid	(52,840)	-	(52,840)
Income tax period	(63,728)	3,641	(60,087)
Net cash used in operating activities	(158,422)	3,282	(155,140)

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NOTE 02 - ACCOUNTING CHANGES, continued:

	As of December 31, 2008		
	Old Standard MCh$	Adjustment (*) MCh$	Compendium of Standards MCh$
B - CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant and equipment	(18,672)	(890)	(19,562)
Sales of property, plant and equipment	10,866	1,148	12,014
Sales of investments in other companies	386	-	386
Purchases of intangible assets	(38,177)	-	(38,177)
Net cash used in investment activities	(45,597)	258	(45,339)
C - CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholders' financing activities	(40,882)	-	(40,882)
Increase in other obligations	27,044	-	27,044
Subordinated bond issuances	145,421	-	145,421
Redemption of subordinated bonds and interest payments	(12,728)	-	(12,728)
Dividends paid	(200,619)	-	(200,619)
From minority shareholder financing activities	-	(33)	(33)
Dividends and/or withdrawals paid	-	(33)	(33)
Net cash used in financing activities	(40,882)	(33)	(40,915)
D – NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(244,901)	3,507	(241,394)
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	3,126	(3,126)	-
E - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	1,289,466	192	1,289,658
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	1,047,691	573	1,048,264

(*) A detailed explanation of the nature of the principal adjustments is given in letter g).

g) Description of principal adjustments

i. Perimeter of consolidation

Pursuant to the standards in force until December 31, 2007, Chapter 11-6 “Equity in Domestic Companies” of the Updated Compilation of Standards, the Bank included its Affiliates and associated entities within its perimeter of consolidation.
The companies belonging to the first category were consolidated through global consolidation (line to line), as follows:

Company	% of Equity Held		
	Direct	Indirect	Total
Santander Corredora de Seguros Limitada	99.75	0.01	99.76
Santander S.A. Corredores de Bolsa	50.59	0.41	51.00
Santander Asset Management S.A. Administradora General de Fondos	99.96	0.02	99.98
Santander S.A. Agente de Valores	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	99.64	-	99.64
Santander Servicios de Recaudación y Pagos Limitada	99.90	0.10	100.00

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NOTE 02 - ACCOUNTING CHANGES, continued:

The associated entities accounted for in accordance with the equity method of accounting (VPP or VP, abbreviations in Spanish) are as follows:

Company	% Holding
Redbanc S.A.	33.42
Transbank S.A.	32.71
Automated Clearing House	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	29.29
Cámara Compensación de Alto Valor S.A.	11.52
Administrador Financiero del Transantiago S.A.	20.00
Sociedad Nexus S.A.	12.90

With the new Compendium of Accounting Standards, the Bank analyzed and redefined its perimeter of consolidation, since the fundamental criteria to be applied now is the Bank's degree of control over a given entity, not the percentage of equity that the Bank holds.

As a result of this analysis, the following was determined:

1. The method of consolidation used until December 31, 2008 will continue to be used for the subsidiaires and associated entities. This is because it was concluded that the Bank controls the first category of companies and exercises significant influence on the second.
2. Pursuant to the provisions of IAS 27 and SIC 12, the Bank has evaluated the existence of Special Purpose Entities (SPE), which must be included within the perimeter of consolidation, with the following principal characteristics:

- The SPE's activities have essentially been conducted on behalf of the company that presents the consolidated financial statements, and in response to its specific business needs.
- The necessary decision making authority is held to obtain most of the benefits or other advantages from these entities.
- The entity essentially retains most of the risks inherent to the ownership or residuals of the SPE, or its assets, for the purpose of obtaining the benefits from its activities.

As a result of this evaluation, it was concluded that the Bank exercised control over a certain number of entities, which were incorporated into its perimeter of consolidation. These entities are:

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

- Multiservicios de Negocios Limitada.
- Bansa Santander S.A.
- Santander Multimedios S.A.

In early 2009, Santander Multimedios S.A. changed its line of business, and as a result its income no longer depended mainly on transactions with the Bank. Consequently, it was determined that the Bank no longer exercised control over it, and it should be excluded from the perimeter of consolidation beginning in March 2009.

ii. Associated Entities

The particular effects generated by the adoption of the New Compendium of Accounting Standards' on each of the different Associated entities are reflected in this item, in each case considering the proportional effect generated by these effects/adjustments on the Bank's shareholders' equity, based on the percentage of these companies' equity that is held by
the Bank.

NOTE 02 - ACCOUNTING CHANGES, continued:

iii. Price-level restatement

Pursuant to previous accounting standards, the consolidated financial statements had been prepared applying price-level restatement in order to reflect the effects of the changes in the Chilean peso's purchasing power during each period.

Pursuant to the new Compendium of Accounting Standards and IAS 29 "Financial Information in Hyperinflationary Economies," price-level restatement will only be applied when an entity's functional currency corresponds to a hyperinflationary economy (defined as an economy experiencing 100 percentage points of inflation in a 3 year period). The Bank's functional currency is the Chilean peso.

Since the Chilean economy does not meet the aforementioned requirements, the Bank was required to eliminate the price-level restatement as of January 1, 2008. Pursuant to the provisions of Chapter E of the Compendium of Accounting Standards, the price-level restatement applied until December 31, 2007 was not reversed. The price-level restatement for the paid-in capital and reserves as of December 31, 2008, were not reversed, pursuant to the provisions of Chapter E of the Compendium of Accounting Standards and the need to maintain the existing paid-in capital and reserves created pursuant to the previous rules applied.

iv. Property, plant and equipment and intangible assets

The main effects of the recalculation of depreciations and amortizations of intangible assets (software and information technology developments) and property, plant and equipment as a result of the elimination of the price-level restatement (as described in point iii) and the determination of the cost of property, plant and equipment on January 01, 2008 are included.

In accordance with the guidelines established in Chapter E of the new Compendium of Accounting Standards, on January 01, 2008 the Bank determined the cost of its property, plant and equipment, selecting the lesser of the historical cost (including the respective price-level restatement until December 31, 2007) and its fair value, based on an appraisal by an independent third person.

v. Assets received in lieu of payment

Previously, assets received in payment (ARP) were valued at cost (the price agreed upon with the debtor for the transfer in payment or the value determined at a judicial auction, as the case may be, after price-level restatement), minus a provision for individual valuation based on an independent appraisal. After a year, in compliance with the Article 84, Section 5 of the General Law of Banks, if the assets received in lieu of payment are not sold, the banks must charge-off the assets while they continue to attempt to liquidate them.

The most important change in the valuation of ARP in the Compendium of Accounting Standards, Chapter B-5 (in addition to the elimination of the price-level restatement as described in item iii) is that, when making the provision for initial valuation, it is necessary to take into account its net realizable value, i.e., its fair value (independent appraisal), minus the necessary costs of maintaining and divesting it.

According to studies performed by the Bank, an average cost of sale (the cost of maintaining and divesting the good) estimated at 5.8% of the appraised value was determined as of January 1, 2008; such cost rose to 6.5% as of December 31, 2008.

The effects generated by the application of the cost of sale described above are presented in this item.

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NOTE 02 - ACCOUNTING CHANGES, continued:

vi. Charge-off of loans

Pursuant to the previous regulations, the term for charging off past-due and late installments on credits and accounts receivable was calculated from the time of their classification in the past-due portfolio, which represented transactions in arrears for payment of principal and interest by ninety days or more. This method was realized previously quota by quota.

Pursuant to the provisions of Chapter B-2 of the new Compendium of Accounting Standards, the term for charging off credits and accounts receivable must now be calculated from the beginning of arrears for a particular transaction, therefore affecting 100% of the loans whether it is overdue, past-due, or current proportion.

Below is a table showing the principal types of loans and their respective charge-off periods as provided by the new Compendium of Accounting Standards:

Type of contract	Term
Leasing Transactions	
Leasing of consumer goods	6 months
Other non-real estate leasing transactions	12 months
Real estate leasing (commercial or housing)	36 months
Remaining Transactions	
Consumer credits, with or without collateral	6 months
Other transactions without collateral	24 months
Commercial credits with collateral	36 months
Housing mortgage credits	48 months

The Bank has classified the effects arising from the application of this new methodology for charge-offs of loans and accounts receivable, as well as the associated effect generated in the allowances established for each transaction (when 100% of the transaction is charged-off, the related allowances are released).

vii. Deferred taxes

This item includes the tax effects (deferred taxes) generated by temporary differences resulting from the adjustments previously described, whether they apply directly to shareholders' equity or to the income.

viii. Other adjustments

This item refers to the collateral effect generated by the incorporation of new entities into the perimeter of consolidation, such as the increases in expenditure previously accrued and recognized in the financial statements.

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NOTE 03 - SIGNIFICANT EVENTS:

As of December 31, 2009, the following significant events have occurred and had an impact on the Bank's operations or the financial statements:

a) The Board

A Shareholders' Meeting of Banco Santander Chile was held on April 28, 2009, chaired by Mr. Mauricio Larraín Garcés (Chairman), and attended by Jesús María Zabalza Lotina (First Vice President), Carlos Olivos Marchant (Second Vice President), Víctor Arbulú Crousillat, Claudia Bobadilla Ferrer, Marco Colodro Hadjes, Juan Manuel Hoyos Martínez de Irujo, Roberto Méndez Torres, Vittorio Corbo Lioi, Lucía Santa Cruz Sutil, Roberto Zahler Mayanz (Directors), Raimundo Monge Zegers (Alternate Director), and Jesús María Zabalza Lotina (Alternate Director).

The Chairman, Mr. Mauricio Larraín Garcés, informed the Board that Mr. Gonzalo Romero Astaburuaga had submitted his irrevocable resignation from the positions of general counsel and Secretary of the Board on June 30, 2009. The Chairman proposed the appointment of Mr. Juan Pedro Santa María Pérez as general counsel; he is a distinguished attorney and General Counsel of Grupo Santander, having acted as its general counsel since July 1, 2009.

At a Special Board Meeting held on December 22, 2009 in response to the resignation as principal Director Juan Manuel Hoyos Martínez de Irujo, the Board appointed Mr. Oscar von Chrismar Carvajal to replace him as principal Director; he will temporarily continue serving as the Bank's General Manager until December 31, 2009. Commencing on January 1, 2010, Mr. Oscar von Chrismar Carvajal will be Second Vice President of the Board, and Mr. Carlos Olivos Marchant will resign as Second Vice President but will continue acting as a Director.

In addition, Claudio Melandri Hinojosa was appointed as the Bank's General Manager beginning on January 1, 2010. Furthermore, Mr. Juan Manuel Hoyos Martínez was appointed as Alternate Director of the Bank, filling a vacant position.

b) Issuance of bonds

In 2009, the Bank placed senior bonds in the amount of UF 18,000,000 and USD 800,000,000, in addition to |subordinated bonds totaling UF 300,000, as set forth:

Current bonds:

Series	Amount	Term	Issue Rate	Date of Issue	Maturity Date
F1	UF 3,000,000	8 years	3.50% per annum simple	5/2/2008	5/2/2016
F2	UF 3,000,000	9 years	4.20% per annum simple	9/1/2008	9/1/2017
F3	UF 3,000,000	5 years	4.50% per annum simple	2/1/2009	2/1/2014
F4	UF 3,000,000	4 years	4.50% per annum simple	2/1/2009	2/1/2013
F5	UF 3,000,000	4.5 years	2.50% per annum simple	5/1/2009	11/1/2013

F6	UF 3,000,000 (1)	5 years	3.50% per annum simple	9/1/2009	9/1/2014
F7	UF 3,000,000 (2)	4.5 years	3.30% per annum simple	11/1/2009	5/1/2014
Total	UF 18,000,000				
144 A	USD 500,000,000	3 years	2.875% per annum simple	11/13/2009	11/13/2012
144 A	USD 300,000,000	3 years	2.875% per annum simple	11/13/2009	11/13/2012
Total	USD 800,000,000				

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NOTE 03 - SIGNIFICANT EVENTS, continued:

Subordinated bonds

Series	Amount	Term	Issue Rate	Date of Issue	Maturity Date
G2	UF 300,000 (1)	30 years	4.80% per annum simple	9/1/2008	3/1/2038

(1) On September 1, 2008 and September 1, 2009 a series of subordinated bonds and a series of senior bonds amounting to UF 3,000,000 each, Series G2 and F6, with terms of 30 and 5 years, respectively, were recorded in the Securities Registry of the Superintendency of Banks and Financial Institutions. These bonds have not been fully placed; the Series G2 bond has a face value of UF 1,950,000 pending placement, and the Series F6 bond has a face value of UF 1,090,000 pending placement as of December 31, 2009.

(2) On November 1, 2009 a series of senior bonds amounting to UF 3,000,000, Series F7, with a 4.5 year term, was recorded in the Securities Registry of the Superintendency of Banks and Financial Institutions. No placements of this bond have been made in the current period.

c) Building sale

On December 30, 2009, Banco Santander Chile sold the building located at calle Bandera #201 to IM Trust Administradora General de Fondos on behalf of Fondo de Inversión Privado Inmobiliario Bandera a private real estate investment fund. The total payment for this transaction amounted to $11,102 million. The building's book value at the time of the sale was $4,030 million, generating an income of $7,072 million from the sale, included in "Other operating income" in the Consolidated Statement of Income.

d) Stock purchases

On March 9, 2009, Banco Santander Chile purchased 54 shares of Sociedad Operadora de la Cámara de Compensación de Pagos Alto Valor S.A., from Banco Ripley S.A. The sales price was $295,208.49 per share, resulting in a total purchase price of $16 million, included in the "Investments in other companies" item of the Consolidated Statement of Financial Position.

On April 21, 2009, Banco Santander Chile purchased 55 shares of Sociedad Operadora de la Cámara de Compensación de Pagos Alto Valor S.A., from Banco Penta S.A. The sales price was $295,208.49 per share, resulting a total purchase price of $16 million, included in the "Investments in other companies" item of the Consolidated Statement of Financial Position.

e) Stock sales

On March 10, 2009, Visa Inc. granted a total of 34,093 LAC Class shares to Banco Santander Chile. On March 20, 2009, the Bank sold 51% of these shares, corresponding to 17,387 shares, at a price of $27,442 per share, generating an income of $477 million, which is included in "Other operating income" in the Consolidated Statement of Income.

On June 26, 2009, the Bank sold 16,049 Mastercard shares. On the date of the sale, their book value was $83 million and their selling price was $1,453 million, generating an income of $1,370 million, which is included in “Other operating income” in the Consolidated Statement of Income.

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NOTE 03 - SIGNIFICANT EVENTS, continued:

f) Stock purchases between related companies

On July 31, 2009, Santander Chile Holding S.A. purchased 99.96% and 99.99% of the shares of Multinegocios S.A. and Servicios de Cobranzas Fiscalex Limitada, respectively. The total purchase price was $52 million and $7 million, respectively.

On July 31, 2009, Santander Inversiones Limitada purchased 2 shares, equivalent to 0.04% of Multinegocios S.A. shares and 0.01% of the Servicios de Cobranzas Fiscalex Limitada equity. The total purchase price was $20,959 and $699, respectively.

On July 31, 2009, Teatinos Siglo XXI Inversiones Limitada purchased 90% of the equity of the Multiservicios de Negocios Limitada. The total purchase price was $14 million. It also purchased 90% of the equity of the company Servicios Administrativos y Financieros Limitada. The total purchase price was $14 million.

On July 31, 2009, Aurum S.A. purchased 10% of the equity of the Multiservicios de Negocios Limitada. The total purchase price was $2 million. It also purchased 10% of the equity of Servicios Administrativos y Financieros Limitada. The total purchase price was $2 million.

g) Sale of assets received in lieu of payment

On December 30, 2009, Banco Santander Chile sold 201 real estate properties received in lieu of payment to IM Trust Administradora General de Fondos on behalf of Fondo de Inversión Privado Inmobiliario Bandera a private real estate investment fund, for $5,852 million, whose book value at the time of the transaction amounted to $5,723 million, generating an income of $130 million.

h) Loans sold

In 2009, the Bank sold part of its charged-off loan portfolio. The transfer of rights was made in November 2009, for a total of $8,689 million, which was recorded entirely as revenue from sale of charged-off portfolio.

In addition, in 2009, it sold $15,389 million of current loans, which generated an income from sale of portfolio of approximately $542 million.

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NOTE 04 - BUSINESS SEGMENTS:

The Bank manages and measures the performance of its operations by business segment. The information included in this note is not necessarily comparable to that of other financial institutions, since it is based on the internal information system for management by segment which has been adopted by the Bank. However, the valuation and classification of each segment's assets, liabilities, and income is consistent with the accounting criteria indicated in Note 01 d) of the consolidated financial statements.

Inter-segment transactions are conducted under normal arm's length commercial terms and conditions. Each segment's assets, liabilities, and income include items directly attributable to the segment to which they can be allocated on a reasonable basis.

The Bank is comprised of the following business segments:

Individuals

a. Santander Banefe
Serves individuals with monthly incomes of $150,000 to $400,000 pesos, who receive services through Santander Banefe. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, mortgage loans, debit cards, savings products, mutual funds, and insurance.

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

Small and mid-sized companies (PYMEs)

Serves small companies with annual sales of less than $1,200 million. This segment gives customers a variety of products, including commercial loans, government-guaranteed loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds, and insurance.

Institutional

Serves institutions such as universities, government agencies, and municipal and regional governments. This segment provides a variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, savings products, mutual funds, and insurance.

Companies

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

a. Companies

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

NOTE 04 - BUSINESS SEGMENTS, continued:

b. Real estate
This segment also includes all the companies engaged in the real estate industry. These clients are offered not only the traditional banking services but also specialized services to finance projects, chiefly residential, with the aim of expanding sales of mortgage loans.

It brings together all the real estate companies that carry out projects to sell properties to third parties and all the builders with annual sales exceeding $800 million, with no ceiling.

c. Large corporations
The sub-segment of companies whose annual sales exceed $10,000 million. This segment provides a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investment banking, saving products, mutual funds, and insurance.

Global Banking and Markets

The Global Banking and Markets segment is comprised of:

a. Corporate
Foreign multinational corporations or Chilean corporations whose sales exceed $10,000 million. This segment provides a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investment banking, savings products, mutual funds, and insurance.

b. Treasury
The Treasury Division provides sophisticated financial products, mainly to companies in the Wholesale Banking area and the Companies segment. These include products such as short-term financing and fund raising, brokerage services, derivatives, securitization, and other tailor-made products. The Treasury area also handles intermediation of positions and manages the owned investment portfolio.

Corporate Activities (“Other”)

This segment includes Financial Management, which performs global foreign exchange structural position management functions, those involving the parent company’s structural interest risk, and those having to do with liquidity risk. The latter, through issuances and utilizations. Also managed are the Bank’s own funds, the provision of capital allocated to each unit, and the financing cost of the investments that are made. The foregoing usually results in a negative contribution to income.

In addition, this segment encompasses all the intra-segment income and all the activities not assigned to a given segment or product with customers.

NOTE 04 - BUSINESS SEGMENTS, continued:

The segments' accounting policies are the same as those described in the summary of accounting policies, and are customized to meet the needs of the Bank's management. The Bank earns most of its income in the form of interest income, fee and commission income and income from financial operations. The highest decision making authority in each segment is based only on interest income, fee and commission income and provision for expenses to assess the segments' performance and thereby be able to make decisions regarding the resources to be allocated to each one.

To achieve the strategic objectives adopted by the top management and adapt to changing market conditions, the Bank makes changes in its organization from time to time, which in turn have a greater or lesser impact on how it is managed or administered.

Hence, this disclosure furnishes information on how the Bank is managed as of December 31, 2009. The information for the previous year (2008) has been prepared on the basis of the criteria in force at the closing date for these financial statements, to achieve a proper comparability of figures.

The following tables show the Bank's income by business segment for the years ending December 31, 2008 and 2009, as well as the balances for loans and accounts receivable from customers as of December 31, 2009 and 2008 and as of January 1, 2008:

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NOTE 04 - BUSINESS SEGMENTS, continued:

	As of December 31, 2009						
	Loans and accounts receivable from customers	Net interest income	Net fee and commission income	ROF (2)	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Segments							
Individuals	7,287,925	532,060	171,433	19,027	(230,503)	(268,934)	223,083
Santander Banefe	609,808	115,840	29,452	5,078	(82,588)	(54,913)	12,869
Commercial Banking	6,678,117	416,220	141,981	13,949	(147,915)	(214,021)	210,214
Small and mid-sized companies (PYMEs)	2,485,505	228,928	41,917	11,037	(76,075)	(58,741)	147,066
Institutional	282,933	18,789	1,962	664	(327)	(6,799)	14,289
Total Retail	10,056,363	779,777	215,312	30,728	(306,905)	(334,474)	384,438
Companies	2,471,162	114,432	20,567	16,181	(24,333)	(30,628)	96,219
Companies	1,051,875	53,407	9,813	7,248	(8,618)	(15,989)	45,861
Real estate	982,938	17,792	2,338	148	2,041	(4,280)	18,039
Large Corporations	436,349	43,233	8,416	8,785	(17,756)	(10,359)	32,319
Global Banking and Markets	1,194,706	33,738	18,747	64,557	(2,511)	(29,485)	85,046
Corporate	1,194,706	54,728	19,387	5	(2,511)	(14,803)	56,806
Treasury	-	(20,990)	(640)	64,552	-	(14,682)	28,240
Other	29,045	(71,431)	(496)	55,662	(98)	(13,307)	(29,670)
Totals	13,751,276	856,516	254,130	167,128	(333,847)	(407,894)	536,033

Other operating income	33,243
Other operating expenses	(44,405)
Income from investments in other companies	297
Income tax expense	(88,862)
Consolidated income for the period	436,306

(1) Corresponds to loans and accounts receivable from customers plus interbank loans, without deduction of their respective allowances for insolvency.
(2) Corresponds to the sum of net income from financial operations and net foreign exchange income (loss).
(3) Corresponds to the sum of administrative expenses, personnel expenses, depreciation and amortization and impairment.

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009, 2008 AND JANUARY 1, 2008

NOTE 04 - BUSINESS SEGMENTS, continued:

	As of December 31, 2008							As of January 1, 2008
	Loans and accounts receivable from customers MCh$	Net interest income MCh$	Net fee and commission income MCh$	ROF (2) MCh$	Provision for loan losses MCh$	Support expenses (3) MCh$	Segment's net contribution MCh$	Loans and accounts receivable from customers MCh$
Segments								
Individuals	6,859,547	520,332	160,286	19,460	(221,715)	(281,532)	196,831	5,870,141
Santander Banefe	698,268	137,299	28,292	6,208	(84,295)	(58,842)	28,662	663,721
Commercial Banking	6,161,279	383,033	131,994	13,252	(137,420)	(222,690)	168,169	5,206,420
Small and mid-sized companies (PYMEs)	2,468,820	220,058	39,931	9,452	(53,669)	(61,663)	154,109	2,128,785
Institutional	224,776	17,591	1,789	765	(290)	(7,189)	12,666	209,937
Total Retail	9,553,143	757,981	202,006	29,677	(275,674)	(350,384)	363,606	8,208,863
Companies	2,882,943	113,223	16,846	14,740	(16,188)	(32,692)	95,929	2,491,306
Companies	1,124,918	50,592	8,339	6,666	(8,556)	(17,095)	39,946	990,170
Real estate	1,235,465	19,244	1,712	256	(597)	(4,561)	16,054	517,922
Large Corporations	522,560	43,387	6,795	7,818	(7,035)	(11,036)	39,929	983,214
Global banking and markets	2,221,144	31,783	14,786	60,332	(759)	(31,184)	74,958	1,521,699
Corporate	2,221,144	52,352	14,555	-	(759)	(15,567)	50,581	1,521,699
Treasury	-	(20,569)	231	60,332	-	(15,617)	24,377	-
Other	23,858	(10,921)	9,491	(18,314)	4,638	(13,908)	(29,014)	76,772
Totals	14,681,088	892,066	243,129	86,435	(287,983)	(428,168)	505,479	12,298,640

Other operating income	18,222
Other operating expenses	(41,594)
Income from investments in other companies	632
Income tax expense	(60,087)
Consolidated income for the period	422,652

(1) Corresponds to loans and accounts receivable from customers plus interbank loans, without deduction of their respective allowances for insolvency.
(2) Corresponds to the sum of net income from financial operations and net foreign exchange income (loss).
(3) Corresponds to the sum of administrative expenses, personnel expenses, depreciation and amortization and impairment.