Edwards Richard J
Form 4
August 09, 2018

FORM 4

OMB APPROVAL

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Edwards Richard J

(Last) (First) (Middle)

102 WILLENBROCK ROAD, ONE TRIBOLOGY CENTER

(Street)

OXFORD, CT 06478

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
RBC Bearings INC [ROLL]

3. Date of Earliest Transaction (Month/Day/Year)
08/07/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)
V.P. and General Manager

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/07/2018		S		4,130	D	$ 139.8	11,199 (1) (2) (3)	D	
Common Stock	08/08/2018		M		2,000	A	$ 51.08	13,199 (1) (2) (3)	D	
Common Stock	08/08/2018		S		2,000	D	$ 139.1871	11,199 (1) (2) (3)	D	
Common Stock	08/08/2018		M		4,000	A	$ 64.15	15,199 (1) (2) (3)	D	
Common Stock	08/08/2018		S		4,000	D	$ 139.1871	11,199 (1) (2) (3)	D	

Common Stock	08/08/2018		M	4,000	A	$ 72.83	15,199 (1) (2) (3)	D
Common Stock	08/08/2018		S	4,000	D	$ 139.1871	11,199 (1) (2) (3)	D
Common Stock	08/08/2018		M	2,000	A	$ 72.94	13,199 (1) (2) (3)	D
Common Stock	08/08/2018		S	2,000	D	$ 139.1871	11,199 (1) (2) (3)	D
Common Stock	08/08/2018		M	4,000	A	$ 99.64	15,199 (1) (2) (3)	D
Common Stock	08/08/2018		S	4,000	D	$ 139.1871	11,199 (1) (2) (3)	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option to Purchase Common Stock	$ 51.08	08/08/2018		M			2,000	06/14/2014 (4)	06/14/2020	Common Stock	2,000
Option to Purchase Common Stock	$ 64.15	08/08/2018		M			4,000	07/01/2015 (5)	07/01/2021	Common Stock	4,000
Option to Purchase Common Stock	$ 72.83	08/08/2018		M			4,000	07/01/2016 (6)	07/01/2022	Common Stock	4,000

Option to Purchase Common Stock	$ 72.94	08/08/2018	M	2,000	07/08/2017 (7)	07/08/2023	Common Stock	2,000
Option to Purchase Common Stock	$ 99.64	08/08/2018	M	4,000	06/27/2018 (8)	06/27/2024	Common Stock	4,000
Option to Purchase Common Stock	$ 132.12				06/07/2019 (9)	06/07/2025	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Edwards Richard J 102 WILLENBROCK ROAD ONE TRIBOLOGY CENTER OXFORD, CT 06478			V.P. and General Manager	

Signatures

/s/Thomas J. Williams /attorney in fact	08/09/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 1,333 shares of the reported Common Stock are Restricted Shares. The Restrictions lapse in accordance with the following schedule - 1/2 vest on 6/27/2019 and 1/2 vest on 6/27/2020. Unvested shares of Restricted Stock (i) may be immediately forfeited to the Company at the time the grantee ceases to be an officer or employee of, or otherwise perform services for, the Company or its subsidiaries under certain circumstances or (ii) may lapse upon the happening of certain events.

(2) 3,000 shares of the reported Common Stock are Restricted Shares. 1/5 vest on 6/7/2019, 1/5 vest on 6/7/2020, 1/5 vest on 6/7/2021, 1/5 vest on 6/7/2022, 1/5 vest on 6/7/2023. Unvested shares of Restricted Stock (i)may be immediately forfeited to the Company at the time the grantee ceases to be an officer or employee of, or otherwise perform services for, the company or its subsidiaries under certain circumstances or (ii) may lapse upon the happening of certain events.

(3) 333 shares of the reported Common Stock are Restricted Shares. The Restrictions lapse on 7/8/2019. Unvested shares of Restricted Stock (i) may be immediately forfeited to the Company at the time the grantee ceases to be an officer or employee of, or otherwise perform services for, the Company or its subsidiaries under certain circumstances or (ii) may lapse upon the happening of certain events.

(4) Options to purchase shares of Common Stock expire 7 years from grant date.

(5) Options to purchase shares of Common Stock vest on 7/1/2019. Options expire 7 years from grant date.

(6) Options to purchase shares of Common Stock are subject to the following vesting schedule - 1/2 vest on 7/1/2019 and 1/2 vest on 7/1/2020. Options expire 7 years from grant date.

(7) Options to purchase shares of Common Stock are subject to the following vesting schedule - 1/3 vest on 7/8/2019, 1/3 vest on 7/8/2020 and 1/3 vest on 7/8/2021. Options expire 7 years from grant date.

(8) Options to purchase shares of Common Stock are subject to the following vesting schedule - 1/4 vest on 6/27/2019, 1/4 vest on 6/27/2020, 1/4 vest on 6/27/2021 and 1/4 vest on 6/27/2022. Options expire 7 years from grant date.

(9) Options to purchase shares of Common Stock are subject to the following vesting schedule - 1/5 vest on 6/7/2019, 1/5 vest on 6/7/2020, 1/5 vest on 6/7/2021, 1/5 vest on 6/7/2022 and 1/5 vest on 6/7/2023. Options expire 7 years from grant date.

 in the yield curve is used.

GAP: Difference between assets and liabilities that are sensitive to interest rates for each period.

Consolidated limits:

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial income loss limit and the loss limit over capital and reserves using the following formula:

Consolidated limit = Square root of a2 + b2 + 2ab

a: limit in local currency.

b: limit in foreign currency.

Since correlation is assumed to be 0. 2ab = 0.

Assumptions and Limitations of Scenario Simulations/Sensitivity Analysis

The most important assumption is the usage of a 100 basis point shift in the yield curve (57 basis points for real rates). We use a 100 basis point shift since a sudden shift of this magnitude is considered realistic, but not an everyday occurrence given historical movements in the yield curve, and significant in terms of the possible effects a shift of this size could have on our performance. The Global Risk Department at Banco Santander Spain has also set comparable limits by country in order to be able to compare, monitor and consolidate market risk by country in a realistic and orderly manner.

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Our scenario simulation methodology should be interpreted in light of the limitations of our models, which include:

- The scenario simulation assumes that the volumes remain on balance sheet and that they are always renewed at maturity, omitting the fact that credit risk considerations and pre payments may affect the maturity of certain positions.
- This model assumes an equal shift throughout the entire yield curve and does not take into consideration different movements for different maturities.
- The model does not take into consideration the sensitivity of volumes to these shifts in interest rates.
- The limits to the loss of the budgeted financial income are calculated over an expected financial income for the year which may not be obtained, signifying that the actual percentage of financial income at risk could be higher than expected.

Quantitative Disclosure: Market Risk Non Trading Portfolio (Sensitivity Analysis/Scenario Simulations)

The Finance Division manages the risk management of the consolidated non-trading portfolios under guidelines approved by the ALCO and Banco Santander Spain's Global Risk Department. In carrying out its market risk management functions, the Finance Division manages interest rate risk that arises from any mismatches with respect to rates, maturities, repricing periods, notional amounts or other mismatches between our interest earning assets and our interest bearing liabilities.

The Market Risk and Control Department: (i) applies scenario simulations (as discussed below) to measure the interest rate risk of the local currency activities and the potential loss as forecast by these simulations; and (ii) provides the ALCO, the Finance Division and Banco Santander Spain's Global Risk Department with risk/return reports.

Non-trading local currency portfolio

The potential loss in the market value of our local currency-denominated non-trading balance sheet resulting from a 100 basis point shift in the yield curve was set at approximately Ch$94,000 million of equity at year-end 2007. In 2008, this limit was reduced to Ch$86,400 as the Bank viewed that interest rates in Chile were going to rise and this potential risk controlled. The Bank remained within this limit in 2008. At the same time, the variation in net interest income caused by a 100 basis point shift of the local yield curve was set at Ch$24,000 million and Santander-Chile was within the limits established in 2008. These limits are internally set by the ALCO. The ALCO has authority to lower this limit. However, approval from the Santander Central Hispano Global Risk Department is required to lift this limit. The following table, sets forth the loss limit and the high, low and average potential loss in 2007 and 2008 resulting from a 100 basis point shift in the relevant interest rate.

	Local Currency-denominated Financial Management Portfolio	
	Financial Income	Capital and Reserves
	(in millions of constant Ch$ as of December	

	31, 2008)	
Loss limit at December 31, 2008	24,000	86,400
High	16,720	85,837
Low	3,138	60,251
Average in 2008	10,707	72,622

	Local Currency-denominated Financial Management Portfolio	
	Financial Income	Capital and Reserves
	(in millions of constant Ch$ as of December 31, 2007)	
Loss limit at December 31, 2007	20,000	94,000
High	13,835	91,733
Low	386	50,630
Average in 2007	8,243	75,450

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Non-trading foreign currency portfolio

For our net non-trading foreign currency position, any loss caused by a 100 basis point shift in U.S. dollar interest rates may not exceed US$54 million of equity and US$36 million of budgeted net interest income. These limits are internally imposed limits set by the ALCO. The ALCO has the authority to lower this limit. However, approval from Banco Santander Spain Global Risk Department is required to lift this limit. The following table sets forth the loss limit and the high, low and average potential loss in 2007 and 2008, resulting from a 100 basis point shift in the interest rates on U.S. dollar-denominated assets and liabilities

	Foreign Currency-denominated Financial Management Portfolio	
	Financial Income	Capital and Reserves
	(in millions of constant US$)	
Loss limit at December 31, 2008	36.0	54.0
High	31.2	9.4
Low	1.8	0.2
Average in 2008	15.1	4.2

	Foreign Currency-denominated Financial Management Portfolio	
	Financial Income	Capital and Reserves
	(in millions of constant US$)	
Loss limit at December 31, 2007	30.0	45.0
High	16.0	7.9
Low	1.0	0.7
Average in 2007	6.7	4.2

Combined non-trading local and foreign currency

We track a consolidated indicator to track the total interest risk of the local and foreign currency-denominated non-trading portfolios. The consolidated loss limit for equity at risk was set at Ch$94,000 million at the beginning of 2008 and was subsequently lowered to Ch$86,400 million. The Bank has remained within this limit for this portfolio in 2008. At the same time, the variation in net interest income caused by a 100 basis point shift of the local yield curve may not exceed Ch$24,000 million. The following table, which contemplates a 100 basis point shift in the relevant interest rate, indicates that Santander-Chile was within the limits established in 2008. These limits are an internally imposed limit set by the ALCO and Banco Santander Spain's Global Risk Department. The ALCO has authority to lower these limits. However, approval from Banco Santander Spain Global Risk Department is required to lift these limits.

	Combined Financial Management Portfolio	
	Financial Income	Capital and Reserves
	(in millions of constant Ch$ as of December 31, 2008)	
Loss limit at December 31, 2008	24,000	86,400
High	16,720	86,051
Low	3,138	60,252
Average in 2008	10,707	72,683

	Combined Financial Management Portfolio	
	Financial Income	Capital and Reserves
	(in millions of constant Ch$ as of December 31, 2007)	
Loss limit at December 31, 2007	30,000	94,000
High	15,249	91,733
Low	5,377	50,630
Average in 2007	9,553	75,452

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Volume Limits

We have also developed volume limits, which place a cap on the actual size of the different portfolios being monitored.

Fixed Income: Volume Equivalent. This system is considered to be an additional limit to the size of our consolidated fixed income trading portfolio. This measure seeks to conform the different instruments in our fixed income trading portfolio and convert the portfolio into a single instrument with a duration of one year. Santander-Chile limits the size of this volume equivalent portfolio. The equivalent volume is calculated by the Market Risk and Control Department and limits are set by the ALCO with respect to the size of the volume equivalent portfolio.

Net Foreign Currency Trading Position: Maximum Net Position. We also set an absolute limit on the size of Santander-Chile’s consolidated net foreign currency trading position. At December 31, 2008, this was equal to US$200 million. The limit on the size of the net foreign currency position is determined by the ALCO and is calculated and monitored by the Market Risk and Control Department.

Liquidity Management

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

- The sum of the liabilities with a maturity of less than 30 days may not exceed the sum of the assets with a maturity of less than 30 days by more than an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2008, the percentage of (x) our liabilities with a maturity of less than 30 days in excess of our assets with a maturity of less than 30 days to (ii) our capital and reserves was 51.0%. In 2008, we did not surpass the limit.

- The sum of the liabilities with a maturity of less than 90 days may not exceed the sum of the assets with a maturity of less than 90 days by more than 2 times our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2008, the percentage of (x) our liabilities with a maturity of less than 90 days in excess of our assets with a maturity of less than 90 days to (y) 2 times our capital and reserves was 53.0%. In 2008, we did not surpass the limit.

Other Subsidiaries

For VaR measurements and scenario simulations, our consolidated trading and consolidated non-trading portfolios do not consolidate the asset liability structure of the following subsidiaries:

- Santander S.A. Corredores de Bolsa
- Santander Asset Management S.A. Administradora General de Fondos
- Santander S.A. Sociedad Securitizadora
- Santander Corredores de Seguros Ltda.
- Santander Servicios de Recaudación y Pagos Ltda.

The balance sheets of these subsidiaries are mainly comprised of non sensitive assets and liabilities, fixed assets and capital and in total only represent 1.8% of our total consolidated assets.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2008, the Bank, under the supervision and with the participation of Bank's management, including the President, Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(f) under the Exchange Act). There are, as described below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the Bank's President, Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective in ensuring that information relating to the Bank, including its consolidated subsidiaries, required to be disclosed in the reports it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to the management, including principal financial officers as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15 (f) under the Exchange Act. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Chile, including the reconciliation to U.S. GAAP, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Bank's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed may not prevent or detect misstatements, due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Bank's management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the Enterprise-Wide Risk Management – Integrated Framework.

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Based on this assessment, our management concluded that, as of December 31, 2008, our internal control over financial reporting was effective based on those criteria.

Our internal control over financial reporting as of December 31, 2008, has been audited by Deloitte Auditores y Consultores Limitada, an independent registered public accounting firm, as stated in their report which follows below.

Changes in Internal Control Over Financial Reporting

There has been no change in the Bank's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders of Banco Santander Chile

We have audited the internal control over financial reporting of Banco Santander Chile and subsidiaries (the "Bank") as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exist, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank's internal control over financial reporting is a process designed by, or under the supervision of, the bank's principal executive and principal financial officers, or persons performing similar functions, and effected by the bank's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated financial statements as of and for the year ended December 31, 2008 and our report dated June 22, 2009 expressed an unqualified opinion on those consolidated financial statements and

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included three explanatory paragraphs stating that (1) as explained in Note 2 to the consolidated financial statements, during 2008 the Superintendency of Banks issued Circular No. 3,410 which modified the presentation format of financial statements models, the definition of cash and cash equivalent, and adopted a criterion of provisions for minimum dividends. For this reason, the consolidated financial statements for 2007 and 2006 have been restated to conform to the new presentation formats required by the Superintendency, (2) the accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”), and that the information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements of the Bank, and (3) that a convenience translation of Chilean peso amounts to U.S. dollars was presented.

/s/ Deloitte
Santiago, Chile
June 22, 2009

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that one of the members of our Audit Committee, Víctor Arbulú Crousillat, meets the requirements of an “audit committee financial expert” in accordance with SEC rules and regulations, in that he has an understanding of Chilean GAAP and financial statements, the ability to assess the general application of Chilean GAAP in connection with the accounting for estimates, accruals and reserves, experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our consolidated financial statements, an understanding of internal controls over financial reporting, and an understanding of audit committee functions. All three members of our Audit Committee have experience overseeing and assessing the performance of Santander-Chile and its consolidated subsidiaries and our external auditors with respect to the preparation, auditing and evaluation of our consolidated financial statements.

All three members of our Audit Committee are considered independent under applicable NYSE criteria. Both Víctor Arbulú C. and Lucia Santa Cruz are relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B), which allows an otherwise independent director to serve on both the audit committee of the issuer and the Board of Directors of an affiliate.

ITEM 16B. CODE OF ETHICS

The Bank has adopted a code of ethics that is applicable to all of the Bank’s employees and a copy is included as an exhibit hereto. We will provide to any person without charge, upon request, a copy of our code of ethics. Please email rmorenoh@santander.cl to request a copy.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Amounts paid to the auditors for statutory audit and other services were as follows:

	2007	2008
	(in millions of constant Ch$ as of December 31, 2008)	
Audit Services		
- Statutory audit	859	528
- Audit-related regulatory reporting	108	106
Tax Fees		
- Compliance	-	-
- Advisory Services	1	28
All Other Services	16	61
Total	984	723

Statutory audit: Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements that are provided by Deloitte Auditores y Consultores Limitada in 2007 and 2008 in connection with statutory and regulatory filings or engagements, and attest services.

Audit-related regulatory reporting: Consists of fees billed for assurance and related services that were specifically related to the performance of the audit and review of our filings under the Securities Act.

Auditors are pre-approved by the Audit Committee. The selection of external auditors is subject to approval by shareholders at the Annual Shareholders’ Meeting. All proposed payments have been presented to our Audit Committee, which has determined that they are reasonable and consistent with internal policies.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2008, neither Santander-Chile nor any of its affiliates purchased any of Santander-Chile’s equity securities.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Summary Comparison of Corporate Governance Standards and NYSE Listed Company Standards

Our corporate governance standards, dictated by Chilean corporate law, differ from the standards followed by U.S. companies under the New York Stock Exchange (NYSE) listing standards in a number of ways. Consequently, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements. The following is a non-exhaustive summary of a few key differences:

- Whether a company's executive officers may serve as its directors – the NYSE standards do not prohibit a U.S. company's executive officer from also serving as a director, whereas our corporate governance standards prohibit this.

- Whether the shareholders must be given an opportunity to vote on equity-compensation plans – the NYSE standards require that shareholders be allowed to vote on all equity compensation plans of a U.S. company,

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whereas our corporate governance standards only require that shareholders be allowed to vote on director compensation.

- The adoption and disclosure of corporate governance guidelines – the NYSE standards require all U.S. companies listed on the NYSE to adopt the NYSE corporate governance guidelines, whereas we follow the corporate governance guidelines established under Chilean law.

As more than 50% of our voting power is held by another company, Banco Santander Spain, S.A., we would be permitted to elect for certain exemptions under NYSE corporate governance standards if we were a U.S. company. Specifically, as a U.S. company, we could elect to be exempted from the requirements (i) that we have a majority of independent directors (as defined by the NYSE), (ii) that we have a nominating/corporate governance committee meeting certain conditions, and (iii) that we have a compensation committee meeting certain requirements. Because we would not be required to follow these standards if we were a U.S. company, we have not summarized the differences, if any, between these provisions and our own corporate governance procedures.

Summary of Corporate Governance Standards

Santander-Chile has adopted diverse measures to promote good corporate governance. Among the measures adopted are:

- Board of Directors mainly composed of professionals not related to Banco Santander Spain, our parent company.
- Active participation of Directors in main committees of the Bank.
- All personnel must subscribe to a code of ethics and good conduct. Those who interact directly with the capital markets must also subscribe to an additional code of conduct.
- Segregation of functions in order to assure adequate management of risks. Commercial areas separated from back office areas. Risk management independent of commercial areas. Main credit decisions taken in committees.
- Internal Auditing Area clearly independent from the Administration.
- The Bank also has an Internal Compliance Division that oversees the fulfillment of the Bank's codes of conduct.

Santander-Chile has a commitment to transparency. This includes:

- Equal treatment for all shareholders: one share equals to one vote.
- Monthly publication of the Bank's results by the Superintendency of Banks.
- Quarterly report of a detailed analysis of Bank results published by us at least 30 days after the close of each interim quarter and 40 days after close of the full year.
- Quarterly conference call open to the public.
- All information relevant to the public available immediately on the web page www.santander.cl.
- Ample and periodic coverage of the Bank by international and local stock analysts.

- The Bank has five credit risk ratings by five independent rating agencies, domestic and international.

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PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this Annual Report.

ITEM 19. EXHIBITS

a) Index to Financial Statements

b) Index to Exhibits

Exhibit Number	Description
1A.1	Restated Articles of Incorporation of Santander-Chile (in Spanish) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1A.2	Restated Articles of Incorporation of Santander-Chile (English translation) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1B.1	Amended and Restated By-Laws (estatutos) of Santander-Chile (in Spanish).
1B.2	Amended and Restated By-Laws (estatutos) of Santander-Chile (English translation).
2A.1	Form of Amended and Restated Deposit Agreement, dated August 4, 2008, among Banco Santander-Chile, JPMorgan Chase Bank, N.A. (as depositary) and Holders of American Depositary Receipts (incorporated by reference to our Registration Statement on Form F-6 (Registration No. 333-152664).

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filed with the Commission on July 31, 2008).

2A.2 Form of Foreign Investment Contract among Banco Santiago, JPMorgan Chase Bank, N.A. and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs (accompanied by an English translation) (incorporated by reference to our Registration Statement on Form F-1 (Registration No. 333-7676) filed with the Commission on October 23, 1997).

2A.3 Copy of the Central Bank Chapter XXVI Regulations Related to the Acquisition of Shares in Chilean Corporations and the Issuance of Instrument on Foreign Stock Exchanges or under Other Terms and Conditions of Issue (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).

2B.1 Agreement for the Issuance of Bonds dated November 26, 1996 between Old Santander-Chile and Banco Security (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).

2B.2 Indenture dated December 9, 2004 between Santander-Chile and Deutsche Bank Trust Company Americas, as trustee, providing for issuance of securities in series (incorporated by reference to Banco Santiago's Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (File No. 1-4554) filed with the Commission on April 12, 2006).

2B.3 Indenture dated March 16, 2001, as amended on May 30, 2003, October 22, 2004, May 3, 2005, and September 20, 2005 between Santander-Chile and Banco de Chile, as trustee, relating to issuance of UF14 million senior notes (copy to be furnished upon request).

4A.1 Automatic Teller Machines Participation Agreement dated October 1, 1988 between Banco Espanol-Chile (predecessor to Old Santander-Chile) and REDBANC (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).

4A.2 Systems and Technology Service and Consulting Agreement between Santander-Chile and Altec dated December 30, 2003 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14554) filed with the Commission on June 29, 2004).

4A.3 Purchase-Sale Contract between Santander-Chile and Empresas Almacenes París dated December 6, 2004 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (File No. 1-14554) filed with the Commission on June 12, 2006).

4A.4	Service Participant operating contract dated August 9, 2005 between Banco Santander-Chile and Socieded Operadora de la Cámera de Compensación de Pagos de Alto Valor (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 1-14554) filed with the Commission on June 19, 2007).
4A.5	Contract for the Outsourcing of Computer Services between Santander-Chile and Produban, Servicios Informaticos Generales, S.L, dated December 3, 2007 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2007 (File No. 1-14554) filed with the Commission on June 27, 2008).
7.1	Statement explaining calculation of ratios.
8.1	List of Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).

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11.1	Code of Conduct for Executive Personnel of Banco Santander-Chile and Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
11.2	Code of Conduct for all Grupo Santander Personnel (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
12.1	Section 302 Certification by the Chief Executive Officer.
12.2	Section 302 Certification by the Chief Financial Officer.
13.1	Section 906 Certification.
23.1	Consent of Deloitte & Touche Sociedad de Auditores y Consultores, Ltda.

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Banco Santander-Chile.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO SANTANDER-CHILE

By:	/s/ Andrés Heusser R.
Name:	Andrés Heusser R.
Title:	Deputy Chief Executive Officer

Date: June 29, 2009

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BANCO SANTANDER CHILE
CONSOLIDATED FINANCIAL STATEMENTS
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Ch$	-	Chilean pesos
MCh$	-	Millions of Chilean pesos
US$	-	United States dollars
ThUS$	-	Thousands of United States dollars
UF	-	A UF is a daily-indexed peso-denominated monetary unit. The UF rate is set daily in advance based on the previous month's inflation rate.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Banco Santander Chile

We have audited the accompanying consolidated balance sheets of Banco Santander Chile and subsidiaries (the "Bank") as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of three years in the period ended December 31, 2008, all expressed in millions of constant Chilean pesos. These consolidated financial statements (including the related notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Santander Chile and subsidiaries as of December 31, 2008 and 2007, the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in Chile and the rules of the Superintendencia de Bancos e Instituciones Financieras.

As explained in Note 2 to the consolidated financial statements, during 2008 the Superintendency of Banks issued Circular Nº 3,410 which modified the presentation format of financial statements models, the definition of cash and cash equivalent, and adopted a criterion of provisions for minimum dividends. For this reason, the consolidated financial statements for 2007 and 2006 have been restated to conform to the new presentation formats required by the Superintendency.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America (U.S. GAAP). Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements.

Our audit also comprehended the translation of Chilean peso amounts into U.S. dollar amounts and we are not aware of any modifications that should be made for such translation to be in conformity with the basis stated in Note 1.s. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Banks's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 22, 2009 expressed an unqualified opinion on the Bank's internal control over financial reporting.

/s/Deloitte
Santiago, Chile
June 22, 2009

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BANCO SANTANDER CHILE
CONSOLIDATED BALANCE SHEETS
Expressed in millions of constant Chilean pesos (MCh$) as of
December 31, 2008 and thousands of U.S. dollars (ThUS$)

	Note	As of December 31,		
ASSETS		2007(*) MCh$	2008 MCh$	2008 ThUS$ (Note 1.s)
Cash and deposits in banks	3	1,206,985	854,838	1,333,081
Unsettled transaction	3	344,354	335,405	523,049
Trading investments	4	1,186,905	1,161,631	1,811,510
Investment under agreements to resell		37,022	-	-
Financial derivative contracts	14	850,186	1,846,509	2,879,546
Interbank loans	6	50,047	95,499	148,926
Loans and receivables from customers	6	13,097,347	14,319,370	22,330,402
Available for sale investments	4	848,945	1,580,240	2,464,312
Investments in other companies	10	7,399	6,990	10,901
Intangibles assets		61,182	73,089	113,979
Property. plant and equipment	9	267,455	260,105	405,622
Current taxes	21	2,105	18,289	28,521
Deferred taxes	21	66,707	64,821	101,085
Other assets	11	516,238	520,348	811,458
TOTAL ASSETS		18,542,877	21,137,134	32,962,392
LIABILITIES				
Deposits and other sight liabilities		3,123,803	2,949,757	4,600,011
Unsettled transaction	3	147,240	142,552	222,303
Investment under agreements to repurchase		336,090	563,234	878,338
Deposits and other time deposits		8,589,131	9,756,266	15,214,450
Financial derivative contracts	14	847,401	1,469,724	2,291,967
Interbank borrowings		1,197,184	1,425,065	2,222,324
Issued debt instruments		2,346,575	2,651,372	4,134,693
Other financial liabilities		161,013	103,278	161,057
Current taxes	21	17,310	163	254
Deferred taxes	21	11,844	18,766	29,265
Provisions	8	50,499	162,165	252,889
Other liabilities	11	127,073	292,182	455,644
TOTAL LIABILITIES		16,955,163	19,534,524	30,463,195
SHAREHOLDERS' EQUITY				
Attributable to owners of the parent:		1,565,885	1,578,045	2,460,889
Capital		891,303	891,303	1,389,946
Reserves		51,539	51,539	80,373
Valuation adjustments		(10,317)	(7,552)	(11,777)
Retained earnings:		633,360	642,755	1,002,347
Retained earnings of prior years		297,274	413,053	644,137
Net Income for the period		336,086	328,146	511,729
Minus: Provision for mandatory dividends	2	-	(98,444)	(153,519)
Minority interest	15	21,829	24,565	38,308

TOTAL SHAREHOLDERS' EQUITY	1,587,714	1,602,610	2,499,197
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,542,877	21,137,134	32,962,392

(*) The Balance Sheets as of December 31, 2007 have been restated as mentioned in Note 2.a to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO SANTANDER CHILE
CONSOLIDATED STATEMENTS OF INCOME
Expressed in millions of constant Chilean pesos (MCh$) as of
December 31, 2008 and thousands of U.S. dollars (ThUS$)

	Note	Year ended December 31,			
		2006(*) MCh$	2007(*) MCh$	2008 MCh$	2008 ThUS$ (Note 1.s)
Interest revenue		1,295,280	1,730,592	2,061,112	3,214,210
Interest expense		(659,459)	(954,834)	(1,164,071)	(1,815,315)
Net interest revenue		635,821	775,758	897,041	1,398,895
Fees and other services income	17	239,658	266,923	276,433	431,085
Other services expenses	17	(42,011)	(49,066)	(52,840)	(82,402)
Total fees and income from services, net		197,647	217,857	223,593	348,683
Net gains from mark-to-market and trading	5	135,465	26,796	273,084	425,862
Foreign exchange gain (losses), net	5	(552)	83,007	(187,042)	(291,683)
Other operating income	18	16,779	28,433	16,512	25,750
Total operating income		985,160	1,131,851	1,223,188	1,907,507
Provision for loans losses	8	(142,956)	(224,667)	(285,953)	(445,931)
OPERATING INCOME, NET OF PROVISIONS		842,204	907,184	937,235	1,461,576
Personnel salaries and expense		(186,282)	(191,120)	(209,134)	(326,135)
Administrative and other expense		(153,401)	(164,609)	(161,977)	(252,596)
Depreciation and amortization		(42,079)	(45,741)	(51,944)	(81,004)
Other operating expenses	18	(42,868)	(44,545)	(42,259)	(65,901)
Total operating expenses		(424,630)	(446,015)	(465,314)	(725,636)
NET OPERATING INCOME		417,574	461,169	471,921	735,940
Income (loss) attributable to investments in other companies	10	919	(1,438)	851	1,327
Price level restatement, net	23	(16,123)	(61,332)	(78,027)	(121,680)
Net income before taxes		402,370	398,399	394,745	615,587
Income tax	21	(68,088)	(60,075)	(63,728)	(99,381)
NET INCOME		334,282	338,324	331,017	516,206
Attributable to:					
Owners of the parent		334,106	336,086	328,146	511,729
Minority Interest	15	176	2,238	2,871	4,477

Net Income per share attributable to owners of the parent: (in Chilean pesos and US dollars):				
Basic earning	1.773	1.783	1.741	2.716
Diluted earning	1.773	1.783	1.741	2.716

(*)The Statements of Income for the years 2007 and 2006 have been restated as mentioned in Note 2.a to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO SANTANDER CHILE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Expressed in millions of constant Chilean pesos (MCh$) as of
December 31, 2008 and thousands of U.S. dollars (ThUS$)

	Year ended December 31,			
	2006(*)	2007(*)	2008	2008
	MCh$	MCh$	MCh$	ThUS$ (Note 1.s)
NET INCOME	334,282	338,324	331,017	516,206
OTHER COMPREHENSIVE INCOME				
Available for sale investments	20,218	(4,772)	(14,471)	(22,567)
Cash flow hedge	-	(6,389)	16,740	26,105
Other comprehensive income before income taxes	20,218	(11,161)	2,269	3,538
Income Tax	(3,437)	1,897	(385)	(600)
Other comprehensive income, net of tax	16,781	(9,264)	1,884	2,938
COMPREHENSIVE INCOME	351,063	329,060	332,901	519,144
Attributable to:				
Owners of the parent	350,887	326,822	330,069	514,728
Minority Interest	176	2,238	2,832	4,416

(*)The Statements of Other Comprehensive Income for the years 2007 and 2006 have been restated as mentioned in Note 2.a to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO SANTANDER CHILE
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Expressed in millions of constant Chilean pesos (MCh$) as of
December 31, 2008

		Reserves		Valuation account				Retaining earnings			
	Capital	Reserves and retained earning	Business Combination (1)	Available for sale	Cash Flow Hedge	Other	Income taxes	Previous years' retained earnings	Income (loss) for the period	Provisions to dividens minimum	at o th
Equity as of December 31, 2005	746,037	42,376	-	(18,447)	-	-	3,136	69,020	239,710	-	1
Retained earnings	-	-	-	-	-	-	-	239,710	(239,710)	-	
Equity as of January 01, 2006	746,037	42,376	-	(18,447)	-	-	3,136	308,730	-	-	1
Dividends paid	-	-	-	-	-	-	-	(155,811)	-	-	
Price -level restatement	15,816	4,513	-	-	-	-	-	-	-	-	
Change in accounting principles	-	-	-	-	-	(936)	-	-	-	-	
Other comprenhensive income for the period	-	-	-	17,281	-	-	(2,938)	-	-	-	
Income for the period	-	-	-	-	-	-	-	-	285,582	-	
Equity as of December 31, 2006	761,853	46,889	-	(1,166)	-	(936)	198	152,919	285,582	-	1
Restated in constant chilean pesos											
Equity	891,303	54,857	-	(1,363)	-	(1,095)	232	178,902	334,106	-	1
Other comprehensive income for the period	-	-	-	20,218	-	-	(3,437)	-	-	-	
Equity as of December 31, 2006	761,853	46,889	-	(1,166)	-	(936)	198	152,919	285,582	-	1
Retained earnings	-	-	-	-	-	-	-	285,582	(285,582)		
Equity as of January 01, 2007	761,853	46,889	-	(1,166)	-	(936)	198	438,501	-	-	1
Dividends paid	-	-	-	-	-	-	-	(185,628)	-	-	
	56,682	3,419	(139)	-	-	-	-	20,132	-	-	

Price-level restatement										
Others movements of equity	-	(936)	(1,903)	-	-	936	-	-	-	-
Accrual for mandatory dividends	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	(4,382)	(5,867)	-	1,742	-	-	-
Income for the period	-	-	-	-	-	-	-	-	308,647	-
Equity as of December 31, 2007	818,535	49,372	(2,042)	(5,548)	(5,867)	-	1,940	273,005	308,647	-
Restated in constant chilean pesos										
Equity	891,303	53,763	(2,224)	(6,040)	(6,389)	-	2,112	297,274	336,086	-
Other comprehensive income	-	-	-	(4,772)	(6,389)	-	1,897	-	-	-
Equity as of December 31, 2007	818,535	49,372	(2,042)	(5,548)	(5,867)	-	1,940	273,005	308,647	-
Retained earnings	-	-	-	-	-	-	-	308,647	(308,647)	-
Equity as of January 01, 2008	818,535	49,372	(2,042)	(5,548)	(5,867)	-	1,940	581,652	-	-
Minimum dividend adjustment in accordance to Circular No 3443 (Note 2)	-	-	-	-	-	-	-	-	-	(92,594)
Dividends paid	-	-	-	-	-	-	-	(200,619)	-	92,594
Price-level restatement	72,768	4,391	(182)	-	-	-	-	32,020	-	-
Accrual for mandatory dividends	-	-	-	-	-	-	-	-	-	(98,444)
Other comprehensive income for the period	-	-	-	(14,424)	16,740	-	(393)	-	-	-
Income for the period	-	-	-	-	-	-	-	-	328,146	-
Equity as of December 31,	891,303	53,763	(2,224)	(19,972)	10,783	-	1,547	413,053	328,146	(98,444)

2008

Period	Income attributable to owners of the parent	Assigned to reserves or retained earnings	Assigned to Dividends	Distributed Percentage	Dividend per share
- Year 2006 (Shareholders' Meeting April 2007)	285,582	99,954	185,628	65%	0.985
- Year 2007 (Shareholders' Meeting April 2008)	308,647	108,028	200,619	65%	1.065
.- Year 2008 (Shareholders' Meeting April 2009)	328,146	114,851	213,295	65%	1.132

(*) The Statements of Changes in Equityfor the years 2007 and 2006 have been restated as mentioned in Note 2.a to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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BANCO SANTANDER CHILE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in millions of constant Chilean pesos (MCh$) as of
December 31, 2008 and thousands of U.S. dollars (ThUS$)

	Note	Year ended December 31,			
		2006	2007(*)	2008	2008
		MCh$	MCh$	MCh$	ThUS$
CASH FLOWS OPERATING ACTIVITIES :					(Note 1.s)
NET INCOME FOR THE YEAR		334,282	338,324	331,017	516,206
Items that do not represent cash flows:					
Depreciation and amortization		42,079	45,741	51,944	81,004
Provision for loan losses		199,571	283,300	323,848	505,026
Mark to market of trading investment		(2,147)	(2,573)	(1,121)	(1,748)
Share of profit in equity method investments	10	(919)	1,438	(851)	(1,327)
(Gain) loss on sales of goods received in lieu of payment	18	(13,296)	(12,401)	(8,481)	(13,226)
(Gain) loss on sales of investment in other entities		699	(2,298)	(4,348)	(6,781)
(Gain) loss on sales of bank premises and equipment		(659)	451	139	217
Write-offs of assets received in lieu of payment	18	15,632	8,702	5,410	8,437
Price-level restatement		16,123	61,332	78,027	121,680
Other non- monetary charges		69,875	57,164	54,186	84,501
Net change in interest accruals		(18,031)	(32,344)	(53,456)	(83,362)
Net cash provided by operating activities		643,209	746,836	776,314	1,210,627
CASH FLOWS FROM INVESTING ACTIVITIES :					
Net (increase) decrease in loans		(1,782,215)	(1,072,834)	(1,661,910)	(2,591,673)
Decrease in other financial investments		383,411	(681,629)	(732,310)	(1,142,004)
Purchases of bank premises and equipment		(29,388)	(32,801)	(18,672)	(29,118)
Proceeds from sales of bank premises and equipment		3,180	12,632	10,866	16,945
Investments in other companies		-	-	2,470	3,852
Decrease in investments in companies		-	4,821	14,227	22,186
Dividends received from investments in other companies		715	748	638	995
Net change in goods received in lieu of payment		31,634	26,519	21,679	33,807
Net (increase) in other assets and liabilities		(314,699)	(53,691)	(297,841)	(464,469)
Net cash used in investing activities		(1,707,362)	(1,796,235)	(2,660,853)	(4,149,479)
CASH FLOWS FROM FINANCING ACTIVITIES :					
Net increase (decrease) in current accounts		210,833	204,931	109,284	170,423
		999,701	490,790	990,517	1,544,666

Net increase in savings accounts and time deposits				
Net increase in bankers drafts and other deposits	138,562	12,126	(116,503)	(181,681)
Net increase (decrease) in investments sold under agreements to repurchase	(48,018)	(37,160)	325,185	507,111
(Increase) decrease of overseas of short and long term loans	(361,809)	234,177	224,225	349,669
Short-term borrowings repaid	254	483	-	-
Increase in mortgage finance bonds	(239,121)	(187,208)	(161,664)	(252,108)
Repayments of mortgage finance bonds	112,633	47,239	(66,988)	(104,465)
Net increase in bankers drafts and other deposits	361,843	157,256	269,430	420,164
Central Bank borrowings	(410,134)	(158,874)	(270,742)	(422,210)
Proceeds from bond issues	235,972	660,425	449,143	700,418
Repayments of bond issues	(78,270)	(73,658)	(37,498)	(58,476)
Other long term lending	(10,636)	25,506	25,480	39,735
Dividends paid	(182,285)	(215,734)	(214,864)	(335,071)
Net cash provided by (used in) Financing Activities	729,525	1,160,299	1,525,005	2,378,175
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS	(7,907)	4,527	3,126	4,875
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(342,535)	115,427	(356,408)	(555,802)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,631,207	1,288,672	1,404,099	2,189,628
CASH AND CASH EQUIVALENTS, END OF THE YEAR	1,288,672	1,404,099	1,047,691	1,633,826
Non cash movements (assets received in lieu of payment)	22,946	11,132	14,338	22,359
Cash paid during the year for:				
Interest	691,888	731,764	791,536	1,234,364
Taxes	2,326	2,405	2,573	4,012

(*) The Statements of Cash Flows for the years 2007 and 2006 have been restated as mentioned in Note 2.a to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation - 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 customers, from individuals to major corporations. Banco Santander Chile and its subsidiaries (collectively referred to herein as the "Bank" "Banco Santander Chile") offer general commercial and consumer banking services and provide other services, including factoring, collection, leasing, securities and insurance brokerage, mutual and investment funds management and investment banking.

Through resolution No.79 dated July 26, 2002 the Chilean Superintendencia de Bancos e Instituciones Financieras (the "Superintendency of Banks") approved the merger agreed upon by the Extraordinary Shareholders' Meetings of the former Banco Santander Chile and Banco Santiago, both held on July 18, 2002.

On August 1, 2002, the legal merger agreed upon by Banco Santiago with former Banco Santander Chile took place, through the contribution of the assets of the latter to Banco Santiago, which assumed the total liabilities. The merger was accounted for under Chilean GAAP in a manner commonly referred to as a "pooling of interests" on a prospective basis from January 1, 2002. As such, the financial statements of the former Banco Santander Chile were retroactively combined with those of Banco Santiago at book values at January 1, 2002.

As a result of the merger, Banco Santiago later changed its name to Banco Santander Chile. The shareholders of the former Banco Santander Chile became shareholders of the merged bank, receiving, 3.55366329 shares of the merged Bank in exchange for each share of the former Banco Santander Chile.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile and regulations of the Superintendency of Banks, collectively referred to as "Chilean GAAP." For the convenience of the reader, the consolidated financial statements have been translated into English.

The consolidated financial statements include Banco Santander Chile and its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The majority interests of Banco Santander Chile as of December 31, 2006, 2007 and 2008 were as follows:

	Percentage Owned								
Subsidiary	December 2006			December 2007			December 2008		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander Corredores de Seguro Ltda. (Ex-Santander Leasing S.A.) (2) (3)	99.50	-	99.50	99.50	-	99.50	99.75	0.01	99.76
Santander S.A. Corredores de Bolsa (1) (2)	-	-	-	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 Corredora de Seguros Limitada (3)	99.99	-	99.99	99.99	-	99.99	-	-	-
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
Santiago Corredores de Bolsa Ltda. (1)	99.19	0.81	100.00	-	-	-	-	-	-

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

(1) In conformity with Articles 9 and 10 of Law No. 18.045 and Chapter 18-10 of the “Recopilación Actualizada de Normas de la Superintendencia de Bancos e Instituciones Financieras”, at the Extraordinary Shareholders’ Meeting held on January 15, 2007 by Santander Investment S.A. Corredores de Bolsa, a related company Banco Santander Chile, it was approved the merger between Santiago Corredores de Bolsa Limitada, a subsidiary of Banco Santander Chile, into Santander Investment S.A. Corredores de Bolsa, effective January 1, 2007. Santander Investment S.A. Corredores de Bolsa, as of January 15, 2007, became a subsidiary of Banco Santander Chile and the legal successor of Santiago Corredores de Bolsa Limitada.

The merger of Santiago Corredores de Bolsa Limitada and Santander Investment S.A. Corredores de Bolsa was accounted as a business combination of entities under common control, thus the lower value amounting to MCh$1.903 determined in the transaction was recorded as a charge to the Bank Equity.

(2) During 2008 the following subsidiaries changed their commercial registry:

- Santander Corredores de Seguro Ltda. (formely Santander Leasing S.A.)
- Santander S.A. Corredores de Bolsa

(3) On December 4, 2007, the Superintendency of Banks, authorized the modification of statudes, sale of social rights and mergey of the subsidiaries Santander Leasing S.A. (formerly Santiago Leasing S.A.) and Santander Corredora de Seguros Limitada (formerly Santander Santiago Corredora de Seguros Limitada).

In accordance with Articles 9 and 10 of Law No. 18.045 and Chapter 18-10 of the “Recopilación Actualizada de Normas de la Superintendencia de Bancos e Instituciones Financieras”, at the Extraordinary Shareholder’s Meeting held on October 1, 2008 by Santander Corredora de Seguros S.A., a company related of Banco Santander Chile, it was approved the merger which incorporated the subsidiary Santander Corredora de Seguros Limitada with Santander Corredora de Seguro S.A. (formely Santander Leasing S.A.). The merger was effective from January 1, 2008.
At the time of above mentioned merger, Santander Corredora de Seguros S.A. became a legal extension of Santander Corredora de Seguros Limitada.
The merger of Santander Corredora de Seguros S.A. and Santander Corredora de Seguros Limitada did not result in any changes in accounting for Banco Santander Chile.

b. Use of estimates in the preparation of financial statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those 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, other than in a forced or liquidation sale. Where available quoted market prices in active markets have been used as the basis for the 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.

We have established allowances to cover probable loan losses in accordance with regulations issued by the Chilean Superintendency of Banks. These regulations require us to estimate allowances based on an individual and group classification system as explained in Note 1.m.

Explanation of Responses:

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

As described above, the allowance for loan losses requires us to make estimates and, consequently, we regularly evaluate our allowance for loan losses by taking into consideration factors such as changes in the nature and volume of our loan portfolio, trends in forecasted portfolio credit quality and economic conditions that may affect our borrowers' ability to pay. Increases in our allowance for loan losses are reflected as provisions for loan losses in our income statement. Loans are charged off when management determines that the loan or a portion thereof is uncollectible. Charge offs are recorded as a reduction of the allowance for loan losses.

c. Price-level restatement - The consolidated financial statements are prepared on the basis of general price-level accounting in order to reflect the effect of changes in the purchasing power of the Chilean peso during each year. At the end of each reporting period, the consolidated financial statements are restated in terms of the general purchasing power of the Chilean peso ("constant pesos") using changes in the Chilean Consumer Price Index ("CPI") as follows:

- Non-monetary assets, liabilities and shareholders' equity accounts are restated in terms of period-end purchasing power.
- Consistent with general banking practices in Chile, no specific purchasing power adjustments of income statement amounts are made.
- Monetary items are not restated as such items are, by their nature, stated in terms of current purchasing power in the financial statements.
- The price-level restatement credit or charge in the income statement represents the monetary gain or loss in purchasing power from monetary assets and liabilities exposed to the effects of inflation.
- All the amounts contained in the accompanying consolidated financial statements have been restated in Chilean pesos of general purchasing power of December 31, 2008 ("constant pesos") applied under the "prior month rule", as described below, to reflect changes in the CPI from the financial statement dates to December 31, 2008. This updating does not change the prior periods' statements or information in any way except to update the amounts to constant pesos of similar purchasing power.

The general price-level restatements are calculated using the official CPI of the Chilean National Institute of Statistics and are based on the "prior month rule", in which the inflation adjustments at any balance sheet date are based on the consumer price index at the close of the preceding month. The CPI is considered by the business community, the accounting profession and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile.

The values of the CPI used for price-level restatement purposes are as follows:

Period	Index *	Change in index
2006	124,11	2.12%
2007	133,34	7.44%
2008	145,19	8.89%

* Index as of November 30 of each year compared with the index as of November 30 of the prior year, under the prior month rule described above.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

The price-level adjusted consolidated financial statements do not purport to represent appraised values, replacement cost, or any other current value of assets at which transactions would take place currently and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

d. Index-linked assets and liabilities - Certain of the Bank's interest-earning assets and interest-bearing liabilities are expressed in index-linked units of account. The principal index-linked unit used in Chile is the Unidad de Fomento (UF), a unit of account which changes daily from the tenth day of the current month to the ninth day of the next month, to reflect the changes in the Chilean CPI over the previous month. The carrying amounts of assets and liabilities change with the changes in the UF and serve to offset the price-level restatement gains or losses from holding such assets and liabilities. As the Bank's UF assets exceed its UF liabilities, any increase in the index results in a net gain on indexation. Values for the UF as of December 31 of each period are as follows in historical Chilean pesos:

Period	Ch$
2006	18,336.38
2007	19,622.66
2008	21,452.57

e. Interest revenue and expense recognition - Interest revenue and expense are recognized on an accrual basis using the effective interest method. The carrying amounts of loans, investments and liabilities are stated at their cost, plus accrued interest and the indexation adjustment applicable to such balances that are index-linked. The effect of index linkage charges on interest-earning assets end interest earning liabilities is reflected in the income statement as an increase or decrease in interest revenue or expense.

The Bank suspends the accrual of interest and indexation adjustments of principal on loan installment payments due beginning on the first day that such loan installment payments are overdue. The Bank continues to accrue interest and indexation on the principal payments not yet overdue for those loans that have installments overdue unless the Bank believes those amounts are uncollectible. Interest accrued prior to the loan becoming overdue remains on the Bank's books and is considered to be a part of the loan balance when determining the allowance for loan losses. Payments received on overdue loans are first applied to reduce the recorded balance of accrued interest receivable, if any, and thereafter are recognized as income to the extent of interest earned but not recorded; any remaining amounts are then applied to principal. Accrued interest and indexation adjustments are included in the Bank's recorded the loan for the purpose of determining the require allowance for loan losses.

f. Foreign currency – The Bank grants loans and accepts deposits in amounts denominated in foreign currencies, mainly in the U.S. dollar. Effective March 2007, assets and liabilities denominated in foreign currencies, only held by the Bank, are translated to Chilean pesos based on the interbank market rate published by Reuters at 1:30 pm on the last business day of every month, the rate used as of December 31, 2008 was $641.25 to US$1 ($ 497.78 to US$ 1 in 2007). The subsidiaries used the observed rate reported by the Central Bank of Chile at the balance sheet date. The rate used was $ 636.45 to US$ 1 ($496.89 in 2007).

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

The use of these exchange rates does not cause significant differences in the consolidated financial statements.
The amount of the net gains and losses on foreign exchange includes the recognition of the effects that variations in the exchange rate have on assets and liabilities denominated in foreign currencies and the gains or losses on foreign exchange spot and forward transaction undertaken by the Bank.

g. Derivative activities - Prior to January 1, 2006, under Chilean GAAP, the Bank accounts for forward contracts between foreign currencies and U.S. dollars at fair value with realized and unrealized gains and losses on these instruments recognized in net income. Forward contracts between the U.S. dollar and the Chilean peso or the UF are valued at the closing spot exchange rate of each balance sheet date, with the initial discount or premium being amortized over the life of the contract in accordance with Chilean hedge accounting criteria. Under the rules of the Superintendency of Banks, the financial instruments which meet the definition of a “derivative” such as forwards in foreign currency and unidades de fomento (inflation index-linked units of account), interest rate futures, currency and interest rate swaps, currency and interest rate options, and others are initially recognized at cost (including transaction fees) and, subsequently measured at fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as applicable.

Certain terms may be embedded into non-derivative financial instruments whose risk and economic characteristics are not clearly and closely related to those of the host contract which may require their bifurcation from the host contract and treated as a separate derivative under the accounting rules of Superintendency of Banks.

When a derivative contract is signed, it must be designated by the Bank as a speculative contract or a hedge. Any changes in the fair value of speculative financial derivative contracts are recorded in Income under “Net gains from mark-to market and trading”. If the derivative is classified as a hedge, it can be: (1) a fair value hedge, or (2) a cash flow hedge. To qualify as a hedge for accounting purposes, the instruments must comply with all the following conditions: (a) hedging must be formally documented at inception; (b) hedging is expected to be highly effective; (c) the effectiveness of the hedge can be measured reasonably; and (d) hedging is highly effective with regard to the risk hedged, continuously throughout its lifetime, to qualify as highly effective, the hedge relationship should meet, both at the inception and in any moment, the following requirements:

a) Prospectively: It should be expected that the changes in the fair value or in the cash flows of the hedged financial instruments will almost be offset by the changes in the fair value or in the cash flows of the hedging instruments.
b) Retrospectively: The offsetting effects should be within 80% and 125% of the changes in the hedged item.
c) All the values should be reliably calculated.
d) Effectiveness should be tested at least each time that the financial statements are prepared.

Certain derivative transactions that do not classify to be accounted for as hedges are treated and reported as speculative, even though they may provide an effective economic hedge for managing risk positions.

When a derivative hedges the exposure to changes in the fair value of a recogniezed asset or liability, the latter is recorded at its fair value. Gains or losses from measuring the fair value of both, the item hedged and the hedging instruments are recognized in income. If the hedge item in a fair value hedge is a firm commitment, the changes in the fair value of the commitment with regard to the risk hedged are recorded as assets or liabilities with the offsetting effect recorded in income. When an asset or liability is acquired as a result of the commitment, the initial recognition of the acquired asset or liability is adjusted to fair value.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

When a derivative hedges exposure to varibility in the cash flows of existing assets or liabilities, or forecasted transactions, the effective portion of the changes in fair value with regard to the risk hedged is recorded in other comprehensive income. Any ineffective portion is recognized directly in the profit or loss. The amounts recorded directly in other comprehensive income are recorded in profit or loss in the same periods in which the offsetting changes in assets or liabilities hedged affect the income statement.

When fair value hedge accounting is used for portfolio hedge of interest rate risk and the hedge item is designated as an amount of currency, the gains or losses from measuring the fair value of both the portfolio hedged and the hedge item are recognized in income.

h. Financial investments - The accounting for financial instruments acquired for trading or investments purposes (available-for-sale or held-to-maturity) are classified as follows:

i. Trading Instruments - Instruments for trading are securities acquired for which the Bank has the intent to generate earnings from short-term price fluctuations or through brokerage margins, or that on initial recoginiton are part of a portfolio created for such purposes.

Instruments for trading are valued at their fair value according to market prices on the closing date of the balance sheet. Fair value adjustments, interest income, indexation adjustments, as well as realized gains/losses from trading are included in the Income Statement under “Net gains from mark-to-market and trading”.

ii. Investment Instruments - Investment instruments are classified into two categories: Held-to-maturity investments and Instruments available for sale. Held-to-maturity investments only include those instruments for which the Bank has the intent and ability to hold to maturity. Investment instruments not classified as held to maturity or trading are considered to be available for sale. Investment instruments are recognized initially at cost, which includes transaction costs.

Investment instruments are recorded initially at cost. Instruments available for sale are valued at each subsequent period-end at their fair value according to market prices or valuations obtained by using models. Mark to market adjustments are reported in a separate component of other comprehensive income. When these investments are sold or become impaired, the amount of the adjustments to fair value accumulated in other comprehensive income is reclassified to the income statement and reported under “Net gains from mark-to-market and trading”.

Held-to-maturity investments are recorded at their cost value plus accrued interest and adjustments, less provisions for impairment recorded when the carrying amount is higher than its estimated return.

Interest and indexation adjustments of held-to-maturity investments and available for sale investments are included under “Interest revenue”. Investment instruments designated as hedges are accounted for under the appropriate derivative accounting literature.

All purchases and sales of investment instruments, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the commitment date, which is the date on which the commitment is made to purchase or sell the asset. Other purchases or sales are treated as forwards until they are liquidated.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

The Bank enters into security repurchase agreements as a form of borrowing. In this regard, the Bank’s investments that are sold subject to a repurchase obligation and that serve as collateral for the borrowing are reclassified as “investment collateral under agreements to repurchase” and carried at market value. The liability for the repurchase of the investment is classified in the consolidated balance sheets as “investments under agreements to repurchase” and is carried at cost plus accrued interest.

The Bank also enters into resale agreements as a form of investment. Under these agreements the Bank purchases securities, which are included as assets under the caption “investments under agreements to resell” and are carried at cost plus accrued interest.

All other financial investments are carried at acquisition cost plus accrued interest and indexation adjustments, as applicable.

i. Leasing contracts - The Bank leases certain property that meets the criteria for direct financing leases. At the time of entering into a direct financing lease transaction, the Bank records the gross financing receivable, unearned income and estimated residual value of leased property or equipment. There are no significant residual values assumed by the Bank. Unearned income represents the excess of the gross financing receivable plus the estimated residual value over the cost of the property acquired. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. The net investment in financing leases is included in the loans section of the consolidated balance sheets.

j. Factored receivables - Factoring receivable loans are valued at the amount disbursed to the borrower. The price difference between the amounts disbursed and the actual face value of the receivables is recorded as interest income over the financing period. The borrowers are responsible for the payments of the loans if the receivables are not collected.

k. Property, plant and equipment – Property plant and equipment are stated at acquisition cost net of accumulated depreciation and have been price-level restated. Depreciation is calculated on a straight-line method over the estimated useful lives of the underlying assets.

The costs of maintenance and repairs are charged to expense. The costs of significant refurbishment and improvements are capitalized and are then amortized over the period of the benefit or the remaining life of the premises and equipment, whichever is less, on a straight-line basis.

l. Investments in other companies - Shares or rights in companies that are integral to the operations of the Bank, where the Bank holds less than majority interest, but maintains significant influence over the operations, are accounted for under the equity method. Other minority investments are carried at cost plus price-level restatement.

m. Allowance for loan losses - The Bank has set up allowances for probable loan losses in accordance with the instructions issued by the Superintendency of Banks 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, the loans are divided into three categories: (i) consumer, (ii) mortgage and (iii) commercial loans. The risk models used internally to calculate the provisions are describe as follows:

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

Allowances for individual evaluations on commercial loans

The Bank assigns a risk category level to each borrower and his respective loans.

The Bank considers the following risk factors within the analysis: industry or sector of the borrower, owners or managers of the borrower, their financial situation, their payment capacity and payment behavior.

The Bank assigns one of the following risk categories to each loan and borrower:
i. Classifications A1, A2 and A3, correspond to borrowers with no apparent credit risk.
ii. Classification B corresponds to borrowers with some credit risk but no apparent deterioration of payment capacity.
iii. Classifications C1, C2, C3, C4, D1 and D2 correspond to borrowers whose loans have deteriorated.

For loans classified as A1, A2, A3 and B, the board of directors of the Bank is authorized to determine the levels of required reserves. The Bank assigns a specific level of risk to each borrower. Therefore borrowers with the same categories could potentially have different levels of risk.

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

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

Allowances for group evaluations

• 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 to be determined by the Bank, according to the estimated loss that may result from the loans, by classifying the loan portfolio using one or both of the following models:

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

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

Allowance for consumer and mortgage loans

The provisioning for consumer and mortgage loans is directly related to the aging of the installment.

All consumer and mortgage loans are assigned a rating on an individual basis utilizing a more automated and sophisticated statistical model and considering also borrower's credit behavior. Once the rating of the client is determined the provisioning of consumer and mortgage loans is calculated using a risk category and related % which is directly related to the aging. These were refined in the 2007 by increasing the period of "back-testing" from 12 to 21 months and separating the risk categories between old and new borrowers.

Additional Allowances

Under the regulations, banks are permitted to establish allowances above the limits described above only to cover specific risks that have been authorized by their board of directors.

Charge-offs

Under the rules and the regulations establishe by the Superintendency of Banks, the Bank charges off loans or portions thereof when collection efforts have been exhausted. However, the charge-offs must be made within the following maximum prescribed limits:

• 24 months after a loan is past due (3 months for consumer loans) for loans without collateral;
• 36 months after a loan is past due for loans with collateral.

The Bank will also charge-off commercial loans prior to the meeting of this criterion a when the Bank no longer considers such loans or portions thereof to be collectible.

Loan loss recoveries

Recoveries of previously charged-off loans, as well as, recoveries on loans which were reacquired from the Chilean Central Bank (the "Central Bank"), are recorded directly to income and presented as a reduction of the provision for loans losses.

n. Fees income and expenses related to loans and services - Fees and expenses related to loans are deferred and recognized in income over the term of the loans. Fees for services rendered are deferred and recognized in income during the period that the services are performed.

The fees correspond to remunerations charged to the mutual funds and investment funds administered are registered on base yielded. These fees are established in the Internal Regulations off each one the funds administered.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continuation).

o. Current and deferred taxes - Current taxes are recognized in an amount that approximates the amount due on the respective income tax pursuant to Chilean tax legislation.

Deferred taxes are recorded in accordance with Technical Bulletin No. 60 and the complementary technical bulletins thereto issued by the Chilean Association of Accountants, using the liability method, recording deferred income taxes for the effects of temporary differences between the book and tax bases of assets and liabilities. Deferred taxes are calculated using tax rates estimated to be in effect at the time of reversal of temporary differences that gave rise to them.

p. Assets received in lieu of payment - Assets received in lieu of payment are carried at the lower of price-level restated cost and the market value, considered as a whole. Assets that have not been sold within one year are written-off as ruled by the Superintendency of Banks.

q. Statement of cash flows - For purposes of reporting cash flows, cash and cash equivalents include cash and unsettled transactions, net for the year ended December 31, 2006, 2007 and 2008, the consolidated statements of cash flows have been prepared in accordance with Technical Bulletin No. 65 of the Chilean Association of Accountants.

r. Accrual for mandatory dividends – At December 31, 2008, the Bank recognized a provision for mandatory dividends. The new provisioning methodology for mandatory dividends in 2008, requires the recognition in liabilities of a provision for dividends payable which are mandatory under the law of public companies, and are in accordance with the Bank's dividend policies. The amount of dividends paid must not be less than 30% of the Bank's net income for the year.

s. Convenience translation to U.S. dollars - The Bank maintains its accounting records and prepares its consolidated financial statements in Chilean pesos. The U.S. dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader at the December 31, 2008, market exchange rate of Ch$641.25 per US$1.00. The convenience translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into U.S. dollars at such a rate or at any other rate.

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NOTE 2. ACCOUNTING CHANGES

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

The Superintendency of Banks, by means of circular No 3410 on November 9, 2007, issued its "Compendium of Accounting Standards" which contains the new accounting formats and reporting standards and policies for the finance industry that will be applied beginning on January 1, 2009, considering the transitional provisions described in Chapter E of such Compendium. Subsequently, the Superintendency of Bank issued on August 21, 2008 Circular No 3443 amending the transitional provisions contained in Chapter E of the "Compendium of Accounting Standards" requiring the application in 2008 of the new format of presentation of the financial statements and amending the definition of "Cash and cash equivalent".

The principal effects of the adoption of the new accounting standards are described below.

a. Accounting changes effective for the year ended December 31, 2008.

Circular No 3443 of the Superintendency of Banks amended the transitional provisions contained in Chapter E of the "Compendium of Accounting Standards" requiring the application in 2008 of the new format of presentation of the financial statements and amending the definition of "Cash and cash equivalent".

For comparative purposes, the financial statements as of December 31, 2007 and 2006 have been modified with respect to those originally prepared by the Bank in order to adapt them to the new presentation requirements. These changes affect the line items "Net Income" in the consolidated income statement and "Shareholders' equity" in the consolidated balance sheet as under the new presentation formats, such line items include the equity and net income corresponding to stockholders of both the Parent and the minority interests. Under the previous presentation requirements total minority interests were reported in the consolidated balance sheet in the mezzanine section between liabilities and equity while in the consolidated statement of income were presented as a deduction in arriving at consolidated net income.

For this reason the financial statements for the year ended December 31, 2007 and 2006 will differ, in terms of presentation, from the prior year.

In addition, Circular No 3443 required the application of new provisioning methodology for mandatory dividends in 2008. Under this accounting policy, the Bank requires the recognition in liabilities of a provision for dividends payable which are mandatory under the Chilean general banking law, and are in accordance with the bank's dividends policy.

Until the year ending, December 31, 2007, dividends were recognized on the date of the ordinary shareholders meeting held on April of the following year.

This change in accounting did not have an effect on the results of the bank; however its application resulted in a reclassification within shareholders equity with a retrospective effect as at January 1, 2008, corresponding to dividends which would have required recognition in reserves in 2007 under the new accounting regulations.

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NOTE 2. ACCOUNTING CHANGES (continuation).

b. Accounting Changes Effective from January 1, 2009

Beginning on January 1, 2009, Chilean Banks must apply the new accounting rules established by the Superintendency of Banks. Legal regulations require that these banks must follow the accounting rules issued by the Superintendency of Banks and Chilean generally accepted accounting principles, consisting of accounting standards issued by the national accounting body "Colegio de Contadores de Chile A.G". These accounting standards are consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). In the case of differences between Chilean Generally Accepted Accounting Principles and the accounting rules issued by the Superintendency of Banks, the rules prevail.

Under the new accounting standards rules, the consolidated financial statements of the Bank in 2009 should include for comparative purposes, a consolidated statement of financial position as of December 31, 2008 and a consolidated income statement for the year ending December 31, 2008 prepared in accordance with the new accounting regulations.

As a result of the application of these new accounting regulations there will be an adjustment to equity at January 1, 2009. Additionally, these changes will affect the Bank's results in future periods.

The Bank established a plan for the transition to the new accounting standards, which included, an analysis of the differences in accounting policies, the selection of accounting policies where there is a choice available, and an analysis of required changes to procedures and systems.

At the date of presentation of these consolidated financial statements the Bank is able to estimate, with reasonable objectivity, to what extent the consolidated balance sheet and consolidated income statement will differ from the comparative balances that will be presented in the year to December 31, 2009 due to the application of the new accounting policies described above.

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NOTE 3. CASH AND CASH EQUIVALENTS

a) The details of cash and cash equivalents is as follows:

	As of December 31, 2007 MCh$	2008 MCh$
Cash and deposits in banks		
Cash	325,754	337,059
Deposits with the central bank	52,280	189,183
Deposits with other domestic banks	828	751
Foreign deposits	828,123	327,845
Subtotal – Cash and deposits in banks	1,206,985	854,838
Unsettled transactions, net	197,114	192,853
Total Cash and Cash equivalents	1,404,099	1,047,691

b) Unsettled transaction

Net unsettled transactions correspond to transactions pending of settlement that will increase or decrease deposits with the Central Bank of Chile or foreign banks, such operations are normally settled within 2 business days following the each year end.

The detail of unsettled transaction is as follows:

	As of December 31, 2007 MCh$	2008 MCh$
Assets		
Uncleared checks and similar documents due from banks	199,475	214,929
Uncleared funds receivable	144,879	120,476
Subtotal – Assets	344,354	335,405
Liabilities		
Uncleared funds payable	147,240	142,552
Subtotal – Liabilities	147,240	142,552
Unsetted transactions, net	197,114	192,853

In accordance with the rules of the Superintendency of Banks, the Bank must maintain certain non interest-bearing balances in its account with the Central Bank. The required balances are based upon specified financial criteria, including the level of the Bank's assets, the amount of its foreign borrowings and its average liabilities. Restricted amounts totaled MCh$ 355,758 and MCh$ 453,042 as of December 31, 2007 and 2008, respectively.

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NOTE 4. FINANCIAL INVESTMENTS

Financial investments are classified at the time of the purchase, based on management's intentions, as either trading instruments or investment instruments the latter of which are categorized as available for sale and held to maturity. As policy the Bank does not maintain instruments classified as held to maturity.

Financial investment as of December 31, 2007 and 2008 are as follows:

a) Trading Investments

A summary of trading investments can be found below:

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

Central Bank and government securities includes instruments sold under repurchase agreements with clients and financial institutions for an amount of MCh$ 81,623 as of December 31, 2007. As of December 31, 2008 there were no such balances.

As of December 31, 2008 and 2007, other Chilean securities and foreign financial securities includes instruments sold under repurchase agreements with clients and financial institutions for an amoun of MCh$ 971 and MCh$ 3,012, respectively.

Repurchase agreements have an average maturity of 27 days as of December 31, 2008 (28 days in 2007).

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NOTE 4. FINANCIAL INVESTMENTS (continuation).

b) Available for sale investments

A summary of available for sale investments can be found below:

	As of December 31,	
	2007	2008
Chilean Central Bank and Government securities	MCh$	MCh$
Chilean Central Bank Bonds	307,682	690,123
Chilean Central Bank Notes	59,132	49,204
Other Chilean Central Bank and treasury securities	118,901	93,128
Subtotal	485,715	832,455
Other Chilean securities		
Time deposits in Chilean financial institutions	-	1,305
Mortgage finance bonds	297,281	284,033
Chilean corporate bonds	-	13,522
Subtotal	297,281	298,860
Other financial securities		-
Central Bank and Government foreign securities	65,949	-
Other foreign securities	-	448,925
Subtotal	65,949	448,925
Total	848,945	1,580,240

Central Bank and government securities included instruments sold under repurchase agreements with clients and financial institutions for amount of MCh$ 120,648 and MCh$ 64,091 as of December 31, 2008 and 2007, respectively.

As of December 31, 2008 and 2007, available for sale investments included unrealized losses for MCh$ 20,019 and MCh$ 6,040 respectively, recognized as valuation adjustment in shareholders equity, split between an amount of MCh$ 19,972 attributable to owners of the parent and MCh$ 47 attributable to minority interests. In 2007 there was no effect on minority interests, since Bank’s subsidiaries did not hold any available for sale investments.

c) Held-to-maturity Investments

As of December 31, 2007 and 2008, no financial investments were classified as Held-to-maturity.

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NOTE 5. NET GAINS FROM MARK-TO MARKET AND TRADING AND FOREIGN EXCHANGE DIFFERENCES

As of December 31, 2007 and 2008, the composition of this item is as follows:

	As of December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Net gains from mark-to market and trading			
Derivative instruments for trading	51,982	(89,751)	178,883
Trading investments	79,773	87,957	76,829
Sale of loans and receivables from customers	2,512	28,425	14,765
Current portfolio past–due	2,512	340	395
Charged-off	-	28,085	14,370
Available for sale investments	2,120	39	3,807
Other results from financial operations	(922)	126	(1,200)
Subtotal	135,465	26,796	273,084
Foreign exchange differences			
Exchange gains (losses), net	(52,547)	91,033	(402,927)
Derivative instruments in designated hedge	55,542	(17,634)	243,979
Exchange rate gain (losses) from assets denominated in foreign currencies	8,588	(9,369)	12,684
Exchange rate gain (losses) from liabilities denominated in foreign currencies	(12,135)	18,977	(40,778)
Subtotal	(552)	83,007	(187,042)
Total	134,913	109,803	86,042

NOTE 6. LOANS

The loans on the accompanying consolidated balance sheets consist of the subcategories as described below.

Interbank loans usually are short-term loans to financial institutions that operate in Chile.

Commercial loans are long-term and short-term loans made to companies and businesses. These loans are granted in Chilean pesos on an adjustable or fixed rate basis to finance working capital or investments.

Foreign trade loans are fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.

Lease contracts are agreements to finance the acquisition of capital equipment and other property.

Other outstanding loans principally include current account overdrafts, bills of exchange and mortgage loans that are financed by the Bank s general borrowings.

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NOTE 6. LOANS (continuation).

Consumer loans are loans to individuals granted in Chilean pesos, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. Credit card balances subject to interest charges are also included in this category.

Mortgage loans are inflation-indexed, fixed rate, long-term loans with monthly payments of principal and interest collateralized by a real property mortgage. These loans are specifically funded through the issuance of mortgage finance bonds, which are bonds generally issued to third party investors in order that the Bank finance its loans to property owners. At the time of issuance, the amount of a mortgage loan cannot exceed 75% of the property value.

	As of December 31,	
Loans Portfolio	2007	2008
	MCh$	MCh$
Interbank loans	50,047	95,534
Allowance	-	(35)
Sub-total Interbank loans	50,047	95,499
Comercial loans	7,437,607	8,374,498
Commercial loans	5,552,834	6,002,108
Foreign trade loans	925,275	1,396,596
Leasing contract	952,827	967,632
Other oustanding loans	6,671	8,162
Mortgage loans	3,642,908	3,981,346
Consumer loans	2,267,719	2,248,996
Allowance for loans losses	(250,887)	(285,470)
Sub-total Loans and receivables from customers	13,097,347	14,319,370
Total Loans	13,147,394	14,414,869

The following table summarizes the most significant loan concentrations, expressed as a percentage of total loans, excluding contingent loans and before the reserve for loan losses.

	As of December 31,	
	2007	2008
	MCh$	MCh$
Community, social and personal services	16.4%	15.6%
Residential mortgage loans	27.1%	27.0%
Consumer credit	16.8%	15.4%
Financial services	7.4%	6.6%
Commerce	8.9%	10.4%
Manufacturing	5.9%	6.3%
Construction	6.3%	5.8%
Agriculture, livestock, agribusiness, fishing	5.3%	5.6%
Electricity, gas and water	0.7%	0.7%

Transport, storage and communications	3.9%	3.8%
Mining and petroleum	1.3%	2.8%
Total	100.0%	100.0%

A substantial amount of the Bank's loans are to borrowers doing business in Chile.

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NOTE 7. LEASE CONTRACTS

The amounts shown as leasing contracts are amounts receivable under lease agreements and have the following maturities as of December 31, 2007 and 2008. Unearned income presented in the table corresponds to the interest to be earned at each year end.

	As of December 31, 2007			As of December 31, 2008		
	Total Receivable MCh$	Unearned Income MCh$	Net lease receivable MCh$	Total Receivable MCh$	Unearned Income MCh$	Net lease receivable MCh$
Year						
Due within one year	326,596	(36,750)	289,846	342,961	(37,434)	305,527
Due after 1 year but within 2 years	237,475	(31,605)	205,870	236,931	(30,831)	206,100
Due after 2 years but within 3 years	167,747	(27,293)	140,454	159,030	(25,252)	133,778
Due after 3 years but within 4 years	107,582	(20,101)	87,481	104,473	(19,784)	84,689
Due after 4 years but within 5 years	68,618	(13,371)	55,247	75,338	(16,182)	59,156
Due after 5 years	232,353	(58,424)	173,929	242,614	(64,232)	178,382
Total	1,140,371	(187,544)	952,827	1,161,347	(193,715)	967,632

Leased assets consist principally of real estate, industrial machinery, vehicles and computer equipment.

NOTE 8. ALLOWANCE FOR LOAN LOSSES AND OTHER PROVISIONS

a) Allowance for loan losses:

The following table provides information regarding the bank's allowance for loan losses recognized in the income statement:

	As of December 31, 2008					
		Loans and accounts receivables from clients				TOTAL
	Interbank loanss MCh$	Commercial loans MCh$	Mortgage loans MCh$	Consumer loans MCh$	Contingent loans MCh$	MCh$
Allowances established:	-	-	-	-	-	-
- Individual evaluations	(35)	(32,284)	-	-	(358)	(32,677)
- Group evaluations	-	(39,721)	(8,245)	(251,068)	(49)	(299,083)
Total allowances established	(35)	(72,005)	(8,245)	(251,068)	(407)	(331,760)
Allowances released:	-	-	-	-	-	-
- Individual evaluations	-	2,725	-	-	-	2,725
- Group evaluations	-	2,046	685	2,457	-	5,188
Total allowances released	-	4,771	685	2,457	-	7,913
Recovery of loans previously charged off	-	9,244	1,932	26,718	-	37,894
Net charge to income	(35)	(57,990)	(5,628)	(221,893)	(407)	(285,953)

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NOTE 8. ALLOWANCE FOR LOAN LOSSES AND OTHER PROVISIONS (continuation).

	As of December 31, 2007					
		Loans and accounts receivables from clients				TOTAL
	Interbank loanss MCh$	Commercial loans MCh$	Mortgage loans MCh$	Consumer loans MCh$	Contingent loans (*) MCh$	MCh$
Allowances established:	-	-	-	-	-	-
- Individual evaluations	-	(52,329)	-	-	(135)	(52,464)
- Group evaluations	-	(62,471)	(10,054)	(206,436)	(444)	(279,405)
Total allowances established	-	(114,800)	(10,054)	(206,436)	(579)	(331,869)
Allowances released:	-	-	-	-	-	-
- Individual evaluations	-	26,060	-	-	-	26,060
- Group evaluations	-	9,195	1,486	13,874	-	24,555
Total allowances released	-	35,255	1,486	13,874	-	50,615
Recovery of loans previously charged off	-	31,600	4,691	20,296	-	56,587
Net charge to income	-	(47,945)	(3,877)	(172,266)	(579)	(224,667)

(*) The allowance for contingent loans corresponds to the operations described in note 21.

As of December 31, 2008 and 2007 the allowance for loan losses is related to the following activities:

	As of December 31, 2008		
	Gross assets MCh$	Loan loss allowance MCh$	Net assets MCh$
Loans and receivables from customers			
Commercial loans	8,374,498	(125,115)	8,249,383
Mortgage loans	3,981,346	(12,871)	3,968,475
Consumer loans	2,248,996	(147,484)	2,101,512
Total	14,604,840	(285,470)	14,319,370
Interbank loans	95,534	(35)	95,499

	As of December 31, 2007		
	Gross assets MCh$	Loan loss allowance MCh$	Net assets MCh$
Loans and receivables from customers			
Commercial loans	7,437,607	(93,050)	7,344,557
Mortgage loans	3,642,908	(10,180)	3,632,728
Consumer loans	2,267,719	(147,657)	2,120,062
Total	13,348,234	(250,887)	13,097,347
Interbank loans	50,047	-	50,047

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NOTE 8. ALLOWANCE FOR LOAN LOSSES AND OTHER PROVISIONS (continuation).

b) Other Provisions

The detail of other provisions recognized in liabilities is as follows:

	As of December 31, 2007 MCh$	2008 MCh$
Provisions for personnel salaries and expenses	30,069	34,427
Provisions for mandatory dividends (*)	-	98,444
Allowance for contingent loans	2,571	2,769
Other provisions	17,859	26,525
Total Provisions	50,499	162,165

(*) See Note 1.r regarding the recognition of mandatory dividends since January 1, 2008.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

The Bank property, plant and equipment, net of accumulated depreciation are as follows:

	As of December 31, 2007 MCh$	2008 MCh$
Land and buildings	230,936	226,414
Furniture and fixtures	13,165	12,916
Machinery and equipment	18,484	16,783
Vehicles	1,088	895
Others	3,782	3,097
Total bank property, plant and equipment, net	267,455	260,105

Related depreciation expense was MCh$ 22,114 and MCh$ 25,203 as of December 31, 2007 and 2008, respectively.

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NOTE 10. INVESTMENTS IN OTHER COMPANIES

Investments in other companies consist of the following:

						As of December 31,				
		Ownership interest		Equity of the Companies		Carrying Value		Participation net income		
	2006	2007	2008	2007	2008	2007	2008	2006	2007	2008
Companies	%	%	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Centro de Compensación Automatizado	33.33	33.33	33.33	897	921	299	307	47	41	28
Redbanc S.A.	33.42	33.42	33.42	4,289	4,530	1,434	1,515	235	218	145
Transbank S.A.	32.71	32.71	32.71	6,153	6,794	2,013	2,223	309	310	517
Soc. Interb. de Depósito de Valores S.A.	29.28	29.28	29.28	1,333	1,454	390	426	79	76	75
Sociedad Nexus S.A.	12.90	12.90	12.90	5,095	4,916	657	634	139	127	104
Adm. Financiero Transantiago (3)	20.00	20.00	20.00	4,468	2,843	894	568	(111)	(2,728)	(284)
Cámara Compensación de Alto Valor S.A.	11.52	11.52	11.52	3,959	3,727	456	429	68	53	66
Subtotal						6,143	6,102	766	(1,903)	651
Other companies:										
Globalnet						-	-	(9)	-	-
Bladex						149	148	-	-	-
Bolsas de Comercio (1) (4)						723	385	152	318	112
Mastercard (5)						90	90	-	-	-
Other (2)						294	265	10	147	88
Total						7,399	6,990	919	(1,438)	851

(1) On January 14, 2008, the subsidiary Santander S.A. Corredores de Bolsa sold its investment in Bolsa de Comercio de Santiago for an amount of MCh$ 1,315. At the date of the sale its carrying value was MCh$ 341 generating a profit on disposal of MCh$ 974.

(2) On August 18, 2008, the Bank sold 38 shares in Swift, for an amount of MCh$ 51. At the date of sale the carrying value of the shares was MCh$ 45, generating a profit on disposal of MCh$ 6.

On March 12, 2008 Visa Inc. granted to the Bank a total of 312,379 class C series 1 shares, valued in local currency at $1. On March 28, 2008, the Bank sold 56.19% of its shareholding, corresponding to 175,512 shares, at a price per share of $19,190, generating a gain on sale of MCh$ 3,368.

(3) On December 21, 2007, an extraordinary general stockholders meeting of “Administrador Financiero Transantiago S.A.” was celebrated and the stockholders agreed to capitalize the credits into the merchant accounts held by the

shareholders of “Administrador Financiero Transantiago S.A.”. The total available balance in the accounts was MCh$ 11,107. Since Banco Santander Chile owns 20% of the mentioned entity the equity invested increased by MCh$ 2,221.

(4) In August 2007, one share of “Bolsa de Comercio de Santiago” was sold. The sale price was MCh$ 1,215 and the realized gain was MCh$ 826.

(5) In November 2007, the Bank sold 17,000 shares in Mastercard resulting in a gain of MCh$ 1,439.

During 2008 the Bank received dividends from these investments for an amount of MCh$ 638 (MCh$ 748 in 2007).

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NOTE 11. OTHER ASSETS AND OTHER LIABILITIES

a) Other assets

The detail of other assets as of December 31, 2008 and 2007 is as follows:

	As of December 31, 2007 MCh$	2008 MCh$
Assets for leasing	64,870	101,952
Assets received in lieu of payment		
Received in lieu of payment	1,160	6,138
Awarded in judicial sale	9,972	14,280
Provision for assets received in lieu of payment	(1,558)	(1,020)
Subtotal	9,574	19,398
Other assets		
Guarantees issued (threshold)	206,348	157,819
VAT tax credit	7,793	7,104
Income tax recoverable	8,001	10,811
Prepaid expenses	30,191	25,305
Assets recovered from leasing for sale	3,181	1,326
Accounts and notes receivable	46,900	81,241
Notes receivable by brokerage and simultaneous operations	91,477	74,875
Other assets	47,903	40,517
Subtotal	441,794	398,998
Total other assets	516,238	520,348

b) Other liabilities

The detail of other liabilities as of December 31, 2008 and 2007 is as follows:

	As of December 31, 2007 MCh$	2008 MCh$
Accounts and notes payable	80,532	73,596
Unearned income	7,009	4,669
Guarantees received (threshold)	16,538	177,017
Documents payable for brokerage and simultaneous operations	12,737	11,192
Other liabilites	10,257	25,708
Total other liabilities	127,073	292,182

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NOTE 12. OTHER INTEREST BEARING LIABILITIES

The Bank's long-term and short-term borrowings are summarized below. Borrowings are generally classified as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are classified as long-term, including the amounts due within one year on such borrowings.

	December 31, 2008		
	Long-term MCh$	Short- term MCh$	Total MCh$
Central Bank borrowings	-	269,430	269,430
Invesment under agreements to repurchase	853	292,951	293,804
Investments under agreements to repurchase	853	562,381	563,234
Credit loans for renegotiation of loans	-	3,012	3,012
Borrowings from domestic financial institutions	-	5,001	5,001
Foreign borrowings	309,055	1,107,997	1,417,052
Interbank borrowings	309,055	1,116,010	1,425,065
Mortgage finance bonds	289,913	54,767	344,680
Other borrowings: bonds	1,362,198	256,582	1,618,780
Subordinated bond	687,912	-	687,912
Debt instruments issued	2,340,023	311,349	2,651,372
Other obligations	7,357	95,921	103,278
Total borrowings	2,657,288	2,085,661	4,742,949

	December 31, 2007		
	Long-term MCh$	Short-term MCh$	Total MCh$
Central Bank borrowings	-	155,027	155,027
Invesment under agreements to repurchase	-	181,063	181,063
Invesment under agreements to repurchase	-	336,090	336,090
Credit loans for renegotiation of loans	-	4,325	4,325
Foreigns borrowings	529,855	663,004	1,192,859
Interbank borrowings	529,855	667,329	1,197,184
Mortgage finance bonds	407,625	62,533	470,158
Other borrowings: bonds	1,333,910	-	1,333,910
Subordinated bonds	542,507	-	542,507
Debt instruments issued	2,284,042	62,533	2,346,575
Other obligations	11,356	149,657	161,013

Total borrowings	2,825,253	1,215,609	4,040,862

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NOTE 12. OTHER INTEREST BEARING LIABILITIES (continuation).

a) Central Bank borrowings

Central Bank borrowings include credit lines for the renegotiation of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank for the renegotiation of loans due to the need to refinance debts as a result of the economic recession and crisis of the banking system in the early 1980's. The credit lines for the renegotiations are related with to mortgage loans linked to the UF index and bear an annual interest rate of 3.0% and 3.0% at December 31, 2007 and 2008, respectively. The maturities of the outstanding amounts due to the Central Bank are as follows:

	As of December 31,	
	2007	2008
	MCh$	MCh$
Total credit lines for renegotiation of loans	4,325	3,012

The maturities of MCh$3,012 due under these long-term credit lines, are due within one year.

b) Mortgage finance bonds

These bonds are used to finance mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a weighted-average annual interest rate of 4.6%.

	As of December 31, 2008 MCh$
Due within 1 year	54,767
Due after 1 year but within 2 years	41,211
Due after 2 years but within 3 years	37,635
Due after 3 years but within 4 years	31,284
Due after 4 years but within 5 years	33,655
Due after 5 years	146,128
Total mortgage finance bonds	344,680

c) Bonds

The following table sets forth, at the dates indicated, our issued bonds.

	As of December 31,	
	2007	2008
	MCh$	MCh$
Santander Bonds linked to the UF	1,116,948	1,362,198

Santander Bonds denominated in US$	216,962	256,582
Total bonds	1,333,910	1,618,780

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NOTE 12. OTHER INTEREST BEARING LIABILITIES (continuation).

Santiago bonds include series A, B, C and F issued by the former Banco Santiago S.A. and series B and D issued by the former Banco O'Higgins, prior to its merger with the Bank in 1997. These bonds are intended to finance loans that have a maturity of greater than one year, are denominated in UF index and bear a weighted-average annual interest rate of 7.0% with interest and principal payments due semi-annually.

On December 17, 2004, Santiago Leasing S.A. ceded through public deed a total of UF 3,041,102 (MCh$ 37,591 at December 31, 2004) in bonds to Banco Santander Chile. These bonds are denominated in UF index and bear an annual interest rate of 5.6%. At December 31, 2007 and 2008, the balance was included in bonds linked to the UF.

On October 5, 2005, the Bank issued bonds, denominated in UF for a total of UF 8,000,000 which bear an average annual interest rate of 3.0%.

On May 25, 2006, the Bank issued bonds, denominated in UF for a total of UF 6,000,000 which bear an average annual interest rate of 4.6%.

On August 17, 2006, the Bank issued bonds, denominated in UF for a total of UF 895,000 which bear an average annual interest rate of 3.7%.

On December 9, 2004, the Bank issued senior bonds, denominated in U.S. dollars, for a total of US$ 400 million. These bonds carry a nominal interest rate of LIBOR plus 0.35% per annum (5.50% and 2,54 % at December, 2007 and 2008). The interest is payable quarterly and the principal is to be paid after a term of 5 years.

During 2007, the Bank issued senior bonds in the local market for a total of UF 34,000,000 (MCh$ 729,387 as December 31, 2008). The detail of the bonds issued is as follows:

a) On January 31, 2007, the Bank issued Series O Bonds denominated in UF for an amount of UF 5,000,000. These bonds carry a nominal interest rate of 3.3% per annum, semi-annual interest payments starting on August 1, 2007 and one repayment of principal on February 1, 2011.

b) On January 31, 2007, the Bank issued Series P Bonds denominated in UF for an amount of UF 3,000,000. These bonds carry a nominal interest rate of 3.5% per annum, semi-annual interest payments starting on August 1, 2007 and one repayment of principal on February 1, 2014.

c) On January 31, 2007, the Bank issued Series Q Bonds denominated in UF for an amount of UF 2,000,000. These bonds carry a nominal interest rate of 3.7% per annum, semi-annual interest payments starting on August 1, 2007 and one repayment of principal on February 1, 2016.

d) On January 31, 2007, the Bank issued Series R Bonds denominated in UF for an amount of UF 2,000,000. These bonds carry a nominal interest rate of 3.9% per annum, semi-annual interest payments starting on August 1, 2007 and one repayment of principal on February 1, 2027.

e) On January 31, 2007, the Bank issued Series S Bonds denominated in UF for an amount of UF 2,000,000. These bonds carry a nominal interest rate of 4.1% per annum, semi-annual interest payments starting on August 1, 2007 and one repayment of principal on February 1, 2037.

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NOTE 12. OTHER INTEREST BEARING LIABILITIES (continuation).

f) On June 7, 2007, the Bank issued Series T Bonds denominated in UF for an amount of UF 5,000,000. These bonds carry a nominal interest rate of 3.3% per annum, semi-annual interest payments starting on August 1, 2007 and one repayment of principal on February 1, 2011.

g) On August 16, 2007, the Bank issued Series U Bonds denominated in UF for an amount of UF 5,000,000. These bonds carry a nominal interest rate of 3.7% per annum, semi-annual interest payments starting on February 1, 2008 and one repayment of principal on August 1, 2013.

h) On September 12, 2007, the Bank issued Series V Bonds denominated in UF for an amount of UF 5,000,000. These bonds carry a nominal interest rate of 3.9% per annum, semi-annual interest payments starting on February 1, 2008 and one repayment of principal on August 1, 2017.

i) On October 30, 2007, the Bank issued Series W Bonds denominated in UF for an amount of UF 5,000,000. These bonds carry a nominal interest rate of 4.1% per annum, semi-annual interest payments starting on April 1, 2008 and one repayment of principal on February 1, 2017.

On December 4, 2007, the Bank registered at the Superintendency of Banks, under registry number 03/2007, a line of Bank Bonds in the amount of UF 12,000,000, with a maturity date of 30 years.

During 2008, the Bank issued senior bonds in the local market for a total of UF 12,621,000 (MCh$ 270,302 as of December 31, 2008). Below is a detail of the bonds issued.

a) On January 17, 2008, the Bank issued Series Y denominated in UF for an amount of UF 4,000,000. These bonds carry a nominal interest rate of 3.5% per annum, semi-annual interest payments starting on July 1, 2009 and one repayment of principal on December 20, 2012.

b) On April 28, 2008, the Bank issued Series Y1 denominated in UF for an amount of UF 3,000,000. These bonds carry a nominal interest rate of 3.5% per annum, semi-annual interest payments starting on October 1, 2009 and one repayment of principal on April 23, 2031.

c) On May 9, 2008, the Bank issued Series Y2 denominated in UF for an amount of UF 3,000,000 with maturity date of principal on June 11, 2012. These bonds do not contemplate interest payments.

d) On June 04, 2008, the Bank issued Series Y3 denominated in UF for an amount of UF 2,000,000. These bonds carry a nominal interest rate of 3.8% per annum, semi-annual interest payments starting on December 1, 2009 and one repayment of principal on July 07, 2017.

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NOTE 12. OTHER INTEREST BEARING LIABILITIES (continuation).

e) On December 16, 2008, the Bank issued Series F2 denominated in UF for an amount of UF 621,000. These bonds carry a nominal interest rate of 4.2% per annum, with semi-annual interest payments starting on June 1, 2009 and one repayment of principal on August 18, 2017.

The maturities of these bonds are as follows:

	As of December 31, 2008 MCh$
Due within 1 year	256,582
Due after 1 year but within 2 years	170,358
Due after 2 years but within 3 years	226,910
Due after 3 years but within 4 years	8,805
Due after 4 years but within 5 years	259,768
Due after 5 years	696,357
Total bonds	1,618,780

d) Subordinated bonds

The following table sets forth, at the dates indicated, the balances of our subordinated bonds.

	As of December 31,	
	2007 MCh$	2008 MCh$
Subordinated bonds denominated in US$ (1) (2)	287,116	364,410
Subordinated bonds linked to the UF (3) (4) (5)	255,391	323,502
Total subordinated bonds	542,507	687,912

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

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

3) During 2006, the Bank issued subordinate bonds denominated in UF in an aggregate principal amount of UF 5,000,000, which bear an average annual rate of 4.4%.

4) During 2007, the Bank issued subordinate bonds denominated in UF in an aggregate principal amount of UF 4,000,000, which bear an average annual rate of 4.0%.

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NOTE 12. OTHER INTEREST BEARING LIABILITIES (continuation).

5) During 2008, the Bank issued subordinated bonds in the local market for a total of UF 3,750,000 (MCh$80,447 as of December 31, 2008). The detail of the issuances is as follows:

a) On July 25, 2008, the Bank issued Series G1 denominated in UF for an amount of UF 3,000,000. These bonds carry a nominal interest rate of 3.9% per annum, semi-annual interest payments starting on January 1, 2009 and one repayment of principal on November 25, 2032.

b) On December 26, 2008, the Bank issued Series G2 denominated in UF for an amount of UF 750,000. These bonds carry a nominal interest rate of 4.8% per annum, semi-annual interest payments starting on July 1, 2009 and one repayment of principal on February 25, 2038.

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

	As of December 31, 2008 MCh$
Due within 1 year	-
Due after 1 year but within 2 years	-
Due after 2 years but within 3 years	19,420
Due after 3 years but within 4 years	141,187
Due after 4 years but within 5 years	-
Due after 5 years	527,305
Total subordinated bonds	687,912

e) Foreign borrowings

These are short-term and long-term borrowings from foreign banks. The maturities of these borrowings are as follows:

	As of December 31, 2008 MCh$
Due within 1 year	1,107,997
Due after 1 year but within 2 years	143,555
Due after 2 years but within 3 years	165,500
Total foreign borrowings	1,417,052

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

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NOTE 12. OTHER INTEREST BEARING LIABILITIES (continuation).

f) Other obligations

Other obligations are summarized as follows:

	As of December 31, 2008 MCh$
Due within 1 year	54,903
Due after 1 year but within 2 years	2,150
Due after 2 years but within 3 years	1,820
Due after 3 years but within 4 years	1,088
Due after 4 years but within 5 years	808
Due after 5 years	1,491
Total long term obligations	62,260

Short-term obligations:

Amounts due to credit card operators	41,018
Acceptance of letters of credit	-
Total short – term obligations	41,018
Total other obligations	103,278

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NOTE 13. DISCLOSURES REGARDING DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into transactions involving derivative instruments, particularly foreign exchange contracts, as part of its asset and liability management, and in acting as a dealer in order to satisfy its clients' needs. The notional amounts of these contracts are carried off-balance sheet.

Foreign exchange forward contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These contracts are generally standardized contracts, normally for periods between 1 and 180 days and are not traded in a secondary market; however, in the normal course of business and with the agreement of the original counterparty, they may be terminated or assigned to another counterparty.

When the Bank enters into a forward exchange contract, it analyses and approves the credit risk (the risk that the counterparty might default on its obligations). Subsequently, on an ongoing basis, it monitors the possible losses involved in each contract. To manage the level of credit risk, the Bank deals with counterparties of good credit standing, enters into master netting agreements whenever possible and when appropriate, obtains collateral.

The Chilean Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. In the case of the Bank, most forward contracts are made in U.S. dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary.

During the period ended December 31, 2007 and 2008, the Bank entered into interest rate and cross currency swap agreements to manage exposure to fluctuation in currencies and interest rates.

The Bank's derivatives contracts for hedge accounting and trading purposes as of December 31, 2007 and 2008, are summarized below:

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NOTE 13. DISCLOSURES REGARDING DERIVATIVE FINANCIAL INSTRUMENTS (continuation)

		As of December 31, 2008				
		Notional amounts			Fair Value	
	Cash Flow hedge (CF) or fair value hedge (FV)	Within 3 months MCh$	After 3 months but within one year MCh$	After one year MCh$	Assets MCh$	Liabilities MCh$
Derivative instruments in designated for hedge accounting						
Currency forwards	( )	-	-	-	-	-
Interest rate swaps	(FV)	-	-	45,849	1,234	1,332
Currency swaps	( )	-	-	-	-	-
Cross currency swaps	(FV)	-	-	359,100	106,335	-
Cross currency swaps	(CF)	51,300	573,598	128,250	73,036	151
Call currency options	( )	-	-	-	-	-
Call interest rate options	( )	-	-	-	-	-
Put currency options	( )	-	-	-	-	-
Put interest rate options	( )	-	-	-	-	-
Interest rate future	( )	-	-	-	-	-
Other derivatives	( )	-	-	-	-	-
Subtotal		51,300	573,598	533,199	180,605	1,483
Derivative instruments for Trading						
Currency forwards		5,643,973	2,983,543	438,347	600,199	302,479
Interest rate swaps		3,865,373	4,635,536	9,922,492	239,867	362,813
Currency swaps		-	-	-	-	-
Cross currency swaps		619,041	1,634,073	9,281,020	803,199	780,614
Call currency options		225,936	157,871	1,347	21,901	18,126
Call interest rate options		-	128,250	-	-	45
Put currency options		195,792	138,795	1,347	657	4,164
Put interest rate options		-	64,125	-	-	-
Interest rate future		-	-	-	-	-
Other derivatives		15,016	-	-	81	-
Subtotal		10,565,131	9,742,193	19,644,553	1,665,904	1,468,241
Total		10,616,431	10,315,791	20,177,752	1,846,509	1,469,724

The notional amounts refer to the U.S. dollar bought or sold or to the U.S. dollar equivalent of foreign currency bought or sold for future settlement. The contract terms correspond to the duration of the contracts as from the date of the transaction to the date of the settlement.

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NOTE 13. DISCLOSURES REGARDING DERIVATIVE FINANCIAL INSTRUMENTS (continuation)

		As of December 31, 2007				
		Notional amounts			Fair Value	
	Cash Flow hedge (CF) or fair value hedge (FV)	Within 3 Months MCh$	After 3 months but within one year MCh$	After one year MCh$	Assets MCh$	Liabilities MCh$
Derivative instruments in designated for hedge accounting						
Currency forwards	( )	-	-	-	-	-
Interest rate swaps	(FV)	-	-	131,985	4,237	546
Currency swaps	( )	-	-	-	-	-
Cross currency swaps	(FV)	-	-	303,538	-	10,068
Cross currency swaps	(CF)	-	-	523,062	-	60,075
Call currency options	( )	-	-	-	-	-
Call interest rate options	( )	-	-	-	-	-
Put currency options	( )	-	-	-	-	-
Put interest rate options	( )	-	-	-	-	-
Interest rate future	( )	-	-	-	-	-
Other derivatives	( )	-	-	-	-	-
Subtotal		-	-	958,585	4,237	70,689
Derivative instruments for Trading						
Currency forwards		6,290,081	4,288,887	855,702	121,609	174,191
Interest rate swaps		2,107,282	3,543,727	9,537,991	94,207	173,294
Currency swaps		-	-	-	-	-
Cross currency swaps		145,573	501,876	7,140,415	627,767	427,215
Call currency options		70,507	32,349	702	286	318
Call interest rate options		-	-	81,305	1	-
Put currency options		173,985	39,779	-	1,635	1,277
Put interest rate options		-	-	82,394	-	10
Interest rate future		-	-	-	-	-
Other derivatives		213,828	3,205	-	444	407
Subtotal		9,001,256	8,409,823	17,698,509	845,949	776,712
Total		9,001,256	8,409,823	18,657,094	850,186	847,401

The notional amounts refer to the U.S. dollar bought or sold or to the U.S. dollar equivalent of foreign currency bought or sold for future settlement. The contract terms correspond to the duration of the contracts as from the date of the transaction to the date of the settlement.

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NOTE 14. MINIMUM CAPITAL REQUIREMENTS

The Superintendency of Banks requires Chilean Banks to maintain a minimum amount of capital equivalent to 8% of total risk-weighted assets after deductions for mandatory allowances, and a minimum capital base of at least 3% of total assets after deductions for mandatory allowances. However, as a result of the merger that took place in 2002 (see Note 1.a), the Superintendency of Banks determined that the effective net equity of the combined bank could not be lower than 11% of its risk-weighted total assets.

Effective net equity is defined as basic equity (capital and reserves) less goodwill and investments in unconsolidated entities plus subordinated bonds up to a maximum of 50% of basic equity.

Assets are allocated to different risk categories to which are assigned a weighting according to the amount of capital required to be held for each type of asset. For example, cash, deposits with Banks and financial instruments issued by the central Bank have a 0% risk-weighting, with the result that the Bank is not required to hold affective net equity in relation to these instruments tangible fixed assets attract a 100% risk weighting, meaning that the minimum capital required to be held in relation to these assets is 11% of their amount.

Trading derivatives are also assigned a risk weighting, using a conversion factor applied to their notional values giving a measure of their exposure to credit risk. In the same way a value relating to credit risk is assigned to off balance sheet contingent liabilities.

The amounts of basic capital and effective net equity as at December 31, 2007 and 2008 are as follows:

	Consolidated Assets		Risk - weighted assets	
	2007	2008	2007	2008
	MCh$	MCh$	MCh$	MCh$
Assets, net of allowances				
Cash and deposits in banks	1,206,985	854,838	-	-
Unsettled transaction	344,354	335,405	105,631	58,580
Trading investments	1,186,905	1,161,631	6,880	110,973
Investment under agreements to resell	37,022	-	16,182	-
Financial derivative contracts	1,398,101	1,459,901	652,039	844,892
Interbank loans	50,047	95,499	10,009	19,100
Loans and receivables from customers	13,097,347	14,319,370	11,639,969	12,807,401
Available for sale investments	848,945	1,580,240	161,260	376,023
Investments in other companies	7,399	6,990	7,399	6,990
Intangible assets	61,182	73,089	61,182	73,089
Property, plant and equipment	267,455	260,105	267,455	260,105
Current taxes	2,105	18,289	211	1,829
Deferred taxes	66,707	64,821	6,671	6,482
Other assets	516,238	520,348	369,554	403,588
Off-balance sheet assets				
Contingent loans	1,293,604	1,240,690	767,430	735,126
Total risk – weighted assets			14,071,872	15,704,178

Explanation of Responses:

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NOTEMINIMUM CAPITAL REQUIREMENTS (continuation).
14.

	As of December 31,		Ratio	
	2007	2008	2007(*)	2008
	MCh$	MCh$	%	%
Basic capital	1,565,885	1,578,045	7.68%	7.18%
Effective net equity	2,069,103	2,166,700	14.70%	13.79%

(*) For comparison purposes, the Bank has presented the balances relating to 2007 in accordance with the new accounting regulations as described in Note 2 to the financial statements. The ratios determined under the previous regulations were 6.04% and 12.24% for basic capital and effective net equity respectively, according to the following detail:

	As of December 31, 2007	
	Amount MCh$	Ratio
Basic capital previously reported	1,229,798	6.04%
Total Assets	20,355,765	
Effective net equity previously reported	1,744,888	12.24%
Risk – weighted assets	14,251,133	

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NOTE 15. MINORITY INTEREST

The following table sets forth the participation of minority interests in the equity and the income statement:

	As of December 31, 2008						
	Noncontrolling Interest			Other conprehensive income			Comprehensive Income
		Equity MCh$	Net Income MCh$	Available for sale investments MCh$	Income tax MCh$	Total other comprehensive income MCh$	MCh$
Santander Corredores de Seguro Ltda. (Ex Santander Leasing S.A.)	0.24%	179	6	-	-	-	6
Santander Asset Management S.A. Adm. Gral. de Fondos	0.02%	18	4	-	-	-	4
Santander S.A. Agente de Valores (**)	0.97%	1,474	93	(47)	8	(39)	54
Santander S.A. Sociedad Securitizadora	0.36%	4	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00%	22,890	2,768	-	-	-	2,768
Total		24,565	2,871	(47)	8	(39)	2,832

	As of December 31, 2007						
	Noncontrolling Interest			Other conprehensive income			Comprehensive Income
		Equity MCh$	Net Income MCh$	Available for sale investments MCh$	Income tax MCh$	Total Other comprehensive income MCh$	MCh$
Santander Corredores de Seguro Ltda. (Ex Santander Leasing S.A.*)	0.50%	167	2	-	-	-	2
Santander Asset Management S.A. Adm. Gral. de Fondos	0.02%	19	5	-	-	-	5
Santander S.A. Agente de Valores	0.97%	1,492	79	-	-	-	79
Santander S.A. Sociedad Securitizadora	0.36%	5	-	-	-	-	-
Santander Corredora de Seguros Limitada (*)	0.01%	3	1	-	-	-	1
Santander S.A. Corredores de Bolsa	49.00%	20,143	2,151	-	-	-	2,151
Total		21,829	2,238	-	-	-	2,238

(*) Entities merged during 2008. For further details see Note 1.a.

(**) As of December 31, 2008, Santander S.A. Agente de Valores held instruments classified as available for sale registered at fair value with fair value movements through equity. For further details regarding unrealized gains and losses see Note 1.h.

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NOTE 16. TRANSACTIONS WITH RELATED PARTIES

In accordance with the Chilean General Banking law and the rules of the Superintendency of Bank, related parties are defined as individuals and companies who are directors, officers or shareholders who own more than one percent of the Bank's shares. Companies in which a director, officer or shareholders of the Bank holds more than a 5% interest and companies that have common directors with the Bank are also considered to be related parties. In the following table, trading or manufacturing companies are defined as operating companies, and companies whose purpose is to hold shares in other companies are defined as holding companies.

a) Loans granted to related parties:

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

	Loans		Collateral pledged	
	2007	2008	2007	2008
	MCh$	MCh$	MCh$	MCh$
Operating companies	96,379	123,822	54,885	3,193
Investing companies	202,331	297,735	32,034	66,106
Individuals (*)	32,858	33,604	31,174	31,870
Total	331,568	455,161	118,093	101,169

(*) Includes debt obligations that are individually equal to or greater than UF 3,000, equivalent to MCh$ 64 as of December 31, 2008.

The activities in the balances of loans to related parties are as follows:

	2007	2008
	MCh$	MCh$
Balance as of January 1	441,971	331,568
New loans	138,588	379,796
Repayments	(216,260)	(229,132)
Price-level restatements	(32,732)	(27,071)
Balance as of December 31	331,567	455,161

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NOTE 16. TRANSACTIONS WITH RELATED PARTIES (continuation):

b) Other transactions with related parties:

During the years ended December 31, 2006, 2007 and 2008 the Bank had the following significant income (expenses) from services provided to (by) related parties:

	DESCRIPTION OF SERVICE	EFFECT IN RESULTS Income/(Expense)		
		2006 MCh$	2007 MCh$	2008 MCh$
REDBANC S.A.	Use of automatic tellers machines	(4,745)	(4,320)	(4,616)
TRANSBANK S.A.	Credit card administration services	(9,556)	(7,482)	(8,444)
SANTANDER G.R.C. LTDA.	Recovery services	(1,973)	(3,635)	(3,733)
	Operating lease	144	131	199
SANTANDER CHILE	Operating lease	151	145	144
HOLDING S.A.	Advising	(113)	(109)	(50)
SANTANDER FACTORING S.A.	Operating lease	61	56	56
BANSA SANTANDER S.A.	Operating lease	(2,838)	(2,729)	(2,723)
A.F.P BANSANDER S.A. (**)	Operating lease	209	149	-
ALTEC S.A.	Provision of services	(6,791)	(6,710)	(4,636)
	Operating lease	209	64	-
SANTANDER CIA. DE SEGUROS DE VIDA S.A.	Life insurance for the credit line and credit cards	(1,258)	(1,900)	(1,884)
	Operating lease	82	77	68
SANTANDER CIA. DE	Credit card fraud insurance	-	(926)	(2,523)
SEGUROS GENERALES	Operating lease	-	32	32
SANTANDER INVESTMENT CHILE LIMITADA	Operating lease	107	103	94
PLAZA DEL TREBOL S.A. (*)	Operating lease	(229)	(74)	-
PRODUBAN, SERVICIOS INFORMATICOS GENERALES S.L. (***)	Information Processing	-	-	(5,451)
OTROS	Expenses for other services	24	771	-
	Operating lease	(12)	-	-

Directors’ fees	(572)	(629)	(628)

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NOTE 16. TRANSACTIONS WITH RELATED PARTIES (continuation).

(*) This entity was a related party until March 27, 2007, at which date the board accepted the resignation of Mr. Juan Andrés Fontaine Talavera as Director of the Bank. The amounts disclosed in 2007 relate to the amounts recognized until the date of resignation.

(**) On January 16, 2008, Santander Chile Holding, S.A. sold its total equity interest participation in AFP Bansander S.A. (a total of 17,453,477 shares) to ING Cia. de Inversiones y Servicios Ltda. Until that date AFP Bansander S.A. was a related party of the Bank.

(***) On April 4, 2008, the Superintendency of Bank authorized, subject to the completion of appropriate tests and certifications, the transfer for of its data processing centre from IBM Chile to "Produban Servicios Informáticos Generales S., a subsidiary of Banco Santander, S.A. located in Madrid, Spain.

Under the regulations of the Seuperintendency of Banks, only transactions with related parties equal to or greater than UF 5,000 have been included individually in the table above. All transactions with related parties between UF 1,000 and up to UF 5,000 are included in other transactions with related parties.

All of these transactions were entered into terms and conditions similar to those prevailing in the market terms.

During 2008, there were no sales of assets received from related parties. On September 27, 2007 the Bank sold assets received from Bansa Santander S.A. for MCh$ 338 generating a profit of MCh$ 42.

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NOTE 17. FEES AND INCOME FROM SERVICES

Fees and income from services and related expenses are detailed as follows:

The amounts of commission income and expense recognized by type of commission are analyzed below:

a) Fees income:	As of December 31, 2006 MCh$	2007 MCh$	2008 MCh$
Lines of credit	42,182	43,556	38,878
Letters of credit, guarantees and other contingent loans	16,265	15,551	17,092
Credit cards	74,447	79,361	87,403
Bank accounts	23,240	23,671	25,605
Administration, payment and collection	32,680	35,989	39,949
Stock brokerage	2,998	10,738	8,830
Mutual funds	23,396	32,512	28,220
Insurance Brokerage	13,509	13,856	15,284
Office Banking (*)	3,537	3,787	5,285
Other commissions	7,404	7,902	9,887
Total	239,658	266,923	276,433

b) Fees expense:	As of December 31, 2006 MCh$	2007 MCh$	2008 MCh$
Debit cards	(38,182)	(40,466)	(43,631)
Securities operations	(883)	(3,198)	(2,292)
Office Banking (*)	(493)	(713)	(3,341)
Other commissions	(2,453)	(4,689)	(3,576)
Total	(42,011)	(49,066)	(52,840)
Net fees and income from services	197,647	217,857	223,593

Commissions earned for mortgage finance bonds are presented in the consolidated statement of interest revenue.

(*) Transaction services between banks which were recognized net during the first 6 months of 2008, from July were recognized at their gross value.

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NOTE 18. OTHER OPERATING INCOME AND EXPENSES

a)Other operating income

The other operating incomes for the years ended December 31, 2006, 2007 and 2008 are as follows:

	As of December 31,		
	2006	2007	2008
Income from assets received in lieu of payment	MCh$	MCh$	MCh$
Gain on sales of assets received in lieu of payment	3,878	4,808	2,805
Recovery of charge-off of assets received in lieu of payment	9,418	7,593	5,676
Subtotal	13,296	12,401	8,481
Income from sale of investments in companies			
Gain on sale of investments in other companies	699	2,298	4,348
Subtotal	699	2,298	4,348
Other income			
Operating lease	1,175	1,094	1,051
Gain on sale of Bank property, plant and equipment	664	527	390
Recovery of expenses	-	11,056	1,246
Other	945	1,057	996
Subtotal	2,784	13,734	3,683
Total other operating income	16,779	28,433	16,512

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NOTE 18. OTHER OPERATING INCOME AND EXPENSES (continuation)

b) Other operating expenses

The other operating expenses for the years ended December 31, 2006, 2007 and 2008 are as follows:

	As of December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Provisions and expenses for assets recieved in lieu of payment			
Charged- off assets received in lieu of payment	15,632	8,702	5,410
Provisions for assets received in lieu of payment	1,648	2,056	2,003
Maintenance xpenses of assets received in lieu of payment	3,221	1,695	1,667
Subtotal	20,501	12,453	9,080
Credit card expenses			
Credit card expenses	3,470	7,357	4,127
Credit card membership	2,405	2,630	3,159
Subtotal	5,875	9,987	7,286
Services to customers	7,790	8,341	9,366
Others Expenses			
Operations charge-off	3,158	3,406	3,751
Insurance	1,811	3,648	4,777
Additional tax for expenses	2,096	1,664	2,499
Expenses of mortgage loans	324	1,042	1,383
Loss on sale of premises and equipment	10	978	529
Expenses for foreign trade operations	17	53	211
Operating lease	4	586	553
Provisions for contingencies	577	1,126	1,102
Other	705	1,261	1,722
Subtotal	8,702	13,764	16,527
Total	42,868	44,545	42,259

NOTE 19. DIRECTORS EXPENSES AND REMUNERATION

The remuneration to Directors for the years ended December 31, 2006, 2007 and 2008 are the following:

	Year ended December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Remuneration established by the General Shareholders meeting, including attendance fees.	572	629	628

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NOTEFOREIGN CURRENCY POSITION
20.

The consolidated statements of financial positions includes assets and liabilities denominated in foreign currencies which have been translated into Chilean peso at the applicable exchange rates as of December 31, 2007 and 2008, and assets and liabilities which are denominated in Chilean pesos subject to exchange rate fluctuations, as detailed below.

	As of December 31, 2007 denominated in			As of December 31, 2008 denominated in		
	Foreign currency MCh$	Chilean pesos MCh$	Total MCh$	Foreign currency MCh$	Chilean pesos MCh$	Total MCh$
Assets						
Cash and deposit in bank	908,552	-	908,552	403,038	-	403,038
Unsettled Transaction	96,427	-	96,427	90,584	-	90,584
Loans and receivables from customers	950,471	37,662	988,133	1,488,355	45,392	1,533,747
Interbank loans	15,183	-	15,183	95,534	-	95,534
Trading investments	39,328	69,175	108,503	63,613	-	63,613
Investment Instruments	65,949	111	66,060	462,447	-	462,447
Other assets	208,650	-	208,650	159,412	-	159,412
Total assets	2,284,560	106,948	2,391,508	2,762,983	45,392	2,808,375
Liabilities						
Deposits	193,431	-	193,431	342,120	11	342,131
Unsettled Transaction	99,696	-	99,696	90,314	-	90,314
Investment under agreements to repurchase	196,021	-	196,021	7,479	-	7,479
Deposits and other time deposits	1,364,638	-	1,364,638	1,707,951	-	1,707,951
Obligations to foreign banks	1,193,401	-	1,193,401	1,417,052	-	1,417,052
Bonds	496,082	-	496,082	620,992	-	620,992
Other financial liabilities	82,116	586	82,702	13,150	1,788	14,938
Other liabilities	17,398	106	17,504	177,192	1,000	178,192
Total liabilities	3,642,783	692	3,643,475	4,376,250	2,799	4,379,049
Net assets (liabilities) in foreign currency	(1,358,223)	106,256	(1,251,967)	(1,613,267)	42,593	(1,570,674)

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NOTE 21. INCOME TAXES

a) Current taxes

The Bank, at the close of each period, recognizes a Provision for First Category Income Tax, which is determined based on the legal tax provisions and has been reflected at the appropriate rate in the amount of MCh$ 18,126 in 2008 (MCh$ 15,206 in 2007).

Current tax payable (recoverable) as of December 31, 2007 and 2008 are as follows:

	As of December 31,	
	2007	2008
	MCh$	MCh$
Income tax (17% tax rate)	72,382	65,722
Minus:		
Monthly Provisional Payments	(66,190)	(75,663)
Provisional payments from accumulated losses Article No 31, 3rd paragraph	(14)	-
Tax credit from training expenses	(42)	(1,019)
Other	9,069	(7,166)
Total	15,205	(18,126)

b) Effect on income

The effect of tax expenses during the periods between January 1 and December 31, 2008, 2007 and 2006 is as follows:

	As of December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Tax expenses:			
Current taxes	64,115	72,382	65,722
Credit (charge) on deferred taxes:			
Changes in deferred tax assets and liabilities	3,755	(12,508)	3,943
Tax benefit form prior years	(7)	-	(3,367)
Subtotal	67,863	59,874	66,298
Article No 21 taxes (non-deductible expenses)	225	375	221
Other	-	(174)	(2,791)
Net Debit (credit) resulting from income tax	68,088	60,075	63,728

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NOTE 21. INCOME TAXES (continuation).

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate applied in determining tax expenses at December 31, 2006, 2007 and 2008, is as follows:

	2006		2007		2008	
	Tax rate	Amount	Tax rate	Amount	Tax rate	Amount
	%	MCh$	%	MCh$	%	MCh$
Earnings before tax	17.00%	68,403	17.00%	67,728	17.00%	67,107
Permanent differences	(0.31%)	(1,212)	(1.24%)	(4,932)	(1.01%)	(3,985)
Single tax	0.06%	225	0.09%	375	0.06%	221
Other	0.17%	672	(0.78%)	(3,096)	0.10%	385
Effective tax rate	16,92%	68,088	15.07%	60,075	16.15%	63,728

The actual income tax rate for 2008, 2007 and 2006 is 16.15%, 15.07% and 16.92%, respectively.

d) Effect of deferred taxes recognized in Other Comprehensive Income

The deferred tax recognized in other comprehensive income as of December 31, 2007 and 2008 are as follows:

	As of December 31,	
	2007	2008
	MCh$	MCh$
Deferred tax assets		
Available for sale investments	1,086	3,403
Cash flow hedge	1,026	-
Total deferred tax asset	2,112	3,403
Deferred taxes liabilities		
Cash flow hedge	-	(1,848)
Total deferred tax liabilities	-	(1,848)
Total net deferred tax recognized in other comprehensive income	2,112	1,555
Deferred tax effect on equity of owner of the parent	2,112	1,547
Deferred tax effect on equity of minority interest	-	8

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NOTE 21. INCOME TAXES (continuation).

e)Effect of deferred tax recognized on income

	As of December 31, 2007 MCh$	As of December 31, 2008 MCh$
Deferred taxes assets		
Interest and inflation rate	2,068	615
Additional charge-off	5,470	8,356
Assets received in lieu of payment	807	402
Foreign exchange	879	1,926
Tangible assets valuation	6,687	247
Allowance for loan losses	30,662	31,008
Provision for expenses	3,124	11,124
Forwards contracts	37	2,111
Leased assets	8,979	3,360
Tax loss carryforward	44	92
Others	5,838	2,177
Total deferred tax assets	64,595	61,418
Deferred tax liabilites		
Valuation of investments	(4,414)	(147)
Depreciation	(4,996)	(13,748)
Prepaid expenses	(2,002)	(2,434)
Others	(432)	(589)
Total deferred tax liabilities	(11,844)	(16,918)
Total asset net	52,751	44,500

f) Summary of deferred tax assets and liabilities

The following table sets forth the deferred tax assets and liabilities and their effect on the income statement and other comprehensive income as of December 31, 2007 and 2008 as follows:

	As of December 31, 2007 MCh$	As of December 31, 2008 MCh$
Deferred tax assets		
Recognized in other comprehensive income	2,112	3,403
Recognized in income	64,595	61,418
Total deferred taxes assets	66,707	64,821
Deferred taxes liabilites		
Recognized in other comprehensive income	-	(1,848)
Recognized in income	(11,844)	(16,918)
Total net deferred tax asset (liability)	(11,844)	(18,766)

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NOTE 22. CONTINGENCIES AND COMMITMENTS

a) Legal and other proceedings:

At the date of issue of these financial statements, the bank and its subsidiaries were subject to certain legal actions in the normal course of its business. Upon the recommendation of our legal advisors the Bank has accrued a provision amounting to MCh$ 1,394 as of December 31, 2008 (MCh$ 1,566 as of December 31, 2007).

There are no material proceedings in which any of our directors, any members of our senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

b) Contingent loans:

The following table sets forth the maximum contractual obligations granted to counterparties. Provisions accrued for these contingent loans are disclosed in Note 8 b).

	As of December 31,	
	2007	2008
	MCh$	MCh$
Letters of credit issued	197,128	181,381
Letters of credit confirmed	157,908	122,783
Guarantees	683,439	766,727
Available credit lines	3,634,990	4,041,849
Pledges and other commercial commitments	257,700	172,568
Total	4,931,165	5,285,308

c) Fiduciary activities:

The Bank and its subsidiaries carry out the following fiduciary activities in the normal course of business:

	As of December 31,	
	2007	2008
	MCh$	MCh$
Instruments held in custody	9,630,679	10,081,415
Documents to be collected	309,153	432,786
Securities held in custody	437,242	463,161
Other	320,569	344,967
Total	10,697,643	11,322,329

d) Contingencies:

As of December 31, 2008 and 2007, the subsidiary Santander Corredora de Servicios Ltda. leased property with deferred customs duties. The subsidiary may eventually have to pay such duties, amounting to MUS$10 and MUS$10, respectively, on behalf of the leaseholder, if not paid by the latter. Leased assets subject to deferred custom duties amounts to MCh$62 as of December 31, 2008, (MCh$65 in 2007).

On August 26, 1992, a suit was filed by the Chilean Internal Revenue Service against the Bank. The Appeals Court partially resolved in favor of Banco Santander Chile and reduced substantially the amount of the tax difference. On December 13, 2007, the Bank paid MCh$461 due to this lawsuit.

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NOTE 22. CONTINGENCIES AND COMMITMENTS (continuation):

e) Guarantees from operations:

In order to ensure the correct and full compliance of all its obligations as Securities Agent, in conformity with article No 30, and subsequent articles of Law 18,045 on the Securities Market, the subsidiary Santander S.A. Agente de Valores established a guaranty for UF 4,000 for the insurance policy No 208109492, underwritten by Compañía de Seguros de Crédito Continental S.A. whose maturity is December 19, 2009.

In order to comply with Article 30 of Law No. 18,045, Santander S.A Corredores de Bolsa maintains in custody with the Bolsa de Comercio de Santiago a guarantee of their performance worth MCh$1,833 (MCh$ 1,995 in 2007).

In conformity with the General Character Regulation No 125, the subsidiary Santander Asset Management S.A. Administradora General de Fondos, designated the Bank as the representative of the benefits of guarantees set up per each of its funds administered for UF 1,632,335. In addition to these bank guarantees, other guarantees were entered into for approximately MCh$108,534 for the Mutual Fund’s guaranteed profitability.

Integral Insurance:

Banco Santander maintains, for all its subsidiaries, an insurance policy with Interamericana Compañía de Seguros Generales S.A. that covers matters such as: employee fraud, document loss, falsification or modification of documents and counterfeit documents, for a maximum amount of ThUS$ 5,000.

In accordance with Circular No. 1,160 of the Superintendencia de Valores y Seguros, Santander Corredora de Seguros Ltda. maintains an insurance policy in order to fulfill all obligations in connection with its obligations as a broker of insurance policies. This insurance policy was taken with Compañía de Seguros Chilena Consolidada S.A. in amount equal to UF 60,000 and that covers the period between April 15, 2008 and April 14, 2009.

NOTE 23. PRICE-LEVEL RESTATEMENT

The price-level restatement loss is determined by restating the following non-monetary assets, liabilities and equity:

	Year ended December 31,		
	2006	2007	2008
Restatement of non monetary accounts based on Consumer Price Index:	MCh$	MCh$	MCh$
Bank property, plant and equipment, net	5,575	18,812	22,033
Investments in other companies	199	488	415
Other non-monetary assets and liabilities	1,886	6,582	8,522
Shareholders' equity	(23,783)	(87,214)	(108,997)
Loss from price-level restatement, net	(16,123)	(61,332)	(78,027)

Explanation of Responses:

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NOTE 24. SALE AND PURCHASE OF LOANS

From time to time, the Bank sells and purchases loans based on specific requirements from customers. During the years ended December 31, 2006, 2007 and 2008, the Bank sold loans in the amount of MCh$220,276, MCh$66,907 and MCh$15,165, respectively; however, the Bank does not enter into loans for future sale.

During the years ended December 31, 2006 and 2007, the Bank purchased loans totaling MCh$30,847 and MCh$20,439 respectively. During 2008, the Bank did not purchase loans. Any gains or losses on such transactions are recognized in results of operations at the time of the transactions.

During 2008 the Bank sold part of its charged off loan portfolio as follows:

- In February 2008, the Bank sold charged off loans for an amount of MCh$ 5,811 which was recognized as income from recoveries of loans.

- In August 2008, the Bank sold loans for an Amount of MCh$ 7,611. According to the sale agreement, MCh$ 6,000 was recognized as income from loan recoveries and MCh$ 1,611 was deposited in escrow to be held in case of possible future price adjustments.

Additionally, on August 20, 2008, through the leasing division the Bank sold a current operation for a total of MCh$ 23,237, generating a profit on sale of the book of approximately MCh$ 980.

During 2007, the Bank sold part of its charged off loan portfolio as follows:

- On March 9, 2007, the Bank sold charged off loans for a total of MCh$39,603. According to the sale agreement, MCh$ 9,901 was deposited in escrow to be held in case of possible future price adjustments.

During March 2007, the Bank returned to the buyer the amount of MCh$ 4,094 that corresponds to the amount collected in relation to these loans between the cut off date for loans to be assigned (September 30, 2006) and the date of the sale (March 9, 2007). Thus the net amount recognized as income was MCh$ 25,608.

Finally on December 14, 2007, by public legal document, the Bank modified and settled the contract and amount held in escrow. As a result the Bank received MCh$ 2,424 during 2008 (historical value MCh$ 2,226) in relation to the price adjustments described above.

- On August 30, 2007, the bank assigned off loans for a total of MCh$2,477 which was recognized in totality as income from recovery of loans.

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NOTE 25. VARIABLE COMPENSATION

The Bank has established variable compensation plans for their employees based on the attainment of goals and objectives whose fulfillment is evaluated and compensated on a quarterly and/or annual basis. In addition, there are also long term variable remuneration plans oriented to the retention and motivation of executives, and whose payment depends on the degree of attainment of common and individual goals for periods greater than a year.

NOTE 26. SUBSEQUENT EVENTS

There have been no subsequent events between January 1, 2009 and the date of the issue of these financial statements that could materially affect the financial statements.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following is a description of the significant differences between accounting principles generally accepted in Chile and accounting principles of the Superintendency of Banks (collectively, "Chilean GAAP"), and accounting principles generally accepted in the United States ("U.S. GAAP").

References below to "SFAS" are to United States Statements of Financial Accounting Standards. Pursuant to Chilean GAAP, the Bank's consolidated financial statements recognize certain effects of inflation.

The cumulative inflation rate in Chile as measured by the CPI for the three year period ended December, 2008 was approximately 19.47%. Chilean GAAP requires the restatement of bank financial statements to reflect the total effect of the loss in the purchasing power of the Chilean peso on the financial position and results of operations of the reporting entity. The method, described in Note 1 (c), is based on a model that calculates net inflationary gains or losses by restating all non-monetary amounts in the financial statements. The model dictates that the historical costs of such amounts are restated for general price-level currency changes between the origin date of each item and the end of the period. As permitted under Item 18 of Form 20-F of SEC Regulation S-X no adjustments were made to reflect the elimination of the price-level restatement.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(a) Business Combinations

(1) Under Chile GAAP, business combinations accounted for under the purchase accounting method do not require pushdown accounting for the related goodwill. Furthermore, prior to January 1, 2004, assets acquired and liabilities assumed were recorded at their carrying value upon acquisition with the excess of the purchase price over the carrying value recorded as goodwill. Additionally, the “pooling of interests” method may be more widely applied in Chile.

Under U.S. GAAP, in accordance with the purchase accounting method, pushdown accounting is required for the goodwil1 generated in the business combination. Also, under U.S. GAAP, purchase accounting requires that the fair value of the assets acquired and the liabilities assumed be recorded with the excess of the purchase price over such fair value recorded as goodwill.

The following business combinations of the Bank were accounted for as follows, generating the differences noted in the Chile GAAP to U.S. GAAP reconci1iations of net income and shareholders' equity:

On April 17, 1999, Banco Centra1 Hispanoamericano S.A. (“BCH”) merged with Banco Santander S.A. to create Banco Santander Central Hispano (“BSCH”). For Chile GAAP purposes, the merger was accounted for as a “pooling of interests”. For U.S. GAAP purposes, purchase accounting was applied. Prior to Apri1 17, 1999, BCH indirectly held a 21.75% investment in Banco Santiago (“Santiago”) through a 50% participation in Teatinos Siglo XXI (“Teatinos”). At the time, the other 50% of Teatinos was owned by Quiñenco S.A. (“Quiñenco”). A minority interest of approximately 35.5% was held by the Central Bank of Chile.

On May 3, 1999, BSCH purchased the 50% of Teatinos that it did not already own from Quiñenco. Purchase accounting was applied under both Chile GAAP and U.S. GAAP.

On May 17, 1999, the Central Bank and BSCH announced they had entered into an agreement regarding the disposition of their respective shares of Santiago. Under this agreement, the Central Bank has an irrevocable put option to sell to BSCH, its Santiago shares during the two year beginning May 15, 2000.

The total goodwill generated under U.S. GAAP was “pushed down” to the acquired entities (predecessor entities to the Bank). Certain fair value amounts were recorded for assets acquired and 1iabi1ities assumed under U.S. GAAP which were recorded at carrying value in the Chile GAAP financial statements.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(2) Under Chilean GAAP, mergers of entities under common control are recorded under the "pooling of interests" method. Should the minority interest be eliminated, purchase accounting is not subsequently applied. Additionally, historical financial statements for periods prior to the merger are not restated under the pooling of interests methodology.

Under U.S. GAAP, mergers of entities under common control are also recorded under the "pooling of interests" method. However, under U.S. GAAP, in certain circumstances, the step acquisition of a minority interest requires purchase accounting (any additional goodwill would also require pushdown accounting as mentioned in (1)). Additionally, U.S. GAAP requires the restatement of prior period financial statements under the pooling of interests methodology.

The following transactions generated the above described differences, resulting in adjustments in the Bank's Chile GAAP to U.S. GAAP reconciliations of net income and shareholders' equity:

On Apri1 22, 2002, the Central Bank, under the agreement describe above sold its remaining 35.44% participation in Santiago to Teatinos, the primary shareholder of the former Banco Santander Chile and a wholly owned subsidiary of BSCH.

On August 1, 2002, Santiago and the former Banco Santander Chile merged. To complete the merger, the minority interest of 11% of Banco Santander Chile was acquired through the issuance of former Santiago shares (as Santiago was considered the acquirer). As a resu1t of the merger between the former Santiago and the former Banco Santander Chi1e, the former Santiago issued 89,511,910,227 shares in exchange for all the outstanding common shares of the former Banco Santander Chi1e, using an exchange ratio of 3.55366329 for each former Banco Santander Chile share.

The Bank did not record deferred taxes under either Chile GAAP or U.S. GAAP on any goodwill or intangible asset acquired as the result of the acquisition, as these items do not generate temporary differences as defined in either Chile GAAP nor U.S. GAAP accounting pronouncement.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(b) Amortization of Goodwill and Intangible Asset

The Bank adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", ("SFAS 142") as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under the new standard, beginning January 1, 2002, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually.

The Bank performed the impairment test of goodwill and intangible assets with indefinite lives as required by the standard, which did not result in any impairment. Additionally, the Bank has evaluated the remaining useful life of these intangible assets that are not amortized, in order to determine whether events and circumstances continue to support an indefinite useful life.

In 2006, the Bank's Management decided to change our branding strategy, increasing the use of the brand "Santander" and phasing out the brand "Santiago". In 2007 we completed the phasing out of the "Santiago" brand ahead of schedule in accordance with the Santander worldwide brand policy set by our parent company in 2007. As a result, we fully amortized the brand "Santiago" in 2007. The MCh$ 60,570 effect of this amortization, in accordance with US GAAP, is included in the reconciliation of Net income and Shareholders' equity in paragraph (t) below.

(c) Mandatory dividends

As required by Chilean General Banking Law, unless otherwise decided by a two-thirds vote of the issued and subscribed shares, the Bank must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP. The dividend is recorded in retained earnings or current year income in shareholders' equity when it is approved by the Annual Shareholders' meeting subsequent to year-end, unless a higher legally binding commitment to distribute dividends exists, or unless and except to the extent the Bank has unabsorbed prior year losses. Under the provisions issued by the AICPA International Practice Task Force, such mandatory dividends, as of the year end reporting date, represent and are reported as "temporary equity". However, when, as allowed by regulation, shareholder action is taken prior to the issuance of the financial statements, evidencing that such minimum dividend will not be fully distributed, the reclassification of such dividend may be limited to the lesser amount authorized by shareholder ratification. The effect of recording mandatory dividends in accordance with U.S. GAAP is included in the reconciliation of net income and shareholders' equity in paragraph (r) below.

In 2008, in accordance with the instructions of the Superintendency of Banks regarding the application of the new accounting criteria relating to provisions for the accrual of mandatory dividends (see Note 2.a) wich requires the recognition of the liabilities of the corresponding portion of the net income for the year in accordance with the Law of Public Companies and with the dividend policy of the Bank, upon adoption of this new criteria, the accounting treatment under Chilean GAAP is the same as under US GAAP, this change made equivalent the treatement under Chilean GAAP and US GAAP.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(d) Interest income recognition on non-accrual loans

Under Chilean GAAP the Bank suspends the accrual of interest on loans when it is determined to be in a loss position or when it becomes past due. Previously accrued but uncollected interest on overdue loans is not written-off at the time the loan is determined to be in a loss position. Under U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. As a general practice, this occurs when loans are 90 days or more past due. Any accrued but uncollected interest is written off against interest income at that time.

In addition, under Chilean GAAP, any payment received on overdue loans is recorded as unaccrued interest earned, after first applying the payment to accrued interest receivable. Any remaining amount is then applied to reduce the outstanding principal balance. Under U.S. GAAP, any payment received on loans where the collectibility of the principal is in doubt, is treated as a reduction of the outstanding principal balance of the loan until there is no such doubt. The effect of this difference in interest recognition is immaterial to the Bank’s financial position and results of its operations. As a result, there is no adjustment in the reconciliation note for this difference.

(e) Stock compensation plan

On June 23, 2007 Banco Santander Central Hispano S.A. (“Grupo Santander” or “Parent Company”) approved the granting of 100 free shares to each active employee of Santander Group, to celebrate the 150th Anniversary of Banco Santander.

Under U.S. GAAP, stock compensation is accounted for under SFAS No 123 (R), Accounting for Stock-Based Compensation. Compensation expense is measured using the fair value method for stock options and restricted stock at the date of the grant. The number of shares granted by Banco Santander Central Hispano S.A. to employees of Banco Santander Chile was 868,700. The Bank recorded the shares granted at fair value and as compensation expense with an adjustment to equity. Under Chilean GAAP, no effect was recorded for this compensation plan.

(f) Contingent assets and liabilities

Within contingent assets and liabilities the Bank includes financial guarantees. Disclosures required in accordance with FIN 45 “Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” are included in paragraph (ab) below. For neither contingencies nor guarantees is there recorded an adjustment to the U.S. GAAP reconciliation of net income or shareholders’ equity, as none met the requirements for recognition in the income statements.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(g) Investment securities

Under U.S. GAAP, SFAS No 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115") requires that debt and equity securities be classified in accordance with the Bank's intent and ability to hold the security, as follows:

- Debt securities for which the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost. As of December 31, 2007 and 2008, the Bank did not classify any security as held-to-maturity.

- Debt and equity securities that are bought and held by the Bank, principally for the purpose of selling them in the near term, are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

SFAS No 115 established that in the case of foreign-currency-denominated available-for-sale debt securities, the change in fair value expresses in an entity's functional currency is the total of the changes in market price of the security as expressed in the local currency due to factors such as changes in interest rates and credit risk and the change in the exchange rate between the local currency and the entity's functional currency. EITF 96-15 established that the entire change in the fair value of foreign-currency-denominated available-for-sale debt securities should be reported in stockholders' equity, the effect of recognizing this adjustment in accordance with U.S. GAAP is included in the reconciliation of net income and other comprehensive income for an amount of MCh$ 3,096.

The following are required disclosures for investments classified as available-for-sale in accordance with SFAS 115 and based on Article 9 balance sheet under U.S. GAAP. Realized gains and losses are determined using the proceeds from sales less the cost (specific identification method) of the investments identified to be sold. Additionally, any unrealized gain/loss previously recorded in equity for these investments is reversed through the income statements. Gross gains and losses realized on the sale of available-for-sale securities for the years ended as of December 31, 2006, 2007 and 2008, are as follows:

	Year ended December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Proceeds from sales of "available-for-sale" securities generating realized gains	690,317	826,319	697,089
Realized gains	10,628	5,129	2,765
Proceeds from sales of "available-for-sale" securities generating realized losses	253,640	200,423	774,658
Realized losses	4,535	1,566	1,897

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(h) Other than temporary impairment of available for sale securities

Under Chilean GAAP, marketable securities are evaluated for other than temporarily impairment if the decline in fair value is judged to be other than temporary. In such circumstances, the cost basis of the security is written down to fair value with a charge to income. The impairment does not establish a new cost basis for the security and therefore, under certain conditions, the recovery of the security, up to the extent of the initial cost basis, may be recorded. Additionally, Chile GAAP does not require the recording of the foreign exchange differences within unrealized gains/loss on available-for-sale securities in equity. Foreign exchange gain (loss) is recorded directly in income.

SFAS 115 also requires that the Bank determine whether individual securities classified as available for sale are other than temporarily impaired. If the decline is judged to be other than temporary, the cost basis of the individual security is written down to a new cost basis with a charge to income (accounted for as a realized loss). The new cost basis is not adjusted for subsequent recoveries in fair value. Subsequent increases in the fair value of available for sale securities are recorded in other comprehensive income and subsequent decreases in fair value, if not other than temporary, are also recorded in other comprehensive income.

As of December 31, 2007 and 2006, the Bank believes that the continued devaluation of the U.S. dollar relative to the Chilean Peso was an indication of other-than temporary impairment. As a result, for U.S. GAAP purposes, an impairment of MCh$861 and MCh $ 6,538 as of December 31, 2007 and 2006, was recognized for U.S. dollar denominated debt securities. The effect of other than temporary impairment of available for sale securities is included in the reconciliation of consolidated net income in paragraph (r) below.

The Bank reviewed securities with unrealized losses as of December 31, 2008, and concluded that there was no other than temporary impairment. This review consisted of evaluating the economic reasons for the decline, credit rating of the issuers of the securities and the Bank’s intention and ability to hold the securities until the unrealized loss is recovered.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The bank reviewed the remaining portfolio as of December 31, 2008, and concluded that there was no other than temporary impairment. This review consisted of evaluating the economic reasons for any declines, credit ratings of the issuers of the securities, and management's intention and ability to hold the securities until the unrealized loss is recovered. Based on this analysis, the Bank believed that there was no other than temporary impairments in its investment portfolio because most of the decline in fair value of these securities was caused by market conditions which the Bank considered to be temporary. Most of the securities that have unrealized losses as of December 31, 2008, were in a continuous unrealized loss position for less than one year.

The carrying value and market value of available-for-sale securities as of December 31, 2006, 2007 and 2008, are as follows:

Investments Available-for-Sale Investments 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
	MCh$	MCh$	MCh$	MCh$
Central Bank and Government Securities				
Chilean Central Bank bonds	684,176	13,536	(7,589)	690,123
Chilean Central Bank notes	50,349	-	(1,145)	49,204
Others Chilean Central Bank and Treasury securities	94,318	676	(1,866)	93,128
Subtotal	828,843	14,212	(10,600)	832,455
Others Financial Securities				
Deposits in Chilean Financial Institutions	3,092	-	(1,787)	1,305
Mortgage finance Bonds	305,505	23	(21,495)	284,033
Chilean Corporate Bonds	13,847	-	(325)	13,522
Subtotal	322,444	23	(23,607)	298,860
Other Financial Securities				
Central Bank and Govemment Foreign Securities	-	-	-	-
Other Foreign securities	448,925	-	-	448,925
Subtotal	448,925	-	-	448,925
Total	1,600,212	14,235	(34,207)	1,580,240

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Investments Available-for-Sale Investments 2007	Cost MCh$	Gross Unrealized Gains MCh$	Gross Unrealized Losses (1) (2) MCh$	Estimated Fair Value MCh$
Central Bank and Government Securities				
Chilean Central Bank bonds	308,153	191	(662)	307,682
Chilean Central Bank notes	59,190	17	(75)	59,132
Others Chilean Central Bank and Treasury securities	119,771	288	(1,158)	118,901
Subtotal	487,114	496	(1,895)	485,715
Others Financial Securities				
Deposits in Chilean Financial Institutions	-	-	-	-
Mortgage finance Bonds	301,794	591	(5,104)	297,281
Chilean Corporate Bonds	-	-	-	-
Subtotal	301,794	591	(5,104)	297,281
Other Financial Securities				
Central Bank and Govemment Foreign Securities	66,077	-	(128)	65,949
Other Foreign securities	-	-	-	-
Subtotal	66,077	-	(128)	65,949
Total	854,985	1,087	(7,127)	848,945

Investments Available-for-Sale Investments 2006	Cost MCh$	Gross Unrealized Gains MCh$	Gross Unrealized Losses (1) (2) MCh$	Estimated Fair Value MCh$
Central Bank and Government Securities				
Chilean Central Bank bonds	15,571	8	(51)	15,528
Chilean Central Bank notes	75,324	136	(42)	75,418
Others Chilean Central Bank and Treasury securities	21,665	124	(109)	21,680
Other Securities	732	-	(2)	730
Subtotal	113,292	268	(204)	113,356
Others Financial Securities				
Deposits in Chilean Financial Institutions	-	-	-	-
Mortgage finance Bonds	261,142	1,128	(1,762)	260,508
Chilean Corporate Bonds	-	-	-	-
Subtotal	261,142	1,128	(1,762)	260,508
Other Financial Securities				
Central Bank and Govemment Foreign Securities	-	-	-	-
Other Foreign securities	30,677	-	(793)	29,884
Subtotal	30,677	-	(793)	29,884
Total	405,111	1,396	(2,759)	403,748

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(1) All investments in an unrealized loss position are disclosed and segregated in accordance with paragraph 17 of FSP FAS 115/124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments . Such unrealized losses were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment.

(2) During 2007 and 2006, as was described in paragraph above the Bank determined that some of its foreign-currency-denominated available-for-sale debt securities had declines in value that were considered other than temporary, resulting in a charge to net income of MCh$ 861 and MCh$ 6,538, respectively, in order to record these securities at their market values. Future unrealized gains or losses for these securities will be recorded in other comprehensive income consistent with the accounting treatment for available-for-sale securities.

The following table shows the unrealized loss position of the available-for-sale investments as of December 31, 2008 and 2007.

As of December 31, 2008:

	Less than 12 months			12 months or more			Total		
Available for sale Investments	Amortized cost	Fair Value	Unrealized loss	Amortized cost	Fair Value	Unrealized losses	Amortized cost	Fair Value	Unrealized loss
Central Bank and Government Securities									
Chilean Central Bank bonds	684,176	690,123	5,947	-	-	-	684,176	690,123	5,947
Chilean Central Bank notes	50,349	49,204	(1,145)	-	-	-	50,349	49,204	(1,145)
Others Chilean Central Bank and Treasury securities	94,318	93,128	(1,190)	-	-	-	94,318	93,128	(1,190)
Subtotal	828,843	832,455	3,612	-	-	-	828,843	832,455	3,612
Others Financial Securities									
Deposits in Chilean Financial Institutions	3,092	1,305	(1,787)	-	-	-	3,092	1,305	(1,787)
Mortgage Finance Bonds	305,505	284,033	(21,472)	-	-	-	305,505	284,033	(21,472)
Chilean Corporate Bonds	13,847	13,522	(325)	-	-	-	13,847	13,522	(325)
	322,444	298,860	(23,584)				322,444	298,860	(23,584)

Other Financial Securities									
Central Bank and Government									
Foreing securities	-	-	-	-	-	-	-	-	-
Others Foreing Securities	448,925	448,925	-	-	-	-	448,925	448,925	-
Subtotal	448,925	448,925	-	-	-	-	448,925	448,925	-
Total	1,600,212	1,580,240	(19,972)	-	-	-	1,600,212	1,580,240	(19,972)

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

As of December 31, 2007:

	Less than 12 months			12 months or more			Total		
Available for sale Investments	Amortized cost	FairValue	Unrealized losses	Amortized cost	Fair Value	Unrealized losses	Amortized cost	Fair Value	Unrealized losses
Central Bank and Government Securities									
Chilean Central Bank bonds	308,153	307,682	(471)	-	-	-	308,153	307,682	(471)
Chilean Central Bank notes	59,190	59,132	(58)	-	-	-	59,190	59,132	(58)
Others Chilean Central Bank and Treasury securities	119,771	118,901	(870)	-	-	-	119,771	118,901	(870)
Subtotal	487,114	485,715	(1,399)	-	-	-	487,114	485,715	(1,399)
Others Financial Securities									
Deposits in Chilean Financial Institutions	-	-	-	-	-	-	-	-	-
Mortgage Finance Bonds	301,794	297,281	(4,513)	-	-	-	301,794	297,281	(4,513)
Chilean Corporate Bonds	-	-	-	-	-	-	-	-	-
	301,794	297,281	(4,513)				301,794	297,281	(4,513)
Other Financial Securities									
Central Bank and Government Foreing securities	66,077	65,949	(128)	-	-	-	66,077	65,949	(128)
Others Foreign Securities				-	-	-	-	-	
Subtotal	66,077	65,949	(128)	-	-	-	66,077	65,949	(128)
Total	854,985	848,945	(6,040)	-	-	-	854,985	848,945	(6,040)

(i) Contractual maturities and other disclosures

The contractual maturities of securities classified by the Bank as available-for-sale are as of December 31, 2008 and 2007:

Available-for-Sale Investments:	Within one year	After one year but	After five years but	After ten years	Total

		within five years	within ten years		
	(in millions of constant Ch$ of December 31, 2008)				
Central Bank and Government Securities					
Chilean Central Bank bonds	98,100	406,933	185,090	-	690,123
Chilean Central Bank notes	23,326	24,738	1,140	-	49,204
Others Chilean Central Bank and Treasury Securities	27,571	10,841	32,637	22,079	93,128
Subtotal	148,997	442,512	218,867	22,079	832,455
Others Financial Securities					
Deposits in Chilean Financial institutions	-	1,305	-	-	1,305
Mortgage Finance Bonds	89	2,843	18,757	262,344	284,033
Chilean corporate Bonds	-	13,522	-	-	13,522
Subtotal	89	17,670	18,757	262,344	298,860
Other Chilean Securities					
Central Bank and Government Foreing Securities	-	-	-	-	-
Others Foreign Securities	448,925	-	-	-	448,925
Subtotal	448,925	-	-	-	448,925
Total	598,011	460,182	237,624	284,423	1,580,240

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Available-for-Sale Investments:	Within one year	After one year but within five years	After five years but within ten years	After ten years	Total
	(in millions of constant Ch$ of December 31, 2007)				
Central Bank and Government Securities					
Chilean Central Bank bonds	34,461	161,923	111,298	-	307,682
Chilean Central Bank notes	50,782	3,560	1,461	3,329	59,132
Others Chilean Central Bank and Treasury Securities	19,907	31,436	47,671	19,887	118,901
Subtotal	105,150	196,919	160,430	23,216	485,715
Others Financial Securities					
Deposits in Chilean Financial institutions	-	-	-	-	-
Mortgage Finance Bonds	65	2,498	12,484	282,234	297,281
Chilean corporate Bonds	-	-	-	-	-
Subtotal	65	2,498	12,484	282,234	297,281
Other Chilean Securities					
Central Bank and Government Foreing Securities	-	-	-	-	-
Others Foreing Securities	54,365	-	11,584	-	65,949
Subtotal	54,365	-	11,584	-	65,949
Total	159,580	199,417	184,498	305,450	848,945

Under U.S. GAAP, the Bank is required to disclose the amounts of unrealized holding gains and losses included in income on securities classified as trading. For the years ended December 31, 2006, 2007 and 2008, the Bank recognized in income net unrealized holding gains (losses) of MCh$ 192 and MCh$ 819 and MCh$ (2,083) respectively, on these securities.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(j) Allowance for loan losses

The calculation of loan losses under U.S. GAAP differs from that under Chilean GAAP in the following respects:

1.Allowance for loan losses

Under Chilean GAAP, the allowance for loan losses is calculated according to specific guidelines set out by the rules of the Superintendency of Banks.

Under U.S. GAAP, allowances for loan losses should be adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates. The Bank has estimated its required allowance under U.S. GAAP in the following manner:

- All loans of the Bank were classified in accordance with the rules of the Superintendency of Banks.

- Allowances for commercial loans classified in loan risk category A1, A2, A3, B or C1 which were not considered impaired under SFAS No. 114, “Accounting by Creditors for Impairment of a Loan” (“SFAS 114”) were analyzed by loan category and were adjusted where necessary to reflect the estimated inherent losses in the loan portfolio based upon the historical movements and trends in the Bank’s loan classifications (“migration analysis”).

- In addition, specific additional allowances were determined for commercial loans, i.e. those loans which were not considered above, on the following basis:

i. Commercial loans greater than MCh$ 100, which were considered impaired in accordance with the criteria established by SFAS 114 were valued at the present value of the expected future cash flows discounted at the loan’s effective contractual interest rate, or at the fair value of the collateral if the loans were collateral dependent.

ii. Allowances for commercial loans which were under MCh$ 100 (i.e. those loans which were not considered in the above SFAS 114 analysis), were calculated using the weighted average loan provision, by loan classification, as determined in (i). In addition, estimated incurred losses were adjusted based on results of a migration analysis referred to above.

iii. Allowance for loan losses for mortgage and consumer loans were determined based on historical loan charge-offs, after considering the recoverability of the underlying collateral.

Based on the preceding calculations under provisions of SFAS No.114, the Bank reduced the total loan loss allowance by MCh$ 9,558 for the year ended December 31, 2006.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Based on the loan loss allowance estimation process described above, the Bank determined the allowance for loan losses under U.S. GAAP, and compared this estimate with the reported allowance determined in accordance with the guidelines established by the Superintendency of Banks. The fluctuation of the recorded additional loan loss allowance required by the Superintendency of Banks was then compared to the additional allowance requirements under U.S. GAAP to arrive at a cumulative U.S. GAAP adjustment for the Bank, as follows:

	As of December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
U.S. GAAP loan loss allowance	(194,082)	(250,887)	(285,505)
Chilean GAAP loan allowance required by the Superintendency of Banks	203,640	250,887	285,505
Cumulative U.S. GAAP adjustment	9,558	-	-

Based on the back testing performed by the Bank, including the consumer credit portfolio, as of December 31, 2007 and 2008 the cumulative adjustment recognized in prior years was credited to income in both years.

The effect of accounting for loan losses in accordance with U.S. GAAP is included in the reconciliation of the net income and shareholders' equity in paragraph (r) below.

2.Recognition of Income

As of December 31, 2006, 2007 and 2008, the recorded investment in loans for which impairment has been recognized in accordance with SFAS 114 totaled MCh$ 363,441, MCh$ 446,779 and MCh$ 548,259, respectively, with a corresponding valuation allowance of MCh$ 146,150, MCh$ 106,840 and MCh$ 128,734, respectively. For the years ended December 31, 2006, 2007 and 2008, the average recorded investment in impaired loans was MCh$ 317,728, MCh$ 330,659 and MCh$ 481,999, respectively. For the three years ended December 31, 2006, 2007 and 2008, during the portion of the year that the loans were impaired, the Bank recognized MCh$ 513, MCh$ 534 and MCh$1,182 of interest on impaired loans. As of December 31, 2008, 2007 and 2006 the Bank had made provisions against all loans which it considered to be impaired.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

3. Loan loss recoveries

Under Chilean GAAP and U.S. GAAP recoveries of loans previously charged-off are presented as a reduction of the provision for loan losses.

The following table is an U.S. GAAP analysis, for the years ended December 31, 2006, 2007 and 2008, of the changes in the reserve for loan loss:

	As of December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Beginning allowances for loan losses in accordance with U.S. GAAP	176,657	203,640	250,887
Price-level restatement (1)	(3,666)	(14,102)	(20,693)
Reclasification to provision for contingent loans (see note 8 (b))	-	(2,571)	-
Loan loss recoveries	55,065	56,587	37,894
Charge-offs and recoveries	(167,854)	(219,004)	(268,129)
Addition charged of operations	143,438	226,337	285,546
Ending allowances for loan loss in accordance with U.S. GAAP	203,640	250,887	285,505

(1) Reflects the effect of inflation on the allowance of loan loss under Chilean GAAP at the beginning of each period, adjusted to Chilean pesos of December 31, 2008.

4. Charge-offs

As discussed in Note 1 (m), under Chilean GAAP the Bank writes off loans when collection efforts are exhausted. Under the rules and regulations established by the Superintendency of Banks, charge-offs must be made within the following maximum limits:

- For loans without collateral, 24 months (6 months for consumer loans) after a loan is past due ;
- For loans with collateral, 36 months after a loan is past due.

Under U.S. GAAP, loans should be written-off in the period that they are deemed uncollectible. The Bank believes that the charge-off policies in accordance with Chilean GAAP are substantially the same as those required under U.S. GAAP, and therefore there are no potential material differences.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(k) Investments in others companies

Under Chilean GAAP, certain long-term investments of less than 20% of the outstanding shares in other companies were recorded using the equity method of accounting (see Note 10 (4)). Under U.S. GAAP those investments generally would have been recorded at cost. The effect of accounting for investments in other companies in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (r) below.

(l) Derivatives

Chilean banks are permitted to use foreign exchange forward contracts (covering either foreign currencies against the U.S. dollar, the UF against the Chilean peso or the UF and the Chilean peso against the U.S. dollar), forward rate agreements and interest rate swaps. Currently, the use of derivatives in Chile is regulated by the Chilean Central Bank, which requires that all foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies.

All derivative instruments are subject to market risk, which is defined as the risk that future changes in market conditions may make an investment more or less valuable. The Bank managed their individual exposure to market risk on a global basis in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting foreign exchange and interest rate positions.

The Bank enters into derivative transactions for its own behalf and to meet customers' risk management needs. Generally the Bank enters into forward contracts in U.S. dollars against the Chilean peso or the UF, however, occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary. Other derivative transactions include primarily interest rate swaps (pay fixed-receive floating) and rate lock agreements. These are used for hedging purposes in order to manage, among other risks, interest rate and fair value risk related to the Yankee bonds of Chilean companies, Chilean Government securities bought by the Bank and certain mortgage loans.

In order to manage any credit risk associated with its derivative products, the Bank grants lines of credit to its counterparties, in accordance with its credit policies, for each derivative transaction. The counterparty risk exposure is a function of the type of derivative, the term to maturity of the transaction and the volatility of the risk factors that affect the derivative's market value.

Under Chilean GAAP, the Bank accounts for forward contracts between foreign currencies and U.S. dollars at fair value with realized and unrealized gains and losses on these instruments recognized in other income.

As is described in Note 2, on December 20, 2005 the Superintendency of Banks issued Circular No.3,345 and related amendments, instructing the application of new accounting principles and valuation criteria for financial instruments acquired for negotiation or investment, derivative instruments, accounting hedges and write-offs of financial assets in the balance sheet. The new accounting principles and valuation criteria are similar to U.S. GAAP, SFAS No 133 and related amendments.

Explanation of Responses:

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Effective January 1, 2006, in accordance with Circular No. 3,345 of the Superintendency of Banks, the accounting for certain derivative instruments and hedges of financial assets changed. Traditional financial instruments which meet the definition of a "derivative" such as forwards in foreign currency and UF (inflation index-linked units of account), interest rate futures, currency and interest rate swaps, currency and interest rate options, and others are now recognized initially in the balance sheet at cost (including transaction fees) and, at subsequent period ends, at their fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as applicable.

Beginning January 1, 2001, the Bank adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (collectively "SFAS 133"), which establishes comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on the purpose for which the derivative instrument was entered into and whether the derivative instrument qualifies as a hedge. The standards also require formal documentation of hedging relationships and effectiveness testing when hedge accounting is to be applied. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged.

Even thought the methodology to asses Hedge Accounting under Chilean GAAP and U.S. GAAP are the same, there are certain criteria that are presented under US GAAP and not under Chilean GAAP. As of December 31, 2006 hedge accounting applied under Chilean GAAP on the mortgage loans portfolio classified in "Other Outstanding Loans" does not meet the criteria described in SFAS No 133 paragraph 21 (a), which paragraph establishes that the change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in the fair value of the aggregate portfolio attributable to the hedged risk. Given the lack of compliance with this paragraph of the hedge undertaken and documented as such in Chilean GAAP, an adjustment has been included for an amount of $ 34,998 for the year ended December 31, 2006, in our reconciliation of Net income in paragraph (r) below. As there are differences in Hedge Accounting between Chilean GAAP and U.S. GAAP, as of December 31, 2006, some transactions registered as Hedging derivatives under Chilean GAAP are reversed for U.S. GAAP purposes and registered as Trading derivatives.

During 2007, the Bank, discontinued prospectively the Hedge accounting applied under Chilean GAAP on the mortgage loans portfolio, due to the periodic assessment indicates noncompliance with the effectiveness criteria. Therefore, as of December 31, 2007, there is no difference in Hedge accounting between Chilean GAAP and U.S. GAAP.

For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Bank separately measures embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in earnings when they occur. Currently the only host contracts that the Bank has, which have implicit or explicit terms that must be separately accounted for at fair value, are service type contracts related to computer service agreement and insurance agreements.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

For the years ended December 31, 2006, 2007 and 2008, the effects of embedded derivatives were not significant.

(m) Recoveries of loans previously charged-off

Under Chilean GAAP, recoveries of charged-off loans as well as recoveries of loans which were reacquired from the Chilean Central Bank were recorded directly to income. Under U.S. GAAP, loans that have been previously written-off cannot be reinstated, and only actual cash recoveries from any previously charged-off loans would be recognized as income. Consequently, the effect of these reinstated loans for Chilean GAAP purposes, net of cash recoveries, was eliminated in the reconciliation to U.S. GAAP.

(n) Capitalization of interest costs

For Chilean GAAP purposes, the Bank does not capitalize interest costs on the assets that are constructed for its own use. Under SFAS No. 34, interest costs should be capitalized as they are considered part of the historical cost of acquiring these assets. The effect of accounting for capitalization of interest costs in accordance with U.S. GAAP is included in the reconciliation of net income and shareholders' equity in paragraph (r) below.

(o) Acquisition of Financial Assets

The following business combinations occurred prior to the merger of Banco Santiago and Banco Santander Chile which continue to require adjustments between Chilean GAAP and U.S. GAAP in the net income and shareholders' equity reconciliations in paragraph(r):

(1) Acquisition of Banco O'Higgins

For Chilean GAAP purposes, the merger between the former Banco Santiago and Banco O'Higgins that took place during 1997 was accounted for using the"pooling of interests" method. The assets acquired and liabilities assumed were combined at their carrying values on the books of the successor entity and the operations were accounted for as combined from January 1, 1997.

For U.S. GAAP purposes, the former Banco Santiago accounted for the business combination as a purchase of Banco O'Higgins. Consequently, goodwill was recorded as the difference between the purchase price and the fair value of the assets acquired and the liabilities assumed (which, in management's opinion, approximated book value).

The unamortized goodwill associated with this merger on the books of Banco Santiago, for U.S. GAAP purposes, as of the date of the merger with the former Banco Santiago Santander Chile is implicitly included in the goodwill of Teatinos which was acquired by BCSH as explained in paragraph (a).

(2) Acquisition of Banco Osorno y la Unión

During 1996, the former Banco Santander Chile merged with Banco Osorno y La Unión ("Banco Osorno"). The treatment for both Chilean GAAP purposes and U.S. GAAP purposes was equivalent to the treatment in the Banco O'Higgins transaction in (1) with the exception that the acquisition of Banco Osorno was defined as a reverse acquisition.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(p) Assets received in lieu of payment

As instructed by the Superintendency of Banks, assets received in lieu of payment are recorded at cost, less a global valuation allowance if the total of the fair value of those assets is lower than the recorded amount. If the asset is not sold within one year, then the recorded asset amounts are written-off after the period established ends.

Under U.S. GAAP, on an individual asset basis, assets received in lieu of payment are initially recorded at fair value less any estimated costs to sell at the date of foreclosure. Subsequent to foreclosure, valuations should be periodically performed to record any impairment. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of net income and shareholders' equity in paragraph (r) below.

(q) Accrued interest and indexation adjustment

Under Chilean GAAP, accrued interest and indexation adjustment are presented net with the principle amounts of the investments to which they accrete. Under U.S. GAAP accrued interest and indexation adjustment is presented as separate line items in the balance sheet. The amount of this reclassification is not readily determinable.

(r) Summary of net income and shareholders’ equity differences

The following is a reconciliation of net income under Chilean GAAP to the corresponding amounts under U.S. GAAP:

	Year ended December 31,			
	2006	2007	2008	2008
	MCh$	MCh$	MCh$	ThUS$ (Note 1.s)
Total Net income under Chilean GAAP	334,282	338,324	331,017	516,206
Minority interest in accordance to Circular No 3443 (Note 2) (*)	(176)	(2,238)	(2,871)	(4,477)
Total Net income without minority interest under Chilean GAAP required to be applied under Circular No 3443	334,106	336,086	328,146	511,729
Push-down accounting (Note 27 (a))				
Amortization of trademarks and other	(19,926)	(68,649)	(2,791)	(4,352)
Amortization of fair value increase of net assets	(4,499)	(4,500)	(1,771)	(2,762)
Other than temporary impairment (Note 27 (h))	(6,538)	(861)	-	-
Investment securities (Note 27 (g))	(552)	861	(3,096)	(4,828)
Allowance for loan loss (Note 27 (j))	-	(9,558)	-	-
Investments in other companies (Note 27 (k))	(137)	(97)	(293)	(457)
Derivatives (Note 27 (l))	(34,998)	6,298	16,045	25,021
Capitalization of interest expense (Note 27 (n))	(60)	(60)	(60)	(94)
Assets received in lieu of payment (Note 27 (p))	1,736	(3,716)	(1,261)	(1,966)
Stock compensation plan (Note 27 (e))	-	(9,162)	-	-
Deferred tax effect of U.S. GAAP adjustments	6,870	1,197	(1,977)	(3,083)
Net income in accordance with U.S. GAAP	276,002	247,839	332,942	519,208

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The following is a reconciliation of comprehensive income under Chilean GAAP to U.S. GAAP:

	As of December 31,			
	2006	2007	2008	2008
	MCh$	MCh$	MCh$	ThUS$ (Note 1.s)
Total Other comprehensive income under Chilean GAAP	16,781	(9,264)	1,884	2,938
Minority interest in accordance to Circular No 3443 (Note 2) (*)	-	-	39	61
Total Other comprehensive income without minority interest under Chilean GAAP required to be applied under Circular No 3443	16,781	(9,264)	1,923	2,999
Other than temporary impairment (note 27 (h))	6,537	861	-	-
Investment securities (note 27 (s))	(3,113)	(861)	3,096	4,828
Deferred tax effect of U.S. GAAP adjustments	(583)	-	(526)	(820)
Other comprehensive income in accordance with U.S. GAAP	19,622	(9,264)	4,493	7,007

The following is a reconciliation of shareholders' equity under Chilean GAAP to U.S. GAAP:

	At December 31,		
	2007	2008	2008
	MCh$	MCh$	ThUS$ (Note 1.s)
Shareholders' equity in accordance with Chilean GAAP	1,587,714	1,602,610	2,499,197
Minority interest in accordance to Circular No 3443 (Note 2) (*)	(21,829)	(24,565)	(38,308)
Total Shareholders' equity without minority interest under Chilean GAAP required to be applied under Cicular No 3443	1,565,885	1,578,045	2,460,889
Push Down Accounting (Note 27 (a))			
Goodwill	586,410	586,410	914,480
Fair value of intangibles	2,791	-	-
Fair value increase of net assets	1,771	-	-
Mandatory dividends (Note 27 (c))	(100,826)	-	-
Investments in other companies (Note 27 (k))	248	(45)	(70)
Derivatives (Note 27 (l))	(30,944)	(14,899)	(23,234)
Recoveries of loans (Note 27 (m))	(1,523)	(1,523)	(2,375)
Capitalization of interest expense (Note 27 (q))	4,414	4,354	6,790
Assets received in lieu of payment (Note 27 (p))	2,348	1,087	1,695
Deferred tax effect of U.S. GAAP adjustments	4,370	1,867	2,912
Acquisition of financial assets (Note 27 (o))	357,151	357,151	556,961
Shareholders' equity in accordance with U.S. GAAP	2,392,095	2,512,447	3,918,048

(*) Under Chilean GAAP, required to be applied under the Superintendency of Banks Circular No 3443 equity includes the equity corresponding to the shareholders of both the parent and the minority interest. Under U.S. GAAP, total shareholders' equity is made up only of the equity portion attributable to equity holders of the parent.

Therefore, for reporting purposes, the minority interest portion is excluded of total shareholders’ equity.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The following summarizes the changes in the shareholders' equity of the Bank under U.S. GAAP during the years ended December 31, 2006, 2007 and 2008:

	As of December 31,			
	2006 MCh$	2007 MCh$	2008 MCh$	2008 ThUS$ (Note 1.s)
Balance at January 1	2,267,885	2,362,827	2,392,095	3,730,363
Price-level restatement of dividends paid and others	(217)	(2,141)	(7,170)	(11,181)
Dividends paid	(186,150)	(215,734)	(212,295)	(331,064)
Mandatory dividends, previous date (Note 27 (c))	85,917	100,232	100,826	157,234
Mandatory dividends, closing date (Note 27 (c))	(100,232)	(100,826)	(98,444)	(153,519)
Other comprehensive income	19,622	(9,264)	4,493	7,007
- Available-for-sale investments	23,641	(4,772)	(11,328)	(17,665)
- Hedge accounting cash flow	-	(6,389)	16,740	26,105
- Defered Tax	(4,019)	1,897	(919)	(1,433)
Stock compensation plan	-	9,162	-	-
Net income in accordance with U.S. GAAP	276,002	247,839	332,942	519,208
Balance at December 31	2,362,827	2,392,095	2,512,447	3,918,048

On January 15, 2007, in an Extraordinary General Stockholders Meeting, the related subsidiary Santander Investment S.A. Corredores de Bolsa, approved the merger by incorporation of the subsidiary Santiago Corredores de Bolsa Ltda. into Santander Investment S.A. Corredores de Bolsa. This merger was effective as of January 1, 2007 and Santander Investment S.A. Corredores de Bolsa became a subsidiary of Banco Santander Chile and is legally responsible for Santiago Corredores de Bolsa Limitada future events.

Under Chilean GAAP and US GAAP, the merger of Santiago Corredores de Bolsa Limitada and Santander Investment S.A. Corredores de Bolsa was accounted as a business combination under common control.

In accordance with SFAS 141 - Business Combinations, the Bank should present the statement of financial position and other financial information as of the beginning of the period as though the assets and liabilities were transferred at that date. The financial statements and financial information presented for prior years should also be restated to furnish comparative information for the effects of this business combination. The following information presents a summary of the revenues, net income, total assets and total liabilities from Santander Investment S.A. Corredores de Bolsa for the year ended December 31, 2006 as if these figures were included in the combined reconciliation of net income and shareholders' equity from Chilean GAAP to US GAAP:

	2006 MCh$
Revenues	136
Net income	2,673
Total assets	150,668
Total liabilities	134,932

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(s) Article 9 Income Statements and Balance Sheets

The presentation of the consolidated financial statements differs significantly from the format required by the Securities and Exchange Commission under rules 210.9 to 210.9-07 of Regulation S-X (Article 9). The Chilean GAAP balance sheets and income statements were price level restated in constant Chilean pesos of December 31, 2008 using the adjustment factor arising from the CPI, and are presented in the format prescribed by Article 9 of Regulation S-X. Additionally all adjustments to U.S. GAAP included in paragraph (r) were incorporated.

The principal reclassifications to the primary Chilean GAAP consolidated financial statements in order to present them in accordance with the Article 9 format are as follows:

1. Elimination of contingent assets and liabilities from the balance sheet.
2. Reclassification of fees relating to contingent loans from interest income under Chilean GAAP to non interest income under Article 9.

The following balance sheets as of December 31, 2007 and 2008 were prepared in accordance with U.S. GAAP, except for the inclusion of price-level restatement permitted under item 18 of Regulation S-X, and are presented in accordance with the requirements of Article 9.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

	As of December 31, 2007(*) MCh$	2008 MCh$
ASSETS		
Cash and due from banks	641,306	719,846
Interest bearing deposits	762,793	327,845
Investments under agreements to resell	37,022	-
Investments:		
Trading	1,186,905	1,161,631
Available-for-sale	848,945	1,580,240
Sub-total	3,476,971	3,789,562
Loans	13,586,478	14,877,647
Unearned income	(187,545)	(193,695)
Allowance for loan loss	(250,887)	(285,505)
Loans, net	13,148,046	14,398,447
Premises and equipment, net	335,915	366,411
Goodwill, net	943,561	943,561
Intangibles, net	2,791	-
Derivatives	850,186	1,846,509
Other assets	566,351	584,494
Total Assets	19,323,821	21,928,984
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non interest bearing	3,123,803	2,949,757
Interest bearing	9,786,315	11,181,331
Total deposits	12,910,118	14,131,088
Short-term borrowings	1,034,546	407,270
Investments sold under agreement to repurchase	336,090	563,234
Derivatives	847,400	1,469,724
Other liabilities	308,702	473,276
Long-term debt	1,473,041	2,347,380
Sub-total	3,999,779	5,260,884
Minority interest	21,829	24,565
Common stock	891,303	891,303
Other shareholders' equity	1,500,792	1,621,144
Total Liabilities and Shareholders' Equity	19,323,821	21,928,984

(*) Balance sheets and balance sheets derived information as of December 31, 2007 has been restated for comparative purposes.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The following income statements were prepared in accordance with U.S. GAAP and are presented in accordance with requirements of Article 9, except for the inclusion of price-level restatement permitted under Item 18 of Regulation S-X:

	Year ended December 31,		
	2006(*)	2007(*)	2008
	MCh$	MCh$	MCh$
Interest income			
Interest and fees on loans	1,206,793	1,619,924	2,048,847
Interest on investments	116,201	137,780	142,741
Interest on deposits with banks	6,194	9,614	9,515
Interest on investments under agreement to resell	727	678	1,610
Total interest income	1,329,915	1,767,996	2,202,713
Interest expense			
Interest on deposits	(409,846)	(634,975)	(724,478)
Interest on investments under agreement to repurchase	(31,585)	(41,732)	(37,352)
Interest on short-term debt	(4,467)	(6,432)	(4,956)
Interest on long-term debt	(39,871)	(53,209)	(55,713)
Interest on other borrowed funds	(161,964)	(206,757)	(341,572)
Price level restatement (1)	(16,122)	(61,332)	(78,027)
Total interest expense	(663,855)	(1,004,437)	(1,242,098)
Net interest income	666,060	763,559	960,615
Provision for loan loss	(142,956)	(234,226)	(285,953)
Net interest income after provision for loan losses	523,104	529,333	674,662
Other income			
Fees and commissions, net	146,784	164,226	80,221
Gain (losses) on trading activities	93,378	33,093	286,033
Net gains (losses) on foreign exchange activities	(552)	83,007	(187,042)
Other	(25,170)	(17,550)	(24,896)
Total other income	214,440	262,776	154,316
Other expenses			
Salaries	(186,281)	(200,282)	(209,134)
Net premises and equipment expenses	(55,326)	(59,759)	(68,145)
Administration expenses	(140,213)	(150,651)	(145,836)
Other expenses	(18,328)	(72,462)	(4,345)
Minority interest	(176)	(2,238)	(2,871)
Total other expenses	(400,324)	(485,392)	(430,331)
Income before income taxes	337,220	306,717	398,647
Income taxes	(61,218)	(58,878)	(65,705)
Net income	276,002	247,839	332,942

(*) Income statement and income statement derived information for the years 2007 and 2006 have been restated for comparative purposes.

Explanation of Responses:

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Other comprehensive income:	Year ended December 31,			
	2006	2007	2008	2008
	MCh$	MCh$	MCh$	ThUS$ (Note 1.s)
Net income in accordance with U.S. GAAP	276,002	247,839	332,942	519,208
Other comprehensive income:	19,622	(9,264)	4,493	7,007
- Securities available for sale	23,641	(4,772)	(11,328)	(17,665)
- Hedge accounting	-	(6,389)	16,740	26,105
- Income tax	(4,019)	1,897	(919)	(1,433)
Comprehensive income	295,624	238,575	337,435	526,215

Consolidated statements of cash flows

Under U.S. GAAP, changes in other assets and liabilities such as other receivables, prepaid assets and accruals for salaries and vacations should be presented as cash flows from operating activities. Under Chilean GAAP, these are presented as cash flows from investing activities. Additionally, the non-cash movements related to assets received in lieu of payments are not reported as supplemental information under Chilean GAAP, as usually required under U.S. GAAP.

The consolidated statements of cash flows were prepared in accordance with Chilean GAAP, and are presented in accordance with the requirements of Article 9, except for the inclusion of price-level restatement permitted under item 18 of Regulation S-X. Presentation of the cash flow statements under U.S. GAAP would require additional breakdown of certain line items presented “net” in the Chilean GAAP cash flow. Additionally, for Chilean GAAP purposes, certain items classified as “Other assets” on the Chilean GAAP are defined as cash equivalent for cash flow purposes which would also be defined as cash equivalents in the balance sheet in U.S. GAAP. And, lastly gains/losses on trading securities are presented as investing activities in Chilean GAAP while they would be presented as operating activity in U.S. GAAP.

The following condensed consolidated statements of cash flows were prepared in accordance with U.S. GAAP, and are presented in accordance with the requirements of Article 9 as described above:

	Year ended December 31,		
	2006(*)	2007(*)	2008
	MCh$	MCh$	MCh$
Net cash provided by (used in) operating activities	558,117	802,239	388,621
Net cash used in (provided by) investing activities	(1,622,270)	(1,851,638)	(2,273,160)
Net cash provided by financing activities	729,526	1,160,299	1,525,005
Net cash flow	(334,627)	110,900	(359,534)
Inflation effect on cash and cash equivalents	(7,908)	4,527	3,126
Net decrease in cash and due from banks	(342,535)	115,427	(356,408)
Cash and due from Banks, beginning of the year	1,631,207	1,288,672	1,404,099
Cash and due from Banks, end of the year	1,288,672	1,404,099	1,047,691

(*) As discussed in Note 2, Circular No. 3443 of the Superintendency of Banks amended the definition of “Cash and cash equivalent”. Such change is defined as a change in accounting principle that requires a reclassification of amounts in prior years’ financial statements presented for comparative purposes.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(t) Income taxes

The reconciliation of the provision for income taxes under Chilean GAAP to U.S. GAAP is as follows:

	Year ended December 31,		
	2006	2007	2008
	MCh$	MCh$	MCh$
Charge for the period under Chilean GAAP	68,088	60,075	63,728
U.S. GAAP Adjustments:			
Deferred tax effect of U.S. GAAP adjustments	(6,870)	(1,197)	1,977
Charge for the period under U.S. GAAP	61,218	58,878	65,705

Deferred tax assets and liabilities for the Bank under U.S. GAAP are summarized as follows:

	As of December 31,	
Temporary differences	2007	2008
	MCh$	MCh$
Assets		
Allowance for loan loss	30,662	31,008
Accrued interest	2,068	615
Derivate and Hedge Accounting	4,153	4,644
Other provisions	15,081	19,480
Foreign exchange	879	1,926
Bank property, plant and equipment	14,916	2,867
Assets received in lieu of payment	407	217
Other	500	2,528
Total deferred tax assets	68,666	63,285

	As of December 31,	
Temporary differences	2007	2008
	MCh$	MCh$
Liabilities		
Accelerated depreciation	4,996	13,748
Valuation of investments	3,271	147
Prepaid expenses	2,658	2,434
Others	556	589
Total deferred tax liabilities	11,481	16,918
Net deferred tax assets	57,185	46,367

The Bank has not recorded a valuation allowance against any of its deferred tax assets as it believes that it is more likely than not, that it will recover their value.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The U.S. GAAP provision for income taxes differs from the amount of income tax provision determined by applying the Chilean statutory income tax rate to U.S. GAAP pretax income as a result of the following differences:

	2006 MCh$	2007 MCh$	2008 MCh$
Chilean taxes due at the statutory rate	57,327	52,142	68,305
Increase (decrease) in rates resulting from:			
- Permanent differences	(1,212)	(4,932)	(3,985)
- Taxes on unallowable expenses Article No 21	225	375	221
- Amortization of intangibles	3,387	11,670	474
- Other	1,491	(377)	690
At effective tax rate	61,218	58,878	65,705

The Chilean statutory first category (corporate) income tax rate was 17% for the years ended December 31, 2006, 2007 and 2008.

Additionally, effective January 1, 2007, the Company adopted FASB Interpretation No. 48: “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting for uncertainty in income taxes recognized in an enterpriseentity’s financial statements in accordance with Statement of Financial Accounting Standards No. 109: “Accounting for Income Taxes” (“FAS 109”). The Interpretation prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken within an income tax return. For each tax position, the enterprise must determine whether it is more likely than not that the position will be sustained upon examination by taxing authorities, based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is then measured to determine the amount of benefit to be recognized within the financial statements. No benefits may be recognized for tax positions that do not meet the more likely than not threshold. For tax positions that meet the more likely than not threshold, the benefit to be recognized is the largest amount that is greater than 50% likely of being realized upon ultimate settlement.

As a result of implementing FIN 48, there was no impact one the Bank’s Financial Statements from the adoption of this interpretation. In addition, as of the date of the adoption of FIN 48, the Bank did not have any accrued interest and penalties related to unrecognized tax benefits.

Under Chilean tax regime, as of December 31, 2008, fiscal years 2005 through 2007 remain subject to examination by the Internal Revenue Service (“Servicio de Impuestos Internos”).

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(u) Segment Information

The following disclosure of segment information is not required for presentation in the financial statements under Chilean GAAP, however in accordance with SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information” the Bank discloses the following segment information based on how the Bank is internally managed. The Bank’s internal organization is structured on the basis of the client segments of the Bank. We provide a full range of financial services to corporate and individual customers. The following segment information was re-classified according to the guidelines established in Circular No 3443 of the Superintendency of Bank’s. As such, the segment information for the year ended December 31, 2006 and 2007 will differ, in terms of presentation, from the previous year report. We have the following segments:

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

- Lower-middle to middle-income (Santander Banefe), consisting of individuals with monthly income between Ch$ 120,000 (US$187) and Ch$ 400,000 (US$624), which are served through our Banefe branch network. This segment accounts for 5.0% of our loans at December 31, 2008. This segment offers customers a range of products, including consumer loans, credit cards, auto loans, residential mortgage loans, debit card accounts, savings products, mutual funds and insurance brokerage.

- Middle- and upper-income, consisting of individuals with a monthly income greater than Ch$ 400,000 (US$624). Clients in this segment account for 41.8% of our loans at December 31, 2008 and are offered a range of products, including consumer loans, credit cards, auto loans, commercial loans, foreign trade financing, residential mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.

- Small businesses, consisting of small companies with annual sales less than Ch$ 1,200 million (US$ 1.9 million). At December 31, 2008, small companies represented approximately 15.8% of our total loans outstanding. Customers in this segment are offered a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.

- Institutional organizations such as universities, government agencies, municipalities and regional governments. At December 31, 2008, these clients represented 1.5% of our total loans outstanding and offer customers a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, savings products, mutual funds and insurance brokerage.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

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

- Mid-sized companies, consisting of companies with annual sales over Ch$1,200 million (US$1.9 million) and up to Ch$3,500 million (US$ 5.5 million). Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. At December 31, 2008, these clients represented 7.6% of our total loans outstanding.

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

- Large companies, consisting of companies with annual sales over Ch$ 3,500 million (US$5.5 million). Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. At December 31, 2008, these clients represented 8.5% of our total loans outstanding.

The Global Banking and Markets segment is comprised of:

- Companies that are foreign multinationals or part of a large Chilean economic group with sales over Ch$3,500 million (US$5.5 million). At December 31, 2008, these clients represented 15.3% of our total loans outstanding. Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage.

- The Treasury Division provides sophisticated financial products mainly to companies in the wholesale banking and the middle market segments. This includes products such as short-term financing and funding, securities brokerage, interest rate and foreign currency derivatives, securitization services and other tailor made financial products. The Treasury division also manages the Bank’s trading positions as well as the non-trading investment portfolio.

The accounting policies of the segments are the same as those described in the summary of significant accounting principles, and are customized to meet the needs of management of the Bank. The Bank derives majority of its revenues from interest income, fee income and provision expense and the chief operating decision maker relies primarily on the interest revenue, fee income and provision expense to assess the perfonmance of the segments and make decisions about resources to be allocated to the segments.

The table below outlines our lines of business and certain related statistical information as of December 31, 2006, 2007 and 2008.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

For the twelve month period ended December 31, 2008

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

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

Other operating income, net	16,512
Income (loss) attributable to investments in other companies	851
Operating expenses	(465,314)
Price level restatement	(78,027)
Net income before taxes	394,745

(1) Allowance for loan loss, net of releases on recoveries.

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

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

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

(5) Includes the contribution of non-segmented items such as interbank loans, the cost of the Bank's capital and fixed assets. Net financial transactions included in other is mainly comprised of the results from the Financial Management Division (Gestion Financiera). The area of Financial Management manages the structural interest rate risk, the structural position in inflation indexed assets and liabilities, shareholder's equity and liquity. The goal of Financial Management is to provide stability and consistency to the net income of commercial activities and to assure the Bank complies with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

For the twelve month period ended December 31, 2007 (*)

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

Segment	Loans	Net interest revenue	Fees	Allowances for loan losses (1)	Financial transactions, net (2)	Net segment contribution (3)
Individuals	6,213,172	452,136	144,079	(178,046)		418,169
Santander Banefe	685,395	152,625	32,137	(82,758)		102,004
Middle-upper income	5,527,777	299,511	111,942	(95,288)		316,165
SMEs	2,196,263	160,909	43,728	(39,949)		164,688
Institutional	226,549	12,048	2,373	(40)		14,381
Total Retail	8,635,984	625,093	190,180	(218,035)		597,238
Middle-market	2,718,056	89,095	17,278	(4,527)		101,846
Mid-sized companies	1,077,819	37,438	9,260	(3,110)		43,588
Real estate	553,948	15,145	1,734	(1,286)		15,593
Large companies	1,086,289	36,512	6,284	(131)		42,665
Global Banking and Markets	1,742,388	87,189	14,988	(60)	130,956	233,073
Wholesale	1,713,295	44,268	9,650	142		54,060
Treasury (5)	29,093	42,921	5,338	(202)	130,956	179,013
Others (4)	301,853	(25,619)	(4,589)	(2,045)	(21,153)	(53,406)
Total	13,398,281	775,758	217,857	(224,667)	109,803	878,751

Other operating income	28,433
Income (loss) attributable to investments in other companies	(1,438)
Operating expenses	(446,015)
Price level restatement	(61,332)
Net income before taxes	398,399

(1) Allowance for loan loss, net of releases on recoveries.

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

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

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

(5) Includes the contribution of non-segmented items such as interbank loans, the cost of the Bank’s capital and fixed assets. Net financial transactions included in other is mainly comprised of the results from the Financial Management Division (Gestion Financiera). The area of Financial Management manages the structural interest rate risk, the structural position in inflation indexed assets and liabilities, shareholder’s equity and liquity. The goal of Financial Management is to provide stability and consistency to the net income of commercial activities and to assure the Bank complies with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

(*) Segment information as of December 31, 2007 has been restated for comparative purposes.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

For the twelve month period ended December 31, 2006 (*)

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

Segment	Loans	Net interest revenue	Fees	Allowances for loan losses (1)	Financial transactions, net (2)	Net segment contribution (3)
Individuals	5,293,500	345,240	125,817	(119,042)		352,015
Santander Banefe	626,204	108,528	26,821	(60,711)		74,638
Middle-upper income	4,667,296	236,712	98,996	(58,331)		277,377
SMEs	1,963,624	134,852	34,862	(24,381)		145,333
Institutional	238,079	9,876	1,460	562		11,898
Total Retail	7,495,203	489,968	162,139	(142,861)		509,246
Middle-market	2,782,387	76,660	17,001	(843)		92,818
Mid-sized companies	1,034,684	36,361	8,573	(3,550)		41,384
Real estate	575,662	10,748	1,730	1,912		14,390
Large companies	1,172,041	29,551	6,698	795		37,044
Global Banking and Markets	1,850,750	65,372	10,466	823	134,913	211,574
Wholesale	1,850,750	31,642	9,163	823		41,628
Treasury (4)	-	33,730	1,303	-	134,913	169,946
Others (4)	495,652	3,821	8,041	(75)		11,787
Total	12,623,992	635,821	197,647	(142,956)	134,913	825,425

Other operating income	16,779
Income (loss) attributable to investments in other companies	919
Operating expenses	(424,630)
Price level restatement	(16,123)
Net income before taxes	402,370

(1) Allowance for loan losses, net of releases on recoveries.

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

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

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

(5) Includes contribution of non-segmented income and expenses.

(*) Segment information as of December 31, 2006 has been restated for comparative purposes.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(v) Estimated Fair Value of Financial Instruments

Disclosures about fair value of financial instruments (SFAS 107)

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107") requires the disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. SFAS No. 107 defines a financial instrument as cash, evidence of an ownership in an entity, or a contract that either conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.The estimated fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For those financial instruments with no quoted market prices available, fair values have been estimated using present values or other valuation techniques. These techniques are inherently subjective and are significantly affected by the assumptions used, including the discounts rate, estimates of future cash flows and prepayment assumptions. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments.

In addition, the estimated fair values presented below do not attempt to estimate the value of the Bank's revenue generating businesses and anticipated future business activities, and therefore do not represent the Bank's value as a going concern.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Cash and due from banks

The recorded value of cash and due from banks approximates its estimated fair value due to the short-term nature of these instruments.

Spot foreign exchange transactions

The recorded value of spot foreign exchange transactions approximates its estimated fair value due to the short-term nature of these instruments.

Financial investments, investments under agreements to repurchase and investments under agreements to resell

The estimated fair value of these financial instruments was determined using either quoted market prices or dealer quotes where available, or quoted market prices of financial instruments with similar characteristics. Investments maturing in less than one year are valued at recorded value because they are, due to their relatively short period to maturity, considered to have a fair value which is not materially different from their recorded value.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Loans

For variable-rate loans that reprice frequently and have no significant change in credit risk, estimated fair values are based on recorded values.The estimated fair-values for certain mortgage loans, credit card loans, and other consumer loans are based on quoted market prices of similar loans, adjusted for differences in loan characteristics.Fair values of commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-accruing loans are estimated using discounted cash flow analyses arising from the liquidation of the underlying collateral values, where applicable (or other expected sources of payments), at an estimated discount rate.

Deposits

The fair value disclosed for non-interest bearing deposits and savings accounts is the amount payable at the reporting date and, as a result, is equal to the recorded amount. Fair value for time deposits is estimated using a discounted cash flow calculation that applies interest rates currently offered to a schedule of aggregated expected monthly maturities on time deposits.The value of long-term relationships with depositors is not considered when estimating the fair values disclosed.

Chilean Central Bank borrowings, Mortgage finance bonds and Other borrowings

The fair value of these financial instruments is estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements with similar remaining maturities.

Derivative instruments

The estimated fair value of foreign exchange forward contracts was calculated using quoted market prices of financial instruments with similar characteristics.

The fair value of interest rate swaps represents the estimated amount the Bank would expect to receive or pay to terminate the contracts or agreements, considering current interest rates.

As no quoted market prices are available for the interest rate swap, cross currency swap and forward exchange rate instruments held by the Bank, such estimates have been estimated using modeling and other valuation techniques.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The estimated fair values of financial instruments are as follows:

	As of December 31,			
	2007		2008	
	Recorded amount (1) MCh$	Estimated fair value MCh$	Recorded amount (1) MCh$	Estimated fair value MCh$
ASSETS				
Cash and due from banks	641,306	641,306	719,846	719,846
Interest bearing deposits	762,793	762,793	327,845	327,845
Investment under agreements to resell	37,022	37,022	-	-
Financial investments	2,035,850	2,035,850	2,741,871	2,741,871
Loans, net	13,148,046	14,682,608	14,398,447	16,183,644
Derivatives instruments	850,186	850,186	1,846,509	1,846,509
LIABILITIES				
Deposits	12,910,118	11,490,370	14,131,088	14,007,109
Investments under agreements to repurchase	336,090	336,090	563,234	563,234
Short and long-term debt	1,781,743	1,804,566	2,820,656	3,202,637
Derivative financial instruments	847,400	847,400	1,469,724	1,469,724

(1) Recorded amount correspond to Chilean GAAP figures US GAAP adjustments described in paragraph (r) which are disclosed in Article 9 balance sheet paragraph(s).

Fair Value Measurement and Hierarchy

On January 1, 2008, the Bank adopted the provisions FASB Statement No. 157, Fair Value Measurements ("SFAS 157"), for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Statement 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB Staff Position FAS 157-2, "Effective Date of FASB Statement No. 157," delays the effective date of Statement 157 until fiscal years beginning after November 15, 2008 for all non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. In accordance with FSP FAS 157-2, the Bank has not applied the provisions of Statement 157 to the initial measurement of intangible assets.

On January 1, 2009, the Bank will be required to apply the provisions of Statement 157 to fair value measurements of non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Bank is in the process of evaluating the impact, if any, of applying these provisions on its financial position and results of operations.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

In October 2008, the FASB issued FASB Staff Position FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active,” which was effective immediately. FSP FAS 157-3 clarifies the application of Statement 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. The Bank has considered the guidance provided by FSP FAS 157- 3 in its determination of estimated fair values during 2008.

Statement 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

• Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.
The following table presents assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at December 31, 2008:

	Fair Value Measurement at Reporting Date Using			
	December 31, 2008 MCh$	Quoted Prices in Active Markets for identical Assets(Level 1) MCh$	Significant Other Observable Inputs (Level 2) MCh$	Significant Unobservable Inputs (Level 3) MCh$
ASSETS				
Trading securities	1,161,631	1,161,631	-	-
Available-for-sale securities	1,580,240	1,580,240	-	-
Derivatives	1,846,509	-	1,765,205	81,304
Total	4,588,380	2,741,871	1,765,205	81,304
LIABILITIES				
Derivatives	1,469,724	-	1,418,323	51,401
Total	1,469,724	-	1,418,323	51,401

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The following table presents the Bank's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Statement 157 for the year ended December 31, 2008:

	Assets MCh$	Liabilities MCh$
Balance at December 31, 2007	64,317	(7,183)
Total realized and unrealized gains (losses):		
Included in earnings	16,987	(44,218)
Included in other comprenhensive income	-	-
Purchases, issuance, and settlements (net)	-	-
Balance at December 31, 2008	81,304	(51,401)
Total gains or losses for 2008 included in income attributable to the change in unrealized gains (losses) relating to the assest or liabilities to at December 31, 2008	16,987	(44,218)

Realized and unrealized gains (or losses) included in income for 2008 for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Statement 157 are reported in the Statement of Income within the Net gains from mark-to market and trading and exchange differences captions.

The financial statements as of and for the year ended December 31, 2008 do not include any nonrecurring fair value measurements relating to assets or liabilities for which the Bank has adopted the provisions of Statement 157. All nonrecurring fair value measurements for 2008 involved non-financial assets and the Bank will not adopt the provisions of Statement 157 for nonrecurring fair value measurements involving non-financial assets and non-financial liabilities until January 1, 2009.

Fair Value Option

Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities, provides entities with an option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings.As of December 31, 2008, the Bank opted not to measure financial instruments, other than trading securities, available-for-sale securities and derivatives, at fair value, thus the implementation of Statement 159 did not have a significant impact on the Bank's consolidated financial statements

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(w) Obligations Arising From Lease Commitments

The bank leases certain premises, which are accounted for as operating leases. The amounts payable under the terms of the leases, which are not reflected on the consolidated balance sheets, are shown in the following table and reflect future rental expenses in constant Chilean pesos as of December 31, 2008:

	As of December 31, 2008 MCh$
Due within 1 year	9,543
Due after 1 year but within 2 years	7,863
Due after 2 years but within 3 years	5,986
Due after 3 years but within 4 years	4,011
Due after 4 years but within 5 years	2,412
Due after 5 years	3,240
Total	33,055

The rental expense for the Bank was MCh$13,089, MCh$14,120 and MCh$16,249 for the years ended December 31, 2006, 2007 and 2008, respectively.

(x) Contingent liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted by the Bank in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents the Bank's obligations under such agreements.

	As of December 31, 2008	
	Recorded value MCh$	Contract amount MCh$
Standby letters of credits	24	226,245
Foreign office guarantees	2,428	764,146
Performance bond	199	254,030
Total	2,651	1,244,421

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

Guarantees in the form of performance bonds, standby letters of credit and foreign office guarantees are issued in connection with agreements made by customers to counterparties. If the customer fails to comply with the agreement, the counterparty may enforce the performance bond as a remedy. Credit risk arises from the possibility that the customer may not be able to repay the Bank for performance bonds. To mitigate credit risk, the Bank generally determines the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness.

The expiration of guarantees per period is as follows:

	As of December 31, 2008				
	Due within 1 year MCh$	Due after 1 year but within 3 years MCh$	Due after 3 years but within 5 years MCh$	Due after 5 years MCh$	Total MCh$
Standby letters of credits	153,542	36,214	26,795	9,694	226,245
Foreign office guarantees	231,017	414,654	85,974	32,501	764,146
Performance bonds	248,943	4,931	59	97	254,030
Total	633,502	455,799	112,828	42,292	1,244,421

(y) Compensation

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

In this regards certain high level executive of Santander Chile participate in this global incentive-retention program implemented by Parent Company. This consisted of giving to qualifying executives a fixed number of options on shares of Santander, if the following parameters were met: (i) share price evolution in top 10 compared to 30 other global banks, (ii) earnings per share growth in top 10 compared to 30 other global banks, (iii) that Banco Santander Chile achieved its commercial and financial budget targets in the last two years and (iv) that the executive achieved his personal targets in the last two years, and remained employed with the Bank until the end of the incentive program. At December 31, 2007, these targets were achieved, and hence the vesting requirements had been met and even though the exercise period (from January 15, 2008 to January 15, 2009) was still open, the Bank recorded the entire cost of the program against net income as at December 31, 2007. This program represented a total cost of Ch$1,598 million (US$3.2 million) for the Bank, that correspond to the fair value (Plan I06) of the equity instruments granted, which was charged to income in the specific period in which the beneficiaries provided their services to Santander Chile.This program had no dilutive effect for Santander Chile minority shareholders. At December 31, 2007, 104 executives of the Bank were included and 3,659,900 options on Grupo Santander shares at a price of €9.09 correspond to them. There are no significant differences between Chilean GAAP and US GAAP, except for the additional disclosure required by the latter.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

The fair value of each option granted is calculated at the grant date. The Bank, in order to determine the value incentive-retention plan obtained two valuation reports performed by two multinational investment banks. These investment banks used the Black-Scholes equity option pricing model considering the following parameters: the expected life of the options, interest rates, volatility, exercise price, market price and dividends of the Parent Company shares and the shares of comparable banks. The fair value of the options granted was determined by the Bank based upon the above mentioned valuations.

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

Of which:		
Plan I06	500,300	9.09
Plan I09	418,896	-
Plan I10	553,733	-

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

Long-term incentive policy

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

Performance Share Plan

This multi-annual incentive plan is payable in shares of Grupo Santander (Banco Santander Central Hispano S.A.). The beneficiaries of the plan are the executive directors and other members of senior management, together with any other Group executives determined by the Board of Directors of the Parent Company or, when delegated by it, the Executive Committee.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

This plan will involve successive three-year cycles of share deliveries to the beneficiaries, so that each year one cycle will begin and, from 2009 onwards, another cycle will also end. The aim is to establish an adequate sequence between the end of the incentive program linked to the previous Plan and the successive cycles of this plan. Thus, the first two cycles will commence in July 2007, the first cycle having duration of two years (PI09) and the second cycle having a standard three-year term (PI10). In June, 2008 the third 3 year cycle was approved in the Parent Company linked to fulfillment of aims (PI 11). This new 3 year cycle plan has not effects in the income statement of 2008.

For each cycle, a maximum number of shares of Parent Company are established for each beneficiary who remains in the Bank’s employ for the duration of the plan. The targets, which, if met, will determine the number of shares to be delivered, are defined by comparing the Santander Group’s performance with that of a benchmark group of financial institutions and are linked to two parameters, namely Total Shareholder Return (TSR) and growth in Earnings per Share (EPS). These parameters each have a 50% weighting in determining the percentage of shares to be delivered. In addition, the executives of Santander Chile must also meet their local commercial and earnings goals in order to receive this benefit and the Bank must also reach other commercial and earnings targets set by the Parent Company.

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

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

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

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

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

- It was assumed that the beneficiaries will not leave the Group's employ during the term of each plan.

- The fair value of the 50% relating to the Bank's relative TSR (Total Shareholder Return) position was determined by an independent expert based on the use of the Monte Carlo valuation model which carried out of 10,000 simulations to determine the TSR of each of the companies in the Benchmark Group, taking into account the aforementioned variables. The results (each of which represents the delivery of a number of shares) are classified in decending order by calculating the weighted average and discounting this amount at the risk-free interest rate.

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

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

The application of the simulation model resulted in percentage values of 42.7% for PI09 and 42.3% for PI10 (second cycle), which are applied to 50% of the value of the shares granted, in order to determine the book value of the TSR-based portion of the incentive. Since this valuation relates to a market condition, it cannot be adjusted after the grant date.

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

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

(z) Recent accounting pronouncements

In December 2007, the FASB issued SFAS No. 141 (Revised 2007) “Business Combinations”. This statement replaces SFAS No. 141 “Business Combinations”, but retains its fundamental requirements that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. This statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date; it requires acquisition-related and expected restructuring costs to be recognized separately from the acquisition. It also requires the acquirer in a step acquisition to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. This statement requires an acquirer to recognize assets acquired and liabilities assumed arising from contractual and noncontractual contingencies as of the acquisition date, measured at their acquisition-date fair values (the latter only if it is more likely than not that they meet the definition of an asset or a liability). It requires the acquirer to recognize contingent consideration at the acquisition date, measured at its fair value at that date; and it requires the acquirer to recognize any negative goodwill as a gain attributable to the acquirer. Finally, this statement makes significant amendments to other statements and other authoritative guidance, related to the accounting for acquired in-process research and development and changes in an acquirer’s valuation allowance on its previously existing deferred tax assets. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date.

In December 2007, the FASB issued SFAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements” and amendment of ARB No. 51 “Consolidated Financial Statements”.The Statement requires that minority interests are presented in equity and on the face of the income statement separately from equity and income attributable to the parent.Changes in ownership interests without a change in control are accounted for as equity transactions and no gain or loss recognized in the income statement.When a subsidiary is deconsolidated any remaining minority interest should be initially measured at fair value with any gain or loss based on that value.SFAS 160 should be applied prospectively for fiscal years and interim periods beginning on or after December 15, 2008, except for the presentation and disclosures requirements which should be applied retrospectively for all periods presented.The Bank currently presents minority interests in accordance with SFAS No. 160.The effect of changes in ownership interests and deconsolidation will be relevant for events that occur post-adoption.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2 “Effective Date of FASB Statement No. 157“.FSP FAS 157-2 delays the effective date of Statement 157 “Fair Value Measurements” for all nonrecurring fair value measurements of non financial assets and non financial liabilities until fiscal years beginning after November 15, 2008.It states that a measurement should be considered recurring if it happens at least annually, and defines non-financial assets and liabilities as all assets and liabilities other than those meeting the definition of a financial asset or financial liability in Statement 159 “The Fair Value Option for Financial Liabilities”. The FSP became effective on February 12, 2008 on which date it was adopted for the Bank.Further information regarding the adoption of FSP FAS 157-2 can be found in Note 27.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

In February 2008, the FASB issued FASB Staff Position FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions". The objective of this FSP is to provide implementation guidance on whether the security transfer and contemporaneous repurchase financing involving the transferred financial asset must be evaluated as one linked transaction or two separate de-linked transactions. Current practice records the transfer as a sale and the repurchase agreement as a financing. The FSP requires the recognition of the transfer and the repurchase agreement as one linked transaction, unless all of the following criteria are met: (1) the initial transfer and the repurchase financing are not contractually contingent on one another; (2) the initial transferor has full recourse upon default, and the repurchase agreement's price is fixed and not at fair value; (3) the financial asset is readily obtainable in the marketplace and the transfer and repurchase financing are executed at market rates; and (4) the maturity of the repurchase financing is before the maturity of the financial asset.The scope of this FSP is limited to transfers and subsequent repurchase financings that are entered into contemporaneously or in contemplation of one another.The FSP will be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.Early adoption is prohibited.The Bank is evaluating the impact, if any, that the adoption of this new pronouncement.

In February 2008, the FASB issued FASB Staff Position 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13. This FASB Staff Position (FSP) amends FASB Statement No. 157, Fair Value Measurements, to exclude FASB Statement No. 13, Accounting for Leases, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement 13. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141, Business Combinations, or No. 141 (revised 2007), Business Combinations, regardless of whether those assets and liabilities are related to leases.FSP 157-1 is effective from the date of adoption of FAS 157. The adoption of FSP 157-1 did not have a material impact on the results of operations, cash flows or financial position as the scope exception resulted in no change to the Banks current accounting policy.

In March 2008, the FASB issued SFAS No. 161 "Disclosures About Derivative Instruments and Hedging Activities" (SFAS 161), an amendment of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133).SFAS 161 applies to all entities with derivative instruments subject to SFAS 133 as well as hedged items, bifurcated derivatives and non-derivative instruments that are designated and qualify as hedging instruments.The statement requires an entity to make certain qualitative disclosures about the derivative instruments it holds including, how and why they are used and the volume of activity, distinguishing between instruments used for risk management and those used for other purposes.There is also a requirement to disclose quantitative information regarding derivative instruments, in a tabular format, in order to highlight the effect that the use of these instruments has on the income statement, the balance sheet and the entity's cash flows. An entity can elect not to disclose gains and losses on derivatives classified as trading, though alternative disclosures must be made.The effect of credit-risk-contingent features is also required to be disclosed. SFAS 161 is effective for periods beginning after December 15, 2008.The adoption of SFAS 161 will not have a material impact on the Group's financial position or results of operations as it relates to disclosures only.

In April 2008, the FASB issued FASB Staff Position FAS 142-3 "Determination of the Useful Life of Intangible Assets" which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142.The guidance allows an entity to consider its own historical experience in relation to the effect of renewal or extension provisions on the useful life of intangible assets, and in the absence of historical experience to consider the assumptions that market participants would use.FSP FAS 142-3 is effective for interim periods and fiscal years beginning after December 15, 2008.The Bank does not expect the adoption of FSP FAS 142-3 to have a material effect on its results of operations, cash flows or financial position.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”. This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy).This Statement applies to financial statements of nongovernmental entities that are presented in conformity with GAAP.This Statement shall be effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.The Bank will adopt this Statement, upon its effective date, for the preparation of its financial statements in future fiscal years.

In May 2008, the FASB issued SFAS No. 163, “Accounting for Financial Guarantee Insurance Contracts”.This Statement addresses the recognition and measurement of premiums received from the issuance of financial guarantee contracts by insurance enterprises requiring that the premium received or expected to be received be recognized as unearned premium income and to recognize the premium over the period in which the insurance services are provided.It also requires the recognition of a liability before a default event if there is evidence of a credit deterioration of the guaranteed obligation.SFAS 163 is effective for fiscal years and interim periods beginning after December 15, 2008 except for certain risk-management disclosures which are effective for the first period beginning after May 23, 2008.Early application is not permitted.The Bank does not expect the adoption of SFAS No. 163 to have a material effect on its results of operations, cash flows or financial position.

In May 2008, the FASB issued FSP APB 14-1 “Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement”.The FSP requires that issuers of convertible debt securities within its scope separate these securities into a debt and equity component and state that proceeds are allocated first to the liability and then to the equity component.The FSP is effective for fiscal years and interim periods beginning after December 15, 2008 and should be applied retrospectively.Early adoption is not permitted.As the Bank has not issued any convertible debt the adoption of FSP APB 14-1 will have no effect on its results of operations, cash flows or statement of position.

In June 2008, the FASB issued FSP EITF 03-6-1 “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”.The FSP requires that all share-based payment awards that accrue cash dividends each time there is a distribution where those dividends do not need to be returned to the entity if the employee forfeits the award are considered participating securities.The issuing entity is therefore required to apply the two-class method of computing basic and diluted EPS.The FSP is effective for fiscal years and interim periods beginning after December 15, 2008.As the Bank does not enter into share-based payment awards which are considered participating securities, the adoption of the FSP will have no effect on its calculation of basic or diluted EPS.

In September, 2008, the FASB issued FSP FAS 133-1 and FIN 45-4 “Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161”.The FSP requires sellers of credit derivatives to make certain additional disclosures.Additionally it clarifies that Statement 161 is effective for fiscal years and interim periods beginning on or after November 15, 2008.FSP FAS 133-1 and FIN 45-4 is effective for annual and interim periods ending after November 15, 2008. As the Bank is not a seller of credit derivatives the adoption of this standard will have no effect on its results of operations, cash flows or financial position.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

In October 2008, the FASB issued FSP FAS 157-3 “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active”.FSP FAS 157-3 clarifies the guidance contained in FASB Statement No. 157 “Fair Value Measurements” for situations where a market is not active and applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with Statement 157.The guidance concludes that not all market activity represents forced liquidations or distressed sales during times of market dislocation; however it cannot be automatically assumed that the transaction price is determinative of fair value.Additionally it concluded that it is acceptable for a reporting entity to use its own assumptions about future cash flows and appropriately risk-adjusted discount rates when relevant observable inputs are not available, however broker quotes are not necessarily determinative of fair value when an active market does not exist.FSP 157-3 is effective from the date of adoption of FAS 157. The adoption of FSP 157-3 did not have a material impact on the results of operations, cash flows or financial position.

In December 2008, the FASB issued FASB Staff Position FAS 140-4 and FIN 46(R)-8 “Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities” which requires public companies to provide disclosures about the transfer of financial assets and their involvement in Variable Interest Entities, including Qualifying Special Purpose Entities.Under these requirements a transferor must disclose whether it provided financial or other support to the transferee that it was not previously contractually required to provide, including the reasons for the support.Additionally it must disclose details of any arrangements that could require further financial support.These disclosures must also include a description of any QSPEs involved in the transfer including their nature, purpose, size, activities and financing.The FSP is effective for the first period ending after December 15, 2008. The Bank does not anticipate that the adoption of this new statement at the required effective date will have a material effect in its results of operations, financial position or its cash flows.

In December 2008, the FASB issued FSP FAS 132(R)-1 “Employers’ Disclosures About Postretirement Benefit Plan Assets”.The FSP requires more detailed disclosures regarding employers’ post retirement benefit plan assets, including investment strategies, categories, concentrations of risk and valuation techniques.The FSP is effective for fiscal years ending after December 15, 2009.As the Bank does not hold any post retirement benefit plan assets the adoption of this standard will have no effect on its results of operations, cash flows or financial position.

In January 2009, the FASB issued FSP EITF 99-20-1 “Amendments to the Impairment Guidance of EITF Issue No. 99-20”. The amendments to EITF Issue No. 99-20 “Recognition of Interest Income and Impairment on Purchased Beneficial Interest and Beneficial Interests that Continue to Be Held by a Transferor in Securitized Financial Assets” allow the exercise of judgment when estimating future cash flows and the probability of their collection when evaluating a beneficial interest for other-than-temporary impairment, rather than relying solely on the assumptions used by market participants.FSP EITF 99-20-1 is effective prospectively for interim and annual periods ending after December 15, 2008. The Bank does not anticipate that the adoption of this new statement at the required effective date will have a material effect in its results of operations, financial position or its cash flows.

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NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continuation).

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments", which modifies the existing Other-Than-Temporary Impairments model for investments in debt securities to one where an Other-Than-Temporary Impairment is triggered if (1) an entity has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery, or (3) it does not expect to recover the entire amortized cost of the security.Additionally it requires that an Other-Than-Temporary Impairment be presented in the income statement in totality if the entity has the intent, or it is more likely than not that it will be required, to sell the security.FSP FAS 115-2 and FAS 124-2 is effective for fiscal years and interim periods ending after June 15, 2009.The Bank does not expect that the adoption of FSP FAS 115-2 and FAS 124-2 will have a material effect on its results of operations, cash flows or financial position.

In April 2009, the FASB issued FASB Staff Position FAS 141(R)-1 "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies", which amends the guidance in Statement 141(R) to establish a model to account for preacquisition contingencies which is similar to the model described under Statement 141.The FSP requires that an acquirer recognizes at fair value an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period.FSP FAS 141(R)-1 is effective for business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events". The objective of this Statement is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to issued. In particular, this Statement sets forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluates events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its finnacial statements; (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 should be applied to interim or annual financial periods ending after June 15, 2009. The Bank does not expect the adoption of SFAS 165 to have a material effect on its results of operations, cash flows or financial position.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140". This Statement removes (1) the exceptions for qualifying special-purpose entities from the consolidation guidance and (2) the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. This Statement requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. SFAS 166 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. The Bank does not expect the adoption of SFAS 166 to have a material effect on its results of operations, cash flows or financial position.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No.46(R)". This Statement amends Interpretation 46(R) to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics: (a) The power to direct the activities of a variable interest entity that most

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significantly impact the entity's economic performance, and (b) The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. SFAS 167 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Bank does not expect the adoption of SFAS 166 to have a material effect on its results of operations, cash flows or financial position.

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

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

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

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

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