BANCO SANTANDER CHILE
Form 6-K
May 20, 2013

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

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

Commission File Number: 001-14554

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

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

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

Form 20-F	X	Form 40-F	

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

Yes		No	X

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

Yes		No	X

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

Yes		No	X

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

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Item

1. First Quarter Earnings Report
2. March 2013 Financial Statements in English

IMPORTANT NOTICE

Banco Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos. The consolidated interim unaudited financial statements included in this report have been prepared in accordance with Chilean accounting principles issued by the Superintendency of Banks and Financial Institutions ("Chilean Bank GAAP" and the "SBIF," respectively). The accounting principles issued by the SBIF are substantially similar to International Financial Reporting Standards ("IFRS"), but there are some exceptions. Therefore, the consolidated interim unaudited financial statements included in this 6-K have some differences compared to the financial statements filed in our Annual Report on Form 20-F for the year ended December 31, 2012 (the "Annual Report"). For further details and a discussion of the main differences between Chilean Bank GAAP and IFRS, please see "Item 5. Operating and Financial Review and Prospects—A. Accounting Standards Applied in 2012" of our Annual Report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANCO SANTANDER-CHILE

Date:	May 20, 2013	By:	/s/ Cristian Florence	
			Name:	Cristian Florence
			Title:	General Counsel

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SECTION 1: SUMMARY OF RESULTS

Lower inflation and a higher tax rate reduces profitability in 1Q13

In 1Q13, Net income attributable to shareholders totaled Ch$80,879 million (Ch$0.43 per share and US$0.36/ADR). Compared to 4Q12 (from now on QoQ), net income decreased 28.9% and 31.7% compared to 1Q13 (from now on YoY). During the quarter, the lower inflation temporarily reduced net interest income and profitability. The higher statutory tax rate also lowered profitability.

The lower inflation mainly affected results at the beginning of the quarter. As the quarter progressed, the Bank's commercial activity began to rebound with record loan growth in retail banking in March and higher profitability.

For the whole 1Q13, net interest income decreased 12.9% QoQ and 7.4% YoY. The net interest margin (NIM) in 1Q13 reached 4.7% compared to 5.5% in 4Q12 and 5.3% in 1Q12. The lower net interest margin income in the quarter was mainly due to the quarterly fluctuations of inflation. In 1Q13, the variation of the Unidad de Fomento (an inflation indexed currency unit), was 0.13% compared to 1.11% in 4Q12 and 1.07% in 1Q12. It is important to point out that the Bank has more assets than liabilities linked to inflation and, as a result, margins have a positive sensitivity to variations in inflation. Therefore, the QoQ decline in inflation was an important factor that explains the reduction in net interest income and profitability in the quarter.

Loan growth accelerating in segments the Bank has targeted for growth

In 1Q13, total loans increased 1.2% QoQ and 7.4% YoY. In the quarter, loan growth continued to accelerate in the markets the Bank is targeting the most: high-income individuals, SMEs and middle market of companies. Loans in these combined markets increased 3.1% QoQ and 11.4% YoY. Loans to high-income individuals increased 2.9% QoQ. Lending to SMEs (defined as companies that sell less than Ch$1,200 million per year) expanded 1.4% QoQ and 9.8% YoY, reflecting the Bank's consistent focus on this segment. In the quarter, the Bank also focused its loan growth in the middle-market companies segment (companies with annual sales between Ch$1,200 million and Ch$10,000 million per year), which increased 4.4% QoQ and 14.7% YoY.

Solid growth of core deposits

Customer funds (deposits + mutual funds) increased 2.6% QoQ and 5.1% YoY. Core deposits (demand and time deposits from our retail and corporate clients) expanded 12.4% YoY. Core deposits now represent 83% of the Bank's total deposit base. This should help support net interest margins in 2013.

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Asset quality stabilizing in consumer loans

Net provision for loan losses in the quarter totaled Ch$92,858 million an increase of 2.7% QoQ and 18.6% YoY. Net provision expense in consumer loans, which represent 63% of total provision expense, decreased 1.0% QoQ and 3.8% YoY. This reflects the different measure carried out by the Bank to improve credit risk. This includes focus loan growth in the higher end of the consumer market, tightening admissions policies, improving the collections process and updating the consumer provisioning models (performed in 3Q12). The measures mentioned above have gradually resulting in a stabilization of asset quality in consumer lending. Consumer NPLs decreased 2.7% QoQ. The coverage of consumer NPLs reached 226.4% in 1Q13 compared to 224.0% in 4Q12. At the same time, the amount of impaired consumer loans (consumer NPLs + renegotiated consumer loans) has evolved favorably. This tends to be a leading indicator for the evolution of future charge-offs. The improved collection efforts have also led to an important rise in loan loss recoveries, especially in consumer lending. Total loan loss recoveries increased 113.3% YoY. In this same period, consumer loan loss recoveries increased 146.3% YoY.

Cost growth moderates as key projects advance

Operating expenses in 1Q13 decreased 3.9% QoQ and increased 7.7% YoY. The efficiency ratio reached 41.8% in 1Q13. Administrative expenses increased 9.0% YoY as the Bank continued with its Transformation Projects aimed at enhancing productivity in retail banking. Going forward, though, administrative expenses should grow at a slower pace as many of these projects are finalizing. The 3.1% YoY increase in personnel expenses in 1Q13 reflects the stable evolution of the Bank's headcount. Personnel expenses should experience moderate growth in the rest of the year as headcount levels should not grow significantly.

Core capital ratio reached 10.9%. Dividend yield of 3.8%

Shareholders' equity totaled Ch$2,194,025 million (US$4.6 billion) as of March 31, 2013. Core capital reached 10.9% and the Bank's BIS ratio reached 13.9% at the same date. The Bank's Board will also submit for shareholder approval on April 29, 2013 its annual dividend equivalent to 60% of 2012 net income (Ch$1.24/share) equivalent to a dividend yield of 3.8% on the day before the ex-dividend date in Chile. ROAE in the quarter reached 15.0%.

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Banco Santander Chile: Summary of Quarterly Results[1]

	Quarter			Change %	
	1Q13	4Q12	1Q12	1Q13 /	1Q13 /
(Ch$ million)				1Q12	4Q12
Net interest income	246,481	282,991	266,072	(7.4%)	(12.9%)
Fee income	64,254	66,837	68,691	(6.5%)	(3.9%)
Core revenues	310,735	349,828	334,763	(7.2%)	(11.2%)
Financial transactions, net	22,262	18,134	19,303	15.3%	22.8%
Provision expense	(92,858)	(90,387)	(78,281)	18.6%	2.7%
Operating expenses	(135,245)	(140,665)	(125,610)	7.7%	(3.9%)
Operating income, net of provisions and costs	104,894	136,910	150,175	(30.2%)	(23.4%)
Other operating & Non-op. Income	(24,015)	(23,193)	(31,820)	(24.5%)	3.5%
Net income attributable to shareholders	80,879	113,717	118,355	(31.7%)	(28.9%)
Net income/share (Ch$)	0.43	0.60	0.63	(31.7%)	(28.9%)
Net income/ADR (US$)1	0.36	0.50	0.51	(29.2%)	(28.0%)
Total loans	19,100,415	18,876,079	17,792,081	7.4%	1.2%
Deposits	14,115,349	14,082,232	13,392,489	5.4%	0.2%
Shareholders' equity	2,194,025	2,134,778	2,065,995	6.2%	2.8%
Net interest margin	4.7%	5.5%	5.3%		
Efficiency ratio	41.8%	39.9%	36.8%		
Return on average equity2	15.0%	21.6%	23.3%		
NPL / Total loans3	3.21%	3.17%	2.92%		
Coverage NPLs	91.0%	92.0%	100.7%		
Risk index4	2.92%	2.91%	2.94%		
Cost of credit5	1.94%	1.92%	1.76%		
Core capital ratio	10.9%	10.7%	11.2%		
BIS ratio	13.9%	13.7%	14.8%		
Branches	497	499	499		
ATMs	2,011	2,001	1,949		
Employees	11,679	11,713	11,572		

1. The change in earnings per ADR may differ from the change in earnings per share due to exchange rate movements. Earnings per ADR was calculated using the Observed Exchange Rate Ch$472.54 per US$ as of March 31, 2013.
2. Annualized Quarterly net income attributable to shareholders / Average equity attributable to shareholders in the quarter.
3. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.
4. Risk Index: Loan loss allowances / Total loans: measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.
5. Cost of credit: Provision expenses annualized divided by total loans.

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1 On January 1, 2013, the Bank applied the modifications to IAC 19 relating to Employee Pension Benefits. This change was applied retroactively to 2012 figures which resulted in lower assets and liabilities of Ch$786 million and a higher net income of Ch$315 million, all charged to 4Q12 figures in this report.

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SECTION 2: BALANCE SHEET ANALYSIS

LOANS

Loan growth continues to accelerate in the markets the Bank has targeted for growth in 2013

Loans	Quarter ended,			% Change	
(Ch$ million)	Mar-13	Dec-12	Mar-12	Mar. 13 / 12	Mar. 13 / Dec. 12
Total loans to individuals1	9,837,213	9,741,412	9,376,934	4.9%	1.0%
Consumer loans	3,165,550	3,115,477	2,963,104	6.8%	1.6%
Residential mortgage loans	5,309,837	5,271,581	5,162,473	2.9%	0.7%
SMEs	2,860,666	2,821,060	2,604,565	9.8%	1.4%
Total retail lending	12,697,879	12,562,472	11,981,499	6.0%	1.1%
Institutional lending	369,751	355,518	347,818	6.3%	4.0%
Middle-Market & Real estate	4,236,766	4,058,693	3,692,576	14.7%	4.4%
Corporate	1,806,957	1,863,595	1,881,429	(4.0%)	(3.0%)
Total loans 2	19,100,415	18,876,079	17,792,081	7.4%	1.2%

1. Includes consumer loans, residential mortgage loans and other commercial loans to individuals.
2. Total loans gross of loan loss allowances. Total loans include other non-segmented loans and excludes interbank loans.

In 1Q13, total loans increased 1.2% QoQ and 7.4% YoY. In the quarter, loan growth continued to accelerate in the markets the Bank is targeting the most: high-income individuals, SMEs and middle market of companies. Loans in these combined markets increased 3.1% QoQ and 11.4% YoY. This is in line with the Bank's strategy for 2013 of expanding loan volumes with a clear focus on spreads, net of provisions.

Loans to individuals, which include consumer, mortgage and commercial loans to individuals, increased of 1.0% QoQ in 3Q12 and 4.9% YoY. In the quarter, the Bank focused on expanding its loan portfolio in higher income segments, while remaining more selective in the mass consumer market. By products, total consumer loans increased 1.6% QoQ (6.8% YoY) and residential mortgage loans expanded 0.7% QoQ (2.9% YoY). Loans to high-income individuals increased 2.9% QoQ and 9.8% YoY. Lending to SMEs (defined as companies that sell less than Ch$1,200 million per year) expanded 1.4% QoQ (9.8% YoY), reflecting the Bank's consistent focus on this segment.

In 4Q12, the Bank also focused its loan growth in the middle-market segment (companies with annual sales between Ch$1,200 million and Ch$10,000 million per year), which increased 4.4% QoQ and 14.7% YoY. This segment continues to show healthy loan demand given the high level of

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investment in the Chilean economy, which is expected to reach approximately 26% of GDP. This segment is also generating more and more business volumes in other areas such as cash management, which has helped to drive the rise in core deposits (See Funding).

In the large corporate segment (companies with sale over Ch$10,000 million per year or that are part of a large foreign or local economic group), loans decreased 3.0% QoQ and 4.0% YoY. The sharp turn-around in the cost of external funding for companies throughout the second half of 2012 resulted in lower local loan demand from these clients and pre-payment of some large corporate loans. The Bank's non-lending business with these clients, especially cash management services continues to thrive.

FUNDING

Improving the funding mix

Funding	Quarter ended,			% Change	
(Ch$ million)	Mar-13	Dec-12	Mar-12	Mar. 13 / 12	Mar. 13 / Dec. 12
Demand deposits	4,964,239	4,970,019	4,566,890	8.7%	(0.1%)
Time deposits	9,151,110	9,112,213	8,825,599	3.7%	0.4%
Total deposits	14,115,349	14,082,232	13,392,489	5.4%	0.2%
Mutual funds (off-balance sheet)	3,112,174	2,713,776	2,995,292	3.9%	14.7%
Total customer funds	17,227,523	16,796,008	16,387,781	5.1%	2.6%
Loans to deposits1	102.7%	101.6%	98.4%		

1. (Loans - marketable securities that fund mortgage loans) / (Time deposits + demand deposits).

Customer funds (deposits + mutual funds) increased 2.6% QoQ and 5.1% YoY. Total deposits grew 0.2% QoQ and grew 5.4% YoY. In the quarter, the Bank's funding strategy was focused on increasing core deposits while lowering deposits from institutional sources, which are more expensive, as the Bank normalized its liquidity levels. This following the large liquidity surplus the Bank maintained throughout most of 2012. As a result, core deposits (demand and time deposits from our retail and corporate clients) expanded 12.4% YoY. Core deposits now represent 83% of the Bank's total deposit base. This also resulted in lower deposits from institutional sources, lower bond issues and a decrease in interbank financing. This should help support net interest margins in 2013.

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Assets under management increased 14.7% QoQ as money returned to money market funds as inflation lowered, which reduced the attractiveness of time deposits denominated in UF, especially on behalf of institutional investors. We expect this business to continue to be volatile in line with general market and inflationary trends.

SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

Core capital ratio at 10.9%. Payout of 60% of 2012 earning to be proposed to shareholders

Shareholders' Equity	Quarter ended,			Change %	
(Ch$ million)	Mar-13	Dec-12	Mar-12	Mar. 13 / 12	Mar. 13 / Dec. 12
Capital	891,303	891,303	891,303	0.0%	0.0%
Reserves	975,460	975,460	801,422	21.7%	0.0%
Valuation adjustment	(1,152)	(3,781)	(15,210)	(92.4%)	(69.5%)
Retained Earnings:	328,414	271,796	387,408	(71.2%)	20.8%
Retained earnings prior periods	388,282	0	435,084	(67.3%)	--%
Income for the period	80,879	388,282	118,355	(31.6%)	(79.2%)
Provision for mandatory dividend	(140,747)	(116,486)	(166,031)	(15.2%)	20.8%
Equity attributable to shareholders	2,194,025	2,134,778	2,064,923	6.3%	2.7%
Non-controlling interest	34,830	34,265	34,554	0.8%	1.6%
Total Equity	2,228,855	2,169,043	2,099,477	6.2%	2.7%
Quarterly ROAE	15.0%	21.6%	23.3%		

Shareholders' equity totaled Ch$2,194,025 million (US$4.6 billion) as of March 31, 2013. Core capital reached 10.9% and the Bank's BIS ratio reached 13.9% at the same date. ROAE in the quarter reached 15.0%. Voting common shareholders' equity is the sole component of our Tier I capital. Tier II declined in the quarter as some subordinated bonds no longer qualify as Tier II since they are approaching maturity.

Capital Adequacy	Quarter ended,			Change %	
(Ch$ million)	Mar-13	Dec-12	Mar-12	Mar. 13 / 12	Mar. 13 / Dec. 12
Tier I (Core Capital)*	2,194,025	2,135,660	2,065,995	6.2%	2.7%
Tier II	596,933	599,656	673,110	(11.3%)	(0.5%)
Regulatory capital	2,790,957	2,735,316	2,739,104	1.9%	2.0%
Risk weighted assets	20,091,880	19,940,397	18,509,191	8.6%	0.8%
Tier I (Core capital) ratio	10.9%	10.7%	11.2%		
BIS ratio	13.9%	13.7%	14.8%		

*Calculated based on 2012 Financials and does not include accounting change introduced in 1Q13.

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The Bank's Board will also submit for shareholder approval on April 29, 2013 its annual dividend equivalent to 60% of 2012 net income (Ch$1.24/share) equivalent to a dividend yield of 3.8% on the day before the ex-dividend date in Chile. The prudent management of the Bank's capital ratios and high profitability has permitted the Bank to continue paying attractive dividends without issuing new shares since 2002.

SECTION 3: ANALYSIS OF QUARTERLY INCOME STATEMENT

NET INTEREST INCOME

Client margins remain stable QoQ. NIM declines as inflation decelerates

Net Interest Income / Margin		Quarter		Change %	
	1Q13	4Q12	1Q12	1Q13 /	1Q13 /
(Ch$ million)				1Q12	4Q12
Client net interest income1	271,696	273,022	264,889	2.6%	(0.5%)
Non-client net interest income2	(25,215)	9,969	1,183	--%	--%
Net interest income	246,481	282,991	266,072	(7.4%)	(12.9%)
Average interest-earning assets	20,923,043	20,762,771	20,119,312	4.0%	0.8%
Average loans	18,942,547	18,666,166	17,537,743	8.0%	1.5%
Interest earning asset yield3	8.1%	10.1%	10.0%		
Cost of funds4	3.5%	4.7%	4.8%		
Client net interest margin5	5.7%	5.9%	6.0%		
Net interest margin (NIM)6	4.7%	5.5%	5.3%		
Avg. equity + non-interest bearing demand deposits / Avg. interest earning assets	34.3%	32.8%	32.6%		
Quarterly inflation rate7	0.13%	1.11%	1.07%		
Central Bank reference rate	5.00%	5.00%	5.00%		
Avg. 10 year Central Bank yield (real)	2.62%	2.45%	2.45%		

1. Client net interest income is mainly net interest income from the from all client activities such as loans and deposits minus the internal transfer rate. See footnote 3 at the end of this page.
2. Non-client interest income is net interest income mainly from the Bank's ALCO positions and treasury. See footnote 3 at the end of this page.
3. Interest income divided by interest earning assets.
4. Interest expense divided by interest bearing liabilities + demand deposits.
5. Client net interest income annualized divided by average loans
6. Net interest income divided by average interest earning assets annualized.
7. Inflation measured as the variation of the Unidad de Fomento in the quarter.

In 1Q13, Net interest income decreased 12.9% QoQ and 7.4% YoY. The Net interest margin (NIM) in 1Q13 reached 4.7% compared to 5.5% in 4Q12 and 5.3% in 1Q12. In order to improve the explanation of margins, we have divided the analysis of net interest income between client interest income2 and non-client net interest income.

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2 In order to explain better the evolution of net interest income, we have divided net interest income between client net interest income

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Client net interest income. In 1Q13, client net interest income was flat QoQ and grew 2.6% YoY. Average loans increased 1.5% QoQ and 8.0% YoY. Client net interest margin (defined as client net interest income divided by average loans) reached 5.7% in 1Q13 compared to 5.9% in 4Q12 and 6.0% in 1Q12. The improved funding mix and stable pricing policies has kept client margins relatively unchanged since 4Q12. Compared to 1Q12, client margins have declined mainly because of the Bank's focus on loan growth in high-income individuals, SMEs and Corporates and lower growth in the low end of the consumer market. We expect as the year progresses to achieve a higher client margin, net of provision expenses, even though this results in slightly lower client margins. Moreover, the funding mix has improved, reflected in the ratio of free funds to interest earning assets that reached 34.3% in 1Q13 compared to 32.8% in 4Q12 and 32.6% in 1Q12.

Non-client net interest income. The volatility of our total net interest margin and income is mainly due to the quarterly fluctuations of inflation. In 1Q13, the variation of the Unidad de Fomento (an inflation indexed currency unit), was 0.13% compared to 1.11% in 4Q12 and 1.07% in 1Q12. It is important to point out that the Bank has more assets than liabilities linked to inflation and, as a result, margins have a positive sensitivity to variations in inflation. The gap between assets and liabilities indexed to the UF averaged approximately US$7.5 billion in 1Q13. This signifies that for every 100 basis point change in inflation, our net interest income increases or decrease by US$75 million, all other factors equal. Therefore, the QoQ decline in inflation explains largely the sharp reduction in non-client net interest income in 1Q13 compared to 4Q12 and 1Q12.

For 2013, the evolution of margins should reflect various factors. Going forward, we expect UF inflation to normalize at an annual rate of approximately 2.4-2.5% for 2013 or 0.7% per remaining quarter, subject to further revisions. In 2013, the negative effects of possible regulations regarding maximum rates may have a negative impact on margins. The final law regulating this change is still being discussed in Congress and there is no clarity as to when it will be approved. To counterbalance this we expect: (1) healthier loan growth both in terms of volumes and in terms of margins, post provision expense and, (2) an improved funding mix via healthy growth of core deposits.

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and non-client net interest income. Client net interest income is net interest income from all client activities such as loans and deposits minus the internal transfer rate. Non-client interest income is net interest income from Bank's inflation gap, the financial cost of hedging, the financial cost of the Bank's structural liquidity position, net interest income from treasury positions and the interest expense of the Bank's financial investments classified as trading, since interest income from this portfolio is recognized as financial transactions net.

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PROVISION FOR LOAN LOSSES AND ASSET QUALITY

Asset quality in consumer lending improving

Provision for loan losses	Quarter			Change %	
(Ch$ million)	1Q13	4Q12	1Q12	1Q13 / 1Q12	1Q13 / 4Q12
Commercial loans	(27,394)	(25,366)	(14,905)	83.8%	8.0%
Residential mortgage loans	(6,921)	(5,895)	(2,490)	178.0%	17.4%
Consumer loans	(58,543)	(59,126)	(60,886)	(3.8%)	(1.0%)
Net provisions for loan losses	(92,858)	(90,387)	(78,281)	18.6%	2.7%
Total loans1	19,100,415	18,876,079	17,792,081	7.4%	1.2%
Total reserves (RLL)	557,564	550,122	522,728	6.7%	1.4%
Non-performing loans2 (NPLs)	612,379	597,767	519,283	17.9%	2.4%
NPLs commercial loans	343,764	320,461	263,843	30.3%	7.3%
NPLs residential mortgage loans	154,334	159,802	156,280	(1.2%)	(3.4%)
NPLs consumer loans	114,281	117,504	99,160	15.2%	(2.7%)
Cost of credit3	1.96%	1.94%	1.79%		
Risk index4 (RLL / Total loans)	2.92%	2.91%	2.94%		
NPL / Total loans	3.21%	3.17%	2.92%		
NPL / Commercial loans	3.24%	3.06%	2.73%		
NPL / Residential mortgage loans	2.91%	3.03%	3.03%		
NPL / consumer loans	3.61%	3.77%	3.35%		
Coverage of NPLs5	91.0%	92.0%	100.7%		
Coverage of NPLs ex-mortgage6	113.3%	117.4%	134.1%		
Coverage of commercial NPLs	75.6%	78.3%	90.5%		
Coverage of residential mortgage NPLs	25.1%	22.5%	23.1%		
Coverage of consumer NPLs	226.4%	224.0%	249.9%		

1. Excludes interbank loans.
2. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.
3. Cost of credit: Quarterly provision expense annualized divided by average loans
4. Risk Index: Loan loss allowances / Total loans; measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.
5. Loan loss allowances / NPLs.
6. Loan loss reserves of commercial + consumer loans divided by NPLs of commercial and consumer loans

Net provision for loan losses in the quarter totaled Ch$92,858 million an increase of 2.7% QoQ and 18.6% YoY.

Net provision expense in consumer loans, which represent 63% of total provision expense, decreased 1.0% QoQ and 3.8% YoY. This reflects the different measure carried out by the Bank to improve credit risk. This includes focus loan growth in the higher end of the consumer market, tightening admissions policies, improving the collections process

and updating the consumer provisioning models (performed in 3Q12).

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The measures mentioned above have gradually resulted in a stabilization of asset quality in consumer lending. Consumer NPLs decreased 2.7% QoQ and increased 15.2% YoY. The coverage of consumer NPLs reached 226.4% in 1Q13 compared to 224.0% in 4Q12. At the same time, the amount of impaired consumer loans (consumer NPLs + renegotiated consumer loans) has evolved favorably. This tends to be a leading indicator for the evolution of future charge-offs.

The improved collection efforts have also led to an important rise in loan loss recoveries, especially in consumer lending. Total loan loss recoveries increased 113.3% YoY. Total loan loss recoveries increased 113.3% YoY. In this same period, consumer loan loss recoveries increased 146.3% YoY. The decline compared to 4Q12 is seasonal due to the vacation season in 1Q13.

Provision expense for mortgage residential loans increased 17.4% QoQ and 178% YoY. The YoY increase was mainly due to higher charge-offs of mortgage loans that totaled Ch$4,198 million. Total NPLs in mortgage loans decreased 3.4% QoQ and 1.2% YoY, also reflecting the stricter credit risk policies the Bank is enforcing in retail banking. Mortgage loan NPLs reached 2.9% in 1Q13, flat compared to 4Q12 and 1Q12. Including collateral, the coverage of residential mortgage NPLs reached 113% as of March 2013. The risk index (loan loss allowances for mortgage in the balance sheet over total mortgage loans) reached 0.7% and has been stable for an extended period.

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Provision expense in commercial loans increased 8.0% QoQ and 83.8% YoY. Commercial loan NPLs reached 3.2% in 1Q13 compared to 3.1% in 4Q12 and 2.7% in 1Q12. The rise in NPLs in commercial loans is mainly due to an increase in NPLs in SMEs, which has been the fastest growing segment. The Bank experienced a rise in NPLs mainly among SME loans granted through the government's guarantee program designed to aid the entrance of SME to the banking market. Therefore, the rise in NPLs does not necessarily imply a rise in expected losses as these loans are guaranteed by the state. For this reason, coverage ratio of commercial loan NPLs has fallen to 75.6% in the quarter while the Bank's risk index has remained stable at 2.9%. We expect a similar trend for the rest of 2013 in SME NPLs, risk index and coverage ratios.

Coverage of total NPLs in 1Q13 reached 91.0%. Excluding residential mortgage loans that have a lower coverage ratio due to the value of residential property collateral, the coverage ratio reached 113%.

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NET FEE INCOME

Fee income growth impacted by new regulations and negative client growth in the mass consumer segment

Fee Income		Quarter		Change %	
(Ch$ million)	1Q13	4Q12	1Q12	1Q13 / 1Q12	1Q13 / 4Q12
Credit, debit & ATM card fees	13,107	12,175	15,017	(12.7%)	7.7%
Collection fees	11,325	9,402	15,802	(28.3%)	20.4%
Asset management	8,390	8,047	8,609	(2.5%)	4.3%
Guarantees, pledges and other contingent operations	7,405	7,456	6,935	6.8%	(0.7%)
Checking accounts	7,126	7,024	7,238	(1.5%)	1.5%
Insurance brokerage	5,746	8,160	8,186	(29.8%)	(29.6%)
Lines of credit	1,991	2,203	2,449	(18.7%)	(9.4%)
Fees from brokerage and custody of securities	1,796	1,945	1,982	(9.4%)	(7.7%)
Other Fees	7,363	10,425	2,473	197.7%	(29.4%)
Total fees	64,254	66,837	68,691	(6.5%)	(3.9%)

Net fee income decreased 3.9% QoQ and 6.5% YoY. The Bank continued to increase its client base and cross-selling indicators, especially in the middle-upper income segments while client growth in the mass consumer segment has been negative. This in the short-term results in lower fees, especially credit card, checking account and line of credit fees, but in the medium-term will result in lower provision expenses. The introduction of the new insurance brokerage regulation for mortgage loans explains the 29.6% QoQ and 29.8% YoY fall in insurance brokerage fees.

The Bank's Transformation Plan continues to be implemented which should help bolster fees in 2013. This is the largest overhaul and reorganization of the Bank's middle and lower income business segments in the last decade. The installation of the new CRM, a corner-piece of this initiative, is starting to improve the Bank's client service indicators and productivity.

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NET RESULTS FROM FINANCIAL TRANSACTIONS

Higher yield on liquidity portfolio boosts results from financial transactions

Financial Transactions*		Quarter		Change %	
	1Q13	4Q12	1Q12	1Q13 /	1Q13 /
(Ch$ million)				1Q12	4Q12
Net income from financial operations	(16,873)	(31,138)	(34,196)	(50.7%)	(45.8%)
Foreign exchange profit (loss), net	39,135	49,272	53,499	(26.8%)	(20.6%)
Net results from financial transactions	22,262	18,134	19,303	15.3%	22.8%

*These results mainly include the mark-to-market of the Available for sale investment portfolio, realized and unrealized gains of Financial investments held for trading, the interest revenue generated by the Held for trading portfolio, gains or losses from the sale of charged-off loans and the mark-to-market of derivatives. The results recorded as Foreign exchange profits (loss), net mainly includes the translation gains or losses of assets and a liability denominated in foreign currency.

Net results from financial transactions totaled a gain of Ch$22,262 million in 1Q13, a 22.8% QoQ and 15.3% YoY increase. In order to understand more clearly these line items, we present them by business area in the table below.

Financial Transactions		Quarter		Change %	
(Ch$ million)	1Q13	4Q12	1Q12	1Q13 / 1Q12	1Q13 / 4Q12
Santander Global Connect1	10,725	14,051	14,575	(26.4%)	(23.7%)
Market-making	7,237	7,592	11,310	(36.0%)	(4.7%)
Client treasury services	17,963	21,643	25,885	(30.6%)	(17.0%)
Non-client treasury income	4,300	(3,509)	(6,582)	--%	--%
Net results from financial transactions	22,262	18,134	19,303	15.3%	22.8%

1. Santander Global Connect is the Bank's commercial platform for selling treasury products to our clients.

Client treasury services totaled Ch$17,963 million in 1Q13 and decreased 17.0% QoQ and 30.6% YoY. After a very active 4Q12 in corporate treasury services, 1Q13 saw an important reduction in volatility, especially in the foreign trade market, which reduced demand for currency protection on behalf of clients. Non-client treasury services recorded a gain of Ch$4,300 million, mainly reflecting the normalization of liquidity levels of the Banks following the large surplus the Bank maintained throughout most of 2012. This has resulted in higher interest income from the Bank's liquidity portfolio comprised mainly of Central Bank instruments, but which also now includes other high-grade instruments such as local bank deposits, that yield a higher rate than Central bank instruments.

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OPERATING EXPENSES AND EFFICIENCY

Growth of cost moderates

Operating Expenses		Quarter		Change %	
	1Q13	4Q12	1Q12	1Q13 /	1Q13 /
(Ch$ million)				1Q12	4Q12
Personnel expenses	(71,533)	(76,488)	(69,400)	3.1%	(6.5%)
Administrative expenses	(48,032)	(48,127)	(44,084)	9.0%	(0.2%)
Depreciation, amortization and impairment	(15,680)	(16,050)	(12,126)	29.3%	(2.3%)
Operating expenses	(135,245)	(140,665)	(125,610)	7.7%	(3.9%)
Branches	497	499	499	(0.4%)	(0.4%)
ATMS	2,011	2,001	1,949	3.2%	0.5%
Employees	11,679	11,713	11,572	0.9%	(0.3%)
Efficiency ratio1	41.8%	39.9%	36.8%		

1. Operating expenses / Operating income. Operating income = Net interest income + Net fee income+ Net results from Financial transactions + Other operating income and expenses.

Operating expenses in 1Q13 decreased 3.9% QoQ and increased 7.7% YoY. The efficiency ratio reached 41.8% in 1Q13 compared to 39.9% in 4Q12 and 36.8% in 1Q12. The QoQ decline in costs was mainly due to seasonal factors related to the summer vacation season.

The 7.7% YoY increase in operating expenses was mainly due to the 9.0% increase in administrative expenses. The Bank continued with its Transformation Projects aimed at enhancing productivity in retail banking. Rent expenses have also been rising, since the Bank has sold most of its branches and now rents them. Branches are risk weighted at 100% and, therefore, from a capital perspective, it is more efficient to rent them than to own them. Going forward, though, administrative expenses should grow at a slower pace as many of these projects are finalizing.

The 3.1% YoY increase in personnel expenses in 1Q13 reflects the 0.9% rise in headcount plus the rise in salaries in the year due to inflation in 2012. As of March 2013, headcount totaled 11,679 employees and increase of 0.9% compared to 1Q12. The main area of headcount growth has been the Bank's collection areas offset by lower headcount at Banefe's sales force. As headcount should remain stable for the remainder of the year, personnel expenses should see moderate growth similar to 1Q13 levels for the remainder of the year.

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OTHER INCOME AND EXPENSES

Other Income and Expenses	Quarter			Change %	
	1Q13	4Q12	1Q12	1Q13 /	1Q13 /
(Ch$ million)				1Q12	4Q12
Other operating income	4,569	4,630	3,982	14.7%	(1.3%)
Other operating expenses	(14,263)	(20,268)	(16,365)	(12.8%)	(29.6%)
Other operating income, net	(9,694)	(15,638)	(12,383)	(21.7%)	(38.0%)
Income from investments in other companies	482	(983)	447	7.8%	(149.0%)
Income tax expense	(14,237)	(5,790)	(19,081)	(25.4%)	145.9%
Income tax rate	14.9%	4.8%	13.8%		

Other operating income, net, totaled a loss of Ch$9,694 million in 1Q13. The lower loss compared to previous periods was mainly due to higher gains from the sale and recovery of repossessed assets, which is in line with the higher charge-offs of mortgage loans. At the same time the loss from operational charge-offs and provisions for other contingencies also decreased compared to 4Q12 and 1Q12.

The higher income tax rate in 1Q13 was mainly due to the rise in the statutory corporate tax rate to 20% in 2013 offset by non-repeatable tax efficiencies achieved in 1Q13. Additionally, in 4Q12 our tax expenses were positively affected by the recognition of higher deferred tax assets. Congress approved a law that raised the statutory corporate tax rate to 20% in 2013 and this new rate was applied to deferred taxes in 4Q12, resulting in a lower effective tax rate. For the remainder of 2013, the Bank should be paying an effective tax rate closer to 17-18%.

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SECTION 4: CREDIT RISK RATINGS

International ratings

The Bank has credit ratings from three leading international agencies with no changes in 1Q13.

Moody's	Rating
Foreign currency bank deposits	Aa3
Senior bonds	Aa3
Subordinated debt	A1
Bank Deposits in Local Currency	Aa3
Bank financial strength	C+
Short-term deposits	P-1

Standard and Poor's	Rating
Long-term Foreign Issuer Credit	A
Long-term Local Issuer Credit	A
Short-term Foreign Issuer Credit	A-1
Short-term Local Issuer Credit	A-1

Fitch	Rating
Foreign Currency Long-term Debt	A+
Local Currency Long-term Debt	A+
Foreign Currency Short-term Debt	F1
Local Currency Short-term Debt	F1
Viability rating	a+

Local ratings:

Our local ratings, the highest in Chile, are the following:

Local ratings	Fitch Ratings	Feller Rate
Shares	1CN1	1CN1
Short-term deposits	N1+	N1+
	AAA	AAA

Long-term deposits		
Mortgage finance bonds	AAA	AAA
Senior bonds	AAA	AAA
Subordinated bonds	AA	AA+

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SECTION 5: SHARE PERFORMANCE
As of March 2013

ADR price3 (US$) 3M13	
03/31/13:	28.47
Maximum (3M12):	30.59
Minimum (3M12):	28.34

Local share price (Ch$) 3M13	
03/31/13:	33.41
Maximum (3M12):	36.23
Minimum (3M12):	33.41

Market Capitalization: US$13,413 million

P/E 12 month trailing*:	17.95
P/BV (03/31/13)**:	2.87
Dividend yield***:	3.8%

* Price as of March 31, 2013 / 12mth. earnings
** Price as of March 31, 2013 / Book value as of 03/31/13
*** Based on closing price on record date of last dividend payment.

Dividends:

Year paid	Ch$/share	% of previous year earnings
2009:	1.13	65%
2010:	1.37	60%
2011:	1.52	60%
2012:	1.39	60%
2013:	1.24	60%

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3 On Oct. 22, 2012, the ratio of common share per ADR was changed from 1,039 shares per ADR to 400 shares per ADR.

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ANNEX 1: BALANCE SHEET

Unaudited Balance Sheet	Mar-13	Mar-13	Dec-12	Mar. 13 / Dec. 12
Assets	US$ths	Ch$ million		% Chg.
Cash and balances from Central Bank	2,607,739	1,230,201	1,250,414	(1.6 %)
Funds to be cleared	1,317,567	621,562	520,267	19.5 %
Financial assets held for trading	530,026	250,040	338,287	(26.1 %)
Investment collateral under agreements to repurchase	-	-	6,993	-- %
Derivatives	2,740,759	1,292,953	1,293,212	(0.0 %)
Interbank loans	296,693	139,965	90,527	54.6 %
Loans, net of loan loss allowances	39,306,520	18,542,851	18,325,957	1.2 %
Available-for-sale financial assets	3,971,337	1,873,478	1,826,158	2.6 %
Held-to-maturity investments	-	-	-	-- %
Investments in other companies	17,128	8,080	7,614	6.1 %
Intangible assets	163,557	77,158	87,347	(11.7 %)
Fixed assets	338,849	159,852	162,214	(1.5 %)
Current tax assets	41,933	19,782	10,227	93.4 %
Deferred tax assets	398,497	187,991	186,407	0.8 %
Other assets	1,241,183	585,528	655,217	(10.6 %)
Total Assets	52,971,788	24,989,441	24,760,841	0.9 %
Liabilities and Equity				
Demand deposits	10,523,029	4,964,239	4,970,019	(0.1 %)
Funds to be cleared	977,583	461,175	284,953	61.8 %
Investments sold under agreements to repurchase	474,196	223,702	304,117	(26.4 %)
Time deposits and savings accounts	19,398,219	9,151,110	9,112,213	0.4 %
Derivatives	2,509,518	1,183,865	1,146,161	3.3 %
Deposits from credit institutions	2,924,916	1,379,829	1,438,003	(4.0 %)
Marketable debt securities	9,750,552	4,599,823	4,571,289	0.6 %
Other obligations	445,596	210,210	192,611	9.1 %
Current tax liabilities	1,189	561	525	6.9 %
Deferred tax liability	31,330	14,780	9,544	54.9 %
Provisions	487,089	229,784	221,089	3.9 %
Other liabilities	723,917	341,508	341,274	0.1 %
Total Liabilities	48,247,135	22,760,586	22,591,798	0.7 %
Equity				
Capital	1,889,355	891,303	891,303	0.0 %
Reserves	2,067,748	975,460	975,460	0.0 %
Unrealized gain (loss) Available-for-sale financial assets	(2,442)	(1,152)	(3,781)	(69.5 %)
Retained Earnings:	696,161	328,414	271,796	20.8 %
Retained earnings previous periods	823,067	388,282	-	-- %
Net income	171,445	80,879	388,282	(79.2 %)
Provision for mandatory dividend	(298,351)	(140,747)	(116,486)	20.8 %
Total Shareholders' Equity	4,650,821	2,194,025	2,134,778	2.8 %
Minority Interest	73,831	34,830	34,265	1.6 %
Total Equity	4,724,653	2,228,855	2,169,043	2.8 %
Total Liabilities and Equity	52,971,788	24,989,441	24,760,841	0.9 %

Figures in US$ have been translated at the exchange rate of Ch$471.75. On January 1, 2013 the Bank began to apply the modifications to IAC 19 relating to Employee Pension Benefits. This change was applied retroactively to 2012 figures which resulted in lower assets and liabilities of Ch$786 million and a higher net income of Ch$315 million all charged to 4Q12 figures in this report.

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ANNEX 2: QUARTERLY INCOME STATEMENTS

Unaudited Quarterly Income Statement	1Q13	4Q12	1Q12	1Q13 / 1Q12	1Q13 / 4Q12
		Ch$mn			% Chg.
Interest income	425,797	524,918	502,833	(15.3 %)	(18.9 %)
Interest expense	(179,316)	(241,927)	(236,761)	(24.3 %)	(25.9 %)
Net interest income	246,481	282,991	266,072	(7.4 %)	(12.9 %)
Fee and commission income	87,528	89,735	90,935	(3.7 %)	(2.5 %)
Fee and commission expense	(23,274)	(22,898)	(22,244)	4.6 %	1.6 %
Net fee and commission income	64,254	66,837	68,691	(6.5 %)	(3.9 %)
Net income from financial operations	(16,873)	(31,138)	(34,196)	(50.7 %)	(45.8 %)
Foreign exchange profit (loss), net	39,135	49,272	53,499	(26.8 %)	(20.6 %)
Total financial transactions, net	22,262	18,134	19,303	15.3 %	22.8 %
Other operating income	4,569	4,630	3,982	14.7 %	(1.3 %)
Net operating profit before loan losses	337,566	372,592	358,048	(5.7 %)	(9.4 %)
Provision for loan losses	(92,858)	(90,387)	(78,281)	18.6 %	2.7 %
Net operating profit	244,708	282,205	279,767	(12.5 %)	(13.3 %)
Personnel salaries and expenses	(71,533)	(76,488)	(69,400)	3.1 %	(6.5 %)
Administrative expenses	(48,032)	(48,127)	(44,084)	9.0 %	(0.2 %)
Depreciation and amortization	(15,653)	(16,048)	(12,072)	29.7 %	(2.5 %)
Impairment	(27)	(2)	(54)	(50.0 %)	-- %
Operating expenses	(135,245)	(140,665)	(125,610)	7.7 %	(3.9 %)
Other operating expenses	(14,263)	(20,268)	(16,365)	(12.8 %)	(29.6 %)
Total operating expenses	(149,508)	(160,933)	(141,975)	5.3 %	(7.1 %)
Operating income	95,200	121,272	137,792	(30.9 %)	(21.5 %)
Income from investments in other companies	482	(983)	447	7.8 %	-- %
Income before taxes	95,682	120,289	138,239	(30.8 %)	(20.5 %)
Income tax expense	(14,237)	(5,790)	(19,093)	(25.4 %)	145.9 %
Net income from ordinary activities	81,445	114,499	119,146	(31.6 %)	(28.9 %)
Net income discontinued operations	-	-	-	-- %	-- %
Net income attributable to:					
Minority interest	566	782	791	(28.4 %)	(27.6 %)
Net income attributable to shareholders	80,879	113,717	118,355	(31.7 %)	(28.9 %)

Figures in US$ have been translated at the exchange rate of Ch$471.75. On January 1, 2013, the Bank began to apply the modifications to IAC 19 relating to Employee Pension Benefits. This change was applied retroactively to 2012 figures which resulted in lower assets and liabilities of Ch$786 million and a higher net income of Ch$315 million all charged to 4Q12 figures in this report.

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ANNEX 3: QUARTERLY EVOLUTION OF MAIN RATIOS AND OTHER INFORMATION

(Ch$ millions)	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Loans					
Consumer loans	2,963,104	2,987,880	3,039,998	3,115,477	3,165,550
Residential mortgage loans	5,162,473	5,221,914	5,208,217	5,271,581	5,309,837
Commercial loans	9,666,504	10,164,678	10,254,959	10,489,021	10,625,028
Total loans	17,792,081	18,374,472	18,503,174	18,876,079	19,100,415
Allowance for loan losses	(522,728)	(518,331)	(552,138)	(550,152)	(557,564)
Total loans, net of allowances	17,269,353	17,856,141	17,951,034	18,325,961	18,542,854
Loans by segment					
Individuals	9,376,934	9,534,018	9,613,857	9,741,412	9,837,213
SMEs	2,604,565	2,658,077	2,745,928	2,821,060	2,860,666
Total retail lending	11,981,499	12,192,095	12,359,785	12,562,472	12,697,879
Institutional lending	347,818	366,862	355,119	355,518	369,751
Middle-Market & Real estate	3,692,576	3,848,479	3,918,324	4,058,693	4,236,766
Corporate	1,881,429	2,006,270	1,874,749	1,863,595	1,806,957
Customer funds					
Demand deposits	4,566,890	4,624,570	4,601,160	4,970,019	4,964,239
Time deposits	8,825,599	9,913,093	9,487,610	9,112,213	9,151,110
Total deposits	13,392,489	14,537,663	14,088,770	14,082,232	14,115,349
Mutual funds (Off balance sheet)	2,995,292	2,944,482	3,080,130	2,713,776	3,112,174
Total customer funds	16,387,781	17,482,145	17,168,900	16,796,008	17,227,523
Loans / Deposits1	98.4%	96.5%	98.7%	101.6%	102.7%
Average balances					
Avg. interest earning assets	20,119,312	20,362,279	20,410,407	20,762,771	20,923,043
Avg. loans	17,537,743	18,127,164	18,546,119	18,666,166	18,942,547
Avg. assets	24,918,317	24,957,219	25,106,995	24,995,465	24,843,979
Avg. demand deposits	4,527,917	4,749,885	4,598,283	4,716,789	5,020,202
Avg equity	2,035,332	2,014,260	2,042,929	2,101,849	2,159,904
Avg. free funds	6,563,249	6,764,145	6,641,212	6,818,638	7,180,106
Capitalization					
Risk weighted assets	18,509,191	19,572,225	19,479,092	19,940,397	20,091,880
Tier I (Shareholders' equity)	2,065,995	2,028,612	2,058,231	2,134,778	2,194,025
Tier II	673,110	659,788	642,650	599,656	596,933
Regulatory capital	2,739,104	2,688,401	2,700,881	2,735,316	2,790,957
Tier I ratio	11.2%	10.4%	10.6%	10.7%	10.9%
BIS ratio	14.8%	13.7%	13.9%	13.7%	13.9%
Profitability & Efficiency					
Net interest margin	5.3%	5.0%	4.7%	5.5%	4.7%
Efficiency ratio	36.8%	41.0%	42.4%	39.9%	41.8%
Avg. Free funds / interest earning assets	32.6%	33.2%	32.5%	32.8%	34.3%
Return on avg. equity	23.3%	21.0%	9.9%	21.6%	15.0%
Return on avg. assets	1.9%	1.7%	0.8%	1.8%	1.3%

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	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Asset quality					
Non-performing loans (NPLs)2	519,283	529,869	561,730	597,767	612,379
Loan loss reserves4	522,728	518,331	552,138	550,152	557,564
NPLs / total loans	2.92 %	2.88 %	3.04 %	3.17 %	3.21 %
Coverage of NPLs (Loan loss allowance / NPLs)	100.66 %	97.82 %	98.29 %	92.03 %	91.05 %
Risk index (Loan loss allowances / Loans)4	2.94 %	2.82 %	2.98 %	2.91 %	2.92 %
Cost of credit (prov. expense / loans)	1.76 %	1.71 %	2.58 %	1.92 %	1.94 %
Network					
Branches	499	499	496	499	497
ATMs	1,949	1,966	1,966	2,001	2,011
Employees	11,572	11,621	11,692	11,713	11,679
Market information (period-end)					
Net income per share (Ch$)	0.63	0.56	0.27	0.60	0.43
Net income per ADR (US$)	0.51	0.44	0.23	0.50	0.36
Stock price	40.54	37.34	33.55	33.72	33.41
ADR price	33.14	29.83	28.2	28.49	28.47
Market capitalization (US$mn)	15,613	14,053	13,285	13,422	13,413
Shares outstanding	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1
ADRs (1 ADR = 400 shares)5	471.1	471.1	471.1	471.1	471.1
Other Data					
Quarterly inflation rate6	1.07 %	0.42 %	-0.16 %	1.11 %	0.13 %
Central Bank monetary policy reference rate (nomina	5.00 %	5.00 %	5.00 %	5.00 %	5.00 %
Avg. 10 year Central Bank yield (real)	2.45 %	2.49 %	2.42 %	2.45 %	2.62 %
Avg. 10 year Central Bank yield (nominal)	5.40 %	5.58 %	5.31 %	5.48 %	5.62 %
Observed Exchange rate (Ch$/US$) (period-end)	489.76	509.73	470.48	478.6	472.54

1 Ratio = Loans - marketable securities / Time deposits + demand deposits
2Capital + future interest of all loans w ith one installment 90 days or more overdue.
3Total installments plus lines of credit more than 90 days overdue
4Based on internal credit models and SBIF guidelines. Banks must have a 100% coverage of risk index
5The rato of ADRs per local shares w as modified in Oct. 2012
6 Calculated using the variation of the Unidad de Fomento (UF) in the period

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Consolidated Financial Statements

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Banco Santander Chile and Subsidiaries
CONSOLIDATED INTERMEDIATE STATEMENTS OF FINANCIAL POSITION
For periods ending as of

	NOTE	As of March, 2013 MCh$	As of December, 2012 MCh$
ASSETS			
Cash and deposits in banks	5	1,230,201	1,250,414
Cash items in process of collection	5	621,562	520,267
Trading investments	6	250,040	338,287
Investments under resale agreements		-	6,993
Financial derivative contracts	7	1,292,953	1,293,212
Interbank loans, net	8	139,965	90,527
Loans and accounts receivable from customers, net	9	18,542,851	18,325,957
Available for sale investments	11	1,873,478	1,826,158
Held to maturity investments		-	-
Investments in other companies		8,080	7,614
Intangible assets	12	77,158	87,347
Property, plant, and equipment	13	159,852	162,214
Current taxes	14	19,782	10,227
Deferred taxes	14	187,991	186,407
Other assets	15	585,528	655,217
TOTAL ASSETS		24,989,441	24,760,841
LIABILITIES			
Deposits and other demand liabilities	16	4,964,239	4.970.019
Cash items in process of being cleared	5	461,175	284.953
Obligations under repurchase agreements		223,702	304.117
Time deposits and other time liabilities	16	9,151,110	9.112.213
Financial derivative contracts	7	1,183,865	1.146.161
Interbank borrowings		1,379,829	1.438.003
Issued debt instruments	17	4,599,823	4.571.289
Other financial liabilities	17	210,210	192.611
Current taxes	14	561	525
Deferred taxes	14	14,780	9.544
Allowances		229,784	221.089
Other liabilities	19	341,508	341.274
TOTAL LIABILITIES		22,760,586	22,591,798
EQUITY			
Attributable to the Bank's shareholders:		2,194,025	2,134,778
Capital		891,303	891,303
Reserves		975,460	975,460
Valuation adjustments	21	(1,152)	(3,781)
Retained earnings		328,414	271,796
Retained earnings of prior years		388,282	-

Income for the period		80,879	388.282
Minus: Provision for mandatory dividends		(140,747))	(116.486)
Non-controlling interest	23	34,830	34,265
TOTAL EQUITY		2,228,855	2,169,043
TOTAL LIABILITIES AND EQUITY		24,989,441	24,760,841

Banco Santander Chile and Subsidiaries
CONSOLIDATED INTERMEDIATE STATEMENTS OF INCOME FOR THE PERIOD
For periods ending as of

	NOTE	March 31, 2013 MCh$	March 31, 2012 MCh$
OPERATING INCOME			
Interest income	24	425,797	502,833
Interest expense	24	(179,316)	(236,761)
Net interest income		246,481	266,072
Fee and commission income	25	87,528	90,935
Fee and commission expense	25	(23,274)	(22,244)
Net fee and commission income		64,254	68,691
Net income from financial operations (net trading income)	26	(16,873)	(34,196)
Foreign exchange profit (loss), net	27	39,135	53,499
Other operating income	32	4,569	3,982
Total operating income		337,566	358,048
Provisions for loan losses	28	(92,858)	(78,281)
NET OPERATING PROFIT		244,708	279,767
Personnel salaries and expenses	29	(71,533)	(69,400)
Administrative expenses	30	(48,032)	(44,084)
Depreciation and amortization	31	(15,653)	(12,072)
Impairment	31	(27)	(54)
Other operating expenses	32	(14,263)	(16,365)
Total operating expenses		(149,508)	(141,975)
OPERATING INCOME		95,200	137,792
Income from investments in other companies		482	447
Income before tax		95,682	138,239
Income tax	14	(14,237)	(19,093)
NET INCOME FOR THE PERIOD		81,445	119,146
Attributable to:			

Bank shareholders (Equity holders of the Bank)		80,879	118,355
Non-controlling interest	23	566	791
Earnings per share attributable to Bank shareholders:			
(expressed in Chilean pesos)			
Basic earnings	21	0,429	0,628
Diluted earnings	21	0,429	0,628

Banco Santander Chile and Subsidiaries
CONSOLIDATED INTERMEDIATE STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD
For the years ended

	NOTE	March 31, 2013 MCh$	2012 MCh$
CONSOLIDATED NET INCOME FOR THE YEAR		81,445	119,146
OTHER COMPREHENSIVE INCOME			
Available for sale investments	11	1,214	(20,999)
Cash flow hedge	21	508	(1,096)
Other comprehensive income before income tax		1,722	(22,095)
Income tax related to other comprehensive income	14	917	4,018
Total other comprehensive income		2,639	(18,077)
OTHER CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD		84,084	101,069
Attributable to:			
Bank shareholders (Equity holders of the Bank)		83,508	100,313
Non-controlling interest	23	576	756

Banco Santander Chile and Subsidiaries
CONSOLIDATED INTERMEDIATE STATEMENTS OF CHANGES IN EQUITY
For the years ended March 31, 2013 and 2012.

		RESERVES		OTHER COMPREHENSIVE INCOME			RETAINED EARNINGS				
	Capital MCh$	Reserves and other retained earnings MCh$	Effects of merger of companies under common control MCh$	Available for sale investments MCh$	Cash flow hedge MCh$	Income tax MCh$	Retained earnings of prior years MCh$	Income for the period MCh$	Provision for mandatory dividends MCh$	Total attributable to shareholders MCh$	Non-contr intere MCh
Equity as of December 31, 2011	891,303	803,646	(2,224)	3,077	394	(639)	-	435,084	(130,525)	2,000,116	3
Distribution of income from previous period	-	-	-	-	-	-	435,084	(435,084)	-	-	
Equity as of January 1, 2012	891,303	803,646	(2,224)	3,077	394	(639)	435,084	-	(130,525)	2,000,116	3
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	
Dividends distributions/ withdrawals made	-	-	-	-	-	-	-	-	-	-	
Other changes in equity	-	-	-	-	-	-	-	-	-	-	
Provisions for mandatory dividends	-	-	-	-	-	-	-	-	(35,506)	(35,506)	
Subtotals	-	-	-	-	-	-	-	-	(35,506)	(35,506)	
Other comprehensive income	-	-	-	(20,958)	(1,096)	4,012	-	-	-	(18,042)	
Income for the period	-	-	-	-	-	-	-	118,355	-	118,355	
Subtotals	-	-	-	(20,958)	(1,096)	4,012	-	118,355	-	100,313	
Equity as of January 1, 2010	891,303	803,646	(2,224)	(17,881)	702	3,373	435,084	118,355	(166,031)	2,064,923	3
Equity as of December 31, 2010	891,303	977,684	(2,224)	(10,041)	5,315	945	-	388,282	(116,486)	2,134,778	3

Distribution of income from previous period	-	-	-	-	-	-	388,282	(388,282)	-	-
Equity as of January 1, 2012	891,303	977,684	(2,224)	(10,041)	5,315	945	388,282	-	(116,486)	2,134,778
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(24,261)	(24,261)
Subtotals	-	-	-	-	-	-	-	-	(24,261)	(24,261)
Other comprehensive income	-	-	-	1,201	508920		-	-	-	2,629
Income for the period	-	-	-	-	-	-	-	80,879	-	80,879
Subtotals	-	-	-	1,201	508920		-	80,879	-	83,508
Equity as of January 1, 2012	891,303	977,684	(2,224)	(8,840)	5,823	1,865	388,282	80,879	(140,747)	2,194,025

Period	Total attributable to Bank shareholders MCh$	Allocated to reserves MCh$	Allocated to dividends MCh$	Percentage distributed %	Number of Shares	Dividend per share (in pesos)
Year 2012 (Shareholders Meeting April 2012)	388,288	155,314	232,974	60	188,446,126,794	1.236
Year 2010 (Shareholders Meeting April 2011)	477,155	190,861	286,294	60	188,446,126,794	1.519

Banco Santander Chile and Subsidiaries
CONSOLIDATED INTERMEDIATE STATEMENTS OF CASH FLOW
For the years ended

		March 31,	
		2013	2012
	NOTE	MCh$	MCh$
A - CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED INCOME BEFORE TAX		95,682	138,239
Debits (credits) to income that do not represent cash flows		(211,717)	(216,270)
Depreciation and amortization	31	15,653	12,072
Impairment of property, plant, and equipment	13	27	54
Provision for loan losses	28	103,409	83,229
Mark to market of trading investments		(4,147)	(4,898)
Income from investments in other companies		(482)	(447)
Net gain on sale of assets received in lieu of payment	32	(4,257)	(3,299)
Provisions for assets received in lieu of payment		799	1,124
Net gain on sale of investments in other companies		-	-
Net gain on sale of property, plant and equipment	32	(109)	(481)
Charge off of assets received in lieu of payment	32	1,769	2,519
Net interest income	24	(246,481)	(266,072)
Net fee and commission income	25	(64,254)	(68,691)
Debits (credits) to income that do not represent cash flows		(9,992)	17,861
Changes in assets and liabilities due to deferred taxes	14	(3,652)	10,759
Increase/decrease in operating assets and liabilities		47,810	(1,497,927)
Increase of loans and accounts receivables from customers, net (**)		(237,543)	(404,839)
Increase of foreign investments		40,927	(967,419)
Proceeds from maturity of resale agreements (assets)		6,993	12,230
Increase of Interbank loans		49,439	(132,828)
Decrease of assets received or awarded in lieu of payment		(1,770)	11,304
Increase of debits in checking accounts		(51,878)	120,853
Increase of time deposits and other time liabilities		44,653	(92,693)
Increase obligations with domestic banks		(109)	2,047
Increase (decrease) of other demand liabilities or time obligations		46,099	32,253
Increase (decrease) of obligations with foreign banks		(58,117)	(274,131)
Decrease of obligations with Central Bank of Chile		(57)	(223)
Increase (decrease) due to repurchase agreements (liabilities)		(80,415)	(49,840)
Increase by other financial liabilities:		17,599	27,787
Net increase of other assets and liabilities		(106,546)	(189,371)
Redemption of letters of credit		(9,781)	(13,684)
Senior bond issuances		187,713	152,569
Redemption of senior bonds and payments of interest		(131,197)	(47,537)
Interest received		406,453	507,643
Interest paid		(124,670)	(241,658)
Dividends received from investments in other companies		-	-
Fees and commissions received	25	87,528	90,935
Fees and commissions paid	25	(23,274)	(22,244)
Income tax paid	14	(14,237)	(19,081)

Net cash flow (used in) provided by operating activities	(68,225)	(1,575,958)

Banco Santander Chile and Subsidiaries
CONSOLIDATED INTERMEDIATE STATEMENTS OF CASH FLOW
For the years ended

	NOTE	March 31, 2013 MCh$	March 31, 2012 MCh$
B - CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant, and equipment	13	(2,912)	(8,398)
Sales of property, plant, and equipment		33	54
Purchases of investments in other companies		-	-
Sales of investments in other companies		-	-
Purchases of intangibles assets	12	(139)	(5,823)
Net cash flow used in investment activities		(3,018)	(14,167)
C - CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholders’ financing activities		(19,846)	(10,313)
Increase of other obligations		169	-
Issuance of subordinated bonds		-	-
Redemption of subordinated bonds and payments of interest		(20,015)	(10,313)
Dividends paid		-	-
From non-controlling interest financing activities		-	-
Dividends and/or withdrawals paid		-	-
Net cash flow used in financing activities		(19,846)	(10,313)
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(91,089)	(1,600,438)
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		(4,052)	(4,395)
F - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		1,485,729	2,980,669
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	1,390,588	1,375,836

Reconciliation of provisions for the Consolidated Statement of Cash Flow	March 31, 2013 MCh$	March 31, 2012 MCh$
Provisions for loan losses for cash flow purposes	103,409	83,229
Recovery of loans previously charged off	(10,551)	(4,948)
Provision for loan losses - net	92,858	78,281

Banco Santander Chile and Subsidiaries
Notes to the Consolidated Intermediate Financial Statements
AS OF MARCH 31 2013 AND DECEMBER 31, 2012

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

CORPORATE INFORMATION

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

A Special Meeting of Shareholders of Banco Santiago was held on July 18, 2002, the minutes of which were notarized as a public deed on July 19, 2002 at the Notarial Office of Santiago before Notary Nancy de la Fuente Hernández, and it was agreed to merge Banco Santander Chile with Banco Santiago by merging the former into the latter, which acquired the former's assets and liabilities. It was likewise agreed to dissolve Banco Santander Chile in advance and change the name of Banco Santiago to Banco Santander Chile. This change was authorized by Resolution No.79 of the Superintendency of Banks and Financial Institutions (SBIF), adopted on July 26, 2002, published in the Official Journal on August 1, 2002 and registered on page 19,992 under number 16,346 for the year 2002 in the Registry of Commerce of the Curator of Real Estate of Santiago.

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

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

Banco Santander Spain controls Banco Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding S.A., which are controlled subsidiaries by Banco Santander Spain. As of December 31, 2013 Banco Santander Spain owns or controls directly and indirectly 99.5% of the Santander-Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This gives Banco Santander Spain control over 67,18% of the Bank's shares.

a) Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF), the Chilean regulatory agency. The General Banking Law set out in its article 15, that banks must applied accounting standards established by SBIF. In any other matter no cover for therein, must apply general accepted standards issued by the Colegio de Contadores

de Chile A.G (Association of Chilean Accountants), which coincide with International Financial Reporting Standards (IFRS). In the event of discrepancies between the accounting principles and accounting standards issued by the SBIF (Compendium of Accounting Standards), the latter shall prevail.

The notes to the financial statements contain additional information to that presented in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. The notes provide narrative descriptions or disaggregation of items presented in those statements in a clear, relevant, reliable and comparable manner.

Banco Santander Chile and Subsidiaries
Notes to the Consolidated Intermediate Financial Statements
AS OF MARCH 31 2013 AND DECEMBER 31, 2012

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

b) Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements include separate (individual) financial statements of the Bank and the companies that participate in the consolidation as of December 31, 2012 and 2011; and include the adjustments and reclassifications needed to comply with the accounting policies and valuation criteria established by the Compendium of Accounting Regulations issued by the SBIF.

i. Subsidiaries

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

The financial statements of subsidiaries are consolidated with those of the Bank. Accordingly, all the balances and transactions between the consolidated companies are eliminated through the consolidation process.

In addition, third parties' share in the Consolidated Bank's equity are presented as "Non-controlling interests" in the Consolidated Statement of Financial Position. Their share in the income for the year is presented under "Attributable to non-controlling interests" in the Consolidated Statement of Income.

The following companies are considered "Subsidiaries" in which the Bank has the ability to exercise control and are therefore within the scope of consolidation:

Subsidiaries	Percentage Share March 31 2013			Percentage Share As of December 31 2012			Percentage Share March 31 2012		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander Corredora de Seguros Limitada	99.75	0.01	99.76	99.75	0.01	99.76	99.75	0.01	99.76
Santander S.A. Corredores de Bolsa	50.59	0.41	51.00	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asset Management S.A. Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98	99.96	0.02	99.98
Santander Agente de Valores Limitada	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64

Santander S.A. Sociedad Securitizadora									
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

ii. Special Purpose Entities

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

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

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

This assessment is based on methods and procedures which consider the risks and rewards retained by the Bank, for which all the relevant factors, including the guarantees

Banco Santander Chile and Subsidiaries
Notes to the Consolidated Intermediate Financial Statements
AS OF MARCH 31 2013 AND DECEMBER 31, 2012

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

furnished or the losses associated with collection of the related assets retained by the Bank, are taken into account. As a consequence of this assessment, the Bank concluded that it exercised control over the following entities, which therefore are included within the scope of consolidation:

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

iii. Associates

Associates are those entities over which the Bank exercises significant influence, usually because it holds 20% or more of the entity's voting power. Investments in associates are accounted for using the "equity method."

The following companies are considered "Associates" in which the Bank accounts for its participation using the equity method:

	Percent ownership share		
Associates	As of March 31, 2013 %	As of December 31, 2012 %	As of March 31, 2012 %
Redbanc S.A.	33.43	33.43	33.43
Transbank S.A.	32.71	32.71	32.71
Centro de Compensación Automatizado	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	29.28	29.28	29.28
Cámara Compensación de Alto Valor S.A.	12.65	12.65	11.52
Administrador Financiero del Transantiago S.A.	20.00	20.00	20.00
Sociedad Nexus S.A.	12.90	12.90	12.90

In the case of Nexus S.A. and Cámara Compensación de Alto Valor S.A., Banco Santander Chile has a representative on the Board of Directors. According to this, the Bank has concluded that it exerts significant influence over those entities.

iv. Share or rights in other companies

The Bank and its subsidiaries have certain investments in share because they are required to obtain the right to operate according to its line of business the ownership interest in these companies is less than 1%. These holdings are shown

at purchase value.

c) Non-controlling interest

Non-controlling interest represents the portion of gains and losses and net assets not attributable, directly or indirectly, to the Bank. It is presented as “Attributable to non-controlling interest” separately in the Consolidated Statement of Income, and separately from shareholders’ equity in the Consolidated Statement of Financial Position.

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

d) Operating segments

The Bank discloses separate information for each operating segment that:

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

Operating segments with similar economic characteristics often have a similar long-term financial performance. Two or more segments can be combined only if aggregation is consistent

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SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

with the basic policies of the International Financial Reporting Standards 8 “Operating Segments” (IFRS 8) and the segments have similar economic characteristics and are similar in each of the following respects:

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

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

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

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

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

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

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

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

An operating segment is a component of an entity:

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

e) Functional and presentation currency

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

currency.

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

f) Foreign currency transactions

The Bank grants loans and accepts deposits in amounts denominated in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies and only held by the Bank are translated to Chilean pesos based on the market rate published by Reuters at 1:30 p.m. on the last business day of every month; the rate used was Ch$471.75 per US$1 as of March 31, 2013 (Ch$478.75 per US$1 as of December 31, 2012). The Bank, after an assessment, concludes that there are no significant differences arising from the use of that exchange rate as of December 31, 2013 in comparison with the Reuters rate at that date.
The amounts of net foreign exchange profits and losses include recognition of the effects that exchange rate fluctuations have on assets and liabilities denominated in foreign currencies and the profits and losses on foreign exchange spot and forward transactions undertaken by the Bank.

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

g) Definitions and classification of financial instruments

i. Definitions

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

An "equity instrument" is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

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

ii. Classification of financial assets for measurement purposes

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

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

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

- Available for sale investment portfolio: debt instruments not classified as "held-to-maturity investments," "Credit investments (loans and accounts receivable from customers or interbank loans)" or "Financial assets at fair value through profit or loss." Available for sale (AFS) investments are initially recorded at cost, which includes transaction costs that are directly attributable to the acquisition. AFS instruments are subsequently measured at fair value, or based on appraisals made with the use of internal models when appropriate. Unrealized gains or losses arising from changes in fair value are recorded as a debit or credit in Other Comprehensive Income under the heading "Other comprehensive income" within equity. When these investments are disposed of or become impaired, the cumulative gains or losses previously recognized in "Other Comprehensive Income"are transferred to the Consolidated Statement of Income under "Net income from financial operations."

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

- Credit investments (loans and accounts receivable from customers or interbank loans): this category includes financing granted to third parties, based on their nature, regardless of the class of borrower and the form of financing. Includes loans and accounts receivable from customers, interbank loans, and financial lease transactions in which the Bank acts as lessor. Loans and receivable shall be measured at amortized cost using the effective interest method.

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

iii. Classification of financial assets for presentation purposes

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

- Cash and deposits in banks: This line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions.

- Cash items in process of collection: This item includes the values of executed transactions which contractually defer the payment of purchase-sale transactions or the delivery of the foreign currency acquired.

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

- Financial derivative contracts: Financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or hedging, as shown in Note 8 to the Intermediate Consolidated Financial Statements.

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

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

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

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

iv. Classification of financial liabilities for measurement purposes

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

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

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

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

v. Classification of financial liabilities for presentation purposes

The financial liabilities are classified by their nature into the following line items in the consolidated intermediate statements of financial position:

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

- - Cash items in process of being cleared: this item includes the balances of asset purchases that are not settled on the same day and for sales of foreign currencies not delivered.

- Obligations under repurchase agreements: this item includes the balances of sales of financial instruments under repurchase and loan agreements. According to actual applicable regulation, the Bank does not record instruments acquired under repurchase agreements in its own portfolio.

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

- Financial derivative contracts: this item includes financial derivative contracts with negative fair values (i.e. against the Bank), whether they are for trading or for hedge accounting, as set forth in Note 8.

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

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

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

- Debt instruments issued: This encompasses three items; Obligations under letters of credit, Subordinated bonds and Senior bonds placed in the local and foreign market.

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

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

In general, financial assets and liabilities are initially recorded at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments not measured at fair value through profit or loss

includes transaction costs. Subsequently, and at the end of each reporting period, they are measured pursuant to the following criteria:

i. Valuation of financial assets

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

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

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

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

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price. If, for exceptional reasons, the quoted price cannot be determined on a given date, the fair value is determined using similar methods to those used to measure over the counter (OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation (“present value” or “theoretical close”) using valuation techniques commonly used by the financial markets: “net present value” (NPV) and option pricing models, among other methods. Also, within the fair value of derivatives are included Credit Valuation Adjustment (CVA), all with the objective that the fair value of each instrument includes the credit risk of its counterparty.

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

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

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

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

securities loans and derivatives.

ii. Valuation of financial liabilities

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

iii. Valuation techniques

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

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

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

The main techniques used as of March 31, 2013 and 2012 and as of December, 2012 by the Bank's internal models to determine the fair value of the financial instruments are as follows:

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

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

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

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

iv. Recording results

As a general rule, changes in the carrying amount of financial assets and liabilities are recorded in the Consolidated Statement of Income, distinguishing between those arising from the accrual of interest, which are recorded under

interest income or interest expense as appropriate, and those arising for other reasons, which are recorded at their net amount under “Net income from financial operations”.

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

Adjustments due to changes in fair value from:

- “Available-for-sale instruments” are recorded in Other comprehensive income and accumulated under the heading “Other comprehensive income” within Equity.

- When the AFS instruments are disposed of or are determined to be impaired, the cumulative gain or loss previously accumulated as “Other comprehensive income” is reclassified to the Consolidated Statement of Income.

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SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

v. Hedging transactions

The Bank uses financial derivatives for the following purposes:

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

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

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

1. The derivative hedges one of the following three types of exposure:

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

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

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

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

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

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

b. In fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments are recorded directly in the Consolidated Statement of Income, whereas gains or losses due to changes in fair value of the hedged item (attributable to the hedged risk) are recorded in the

Consolidated Statement of Income with an offset to “Net income from financial operations”.

c. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recorded in Other Comprehensive Income under the heading “Cash flow hedge” within equity component “Other comprehensive income”, until the hedged transaction occurs, thereafter being recorded in the Consolidated Statement of Income, unless the hedged transaction results in the recognition of non–financial assets or liabilities, in which case it is included in the cost of the non-financial asset or liability.

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

If a derivative designated as a hedging instrument no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified as a "trading derivative." When "fair value hedging" is discontinued, the fair value adjustments to the carrying amount of the hedged item arising from the hedged risk are amortized to gain or loss from that date.

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

vi. Derivatives embedded in hybrid financial instruments

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

vii. Offsetting of financial instruments

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

viii. Derecognition of financial assets and liabilities

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

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

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

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

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

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

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

Accordingly, financial assets are only removed from the Consolidated Statements of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards of ownership have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized from the Consolidated Statements of Financial Position when the obligations specified in the contract are discharged or cancelled or the contract has matured.

i) Recognizing income and expenses

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

i. Interest revenue, interest expense, and similar items

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

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

This interest and these adjustments are generally referred to as “suspended” and are recorded in suspense accounts which are not part of the Consolidated Statements of Financial Position. Instead, they are reported as part of the complementary information thereto and as memorandum accounts. This interest is recognized as income, when collected.

The resumption of interest income recognition of previously impaired loans only occurs when such loans became current (i.e., payments were received such that the loans are contractually past-due for less than 90 days) or they are no longer classified under the C3, C4, C5, or C6 categories (for loans individually evaluated for impairment).

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

ii. Commissions, fees, and similar items

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

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

iii. Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

iv. Loan arrangement fees

Fees that arise as a result of the origination of a loan, mainly application and analysis-related fees, are accrued and recorded in the Consolidated Statement of Income over the term of the loan.

Regarding fees arising as a result of new products, the Bank immediately records within the Consolidated Statements of Income the portion that corresponds to direct costs related to loan origination.

j) Impairment

i. Financial assets:

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

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

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

An impairment loss relating to a financial asset available for sale is calculated based on a significant or prolonged decline in its fair value.

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

All impairment losses are recorded in Consolidated Statement of Income. Any cumulative loss relating to a financial asset available for sale previously recorded in equity is transferred to profit or loss.

The reversal of an impairment loss only occurs if it can be objectively related to an event occurring after the initial impairment loss was recorded. This reversal is always recorded in income.

ii. Non-financial assets:

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

In connection with other assets, impairment losses recorded in prior periods are assessed at each reporting date in search of any indication that the loss has decreased or disappeared and should be reversed. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years

k) Property, plant, and equipment

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

i. Property, plant and equipment for own use

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

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

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

ITEM	Useful Life (Months)
Land	-
Paintings and works of art	-
Assets retired for disposal	-
Carpets and curtains	36
Computers and hardware	36
Vehicles	36
Computational systems and software	36
ATM’s	60
Machines and equipment in general	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Installations in general	120
Security systems (acquisitions up to October 2002)	120
Buildings	1,200

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

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

ii. Assets leased out under operating leases

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

l) Leasing

i. Finance leases

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

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

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

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

ii. Operating leases

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

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

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

iii. Sale and leaseback transactions

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

m) Factored receivables

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

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

n) Intangible assets

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

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

Internally developed computer software

Internally developed computer software is recorded as an intangible asset if, among other requirements (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated. The estimated useful life for software is 3 years.

Intangible assets are amortized on a straight-line basis over their estimated useful life; which has been defined as 36 months.

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

o) Cash and cash equivalents

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

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

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

p) Provisions for loan losses

The Bank records allowances for loan losses in accordance with its internal models. These models have been approved by the Board.

The Bank has developed models to determine allowances for loan losses according to the type of portfolio or operations. Loans and accounts receivables from customers are divided into three categories:

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

The Bank performs an assessment of loans and account receivable from customers to determine their provision for loan losses in accordance with:

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

- Individual assessment - When the Bank assess a debtor as individually significant, or when cannot be classified within a group of financial assets with similar credit risk characteristics, due to their size, complexity or level of exposure.

- Collectively assessment – A group assessment is relevant for analyzing a large number of operations with small individual balances from individuals or small-size companies. The Bank group debtors with similar credit risk characteristics giving to each group a default probability and recovery rate based on a historical analysis.

The models used to determine credit risk provisions are described below:

I. Allowances for individual evaluations

An individual assessment of commercial debtors is necessary in accordance with the SBIF, in the case of companies which, due to their size, complexity or level of exposure, must be known and analyzed in detail.

The Bank assigns to each debtor and his contingent loans and credits a risk category, after assigning them to one of the following portfolio categories: Normal, Substandard and Default. The risk factors used are: industry or economic sector, owners or managers, financial situation and payment capacity, and payment behavior.

The portfolio categories and their definitions are as follows:

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

ii. Substandard Portfolio includes debtors with financial difficulties or a significant deterioration of their payment capacity and about which are reasonable doubts about the reimbursement of the capital and interest within the contractual terms, showing low margin to fulfill their short-term financial obligations. The classifications assigned to this portfolio are categories from B1 to B4.

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

Normal and Substandard Compliance Portfolio

As part of individual assessment, the Bank classifies debtors into the following categories, assigning them a probability of non-performance (PNP) and severity (SEV), which result in the expected loss percentages.

Type of Portfolio	Debtor's Category	Probability of Non-Performance (%)	Severity (%)	Expected Loss (%)
	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
Normal	A3	0.25	87.5	0.21875
portfolio	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
	B1	15.00	92.5	13.87500
Impaired	B2	22.00	92.5	20.35000
portfolio	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

At the beginning the Bank determines all credit exposure, which includes the accounting balances of loans and accounts receivable from customers plus contingent loans, minus any amount recovered through executing the guarantees. At the exposure amount thus determined is applied the respective expected loss percentages.

Default Portfolio

The provisions over default portfolio include determining, at first, the expected loss rate, deducting any amount recovered by guarantee execution and the present value of recoveries through collection actions, net of related expenses.

Once expected loss range is determined, the related allowance percentage is applied over the exposure amount, which include loans plus contingent loans related to a debtor.

The allowance percentage applied over exposure are as follows:

Classification	Estimated range of loss	Allowance
C1	Up to 3	2%
C2		10%

	More than 50% and up to 80%	
C3	More than 50% and up to 80%	25%
C4	More than 50% and up to 80%	40%
C5	More than 50% and up to 80%	65%
C6	More than 5	90%

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

II. Provisions for group evaluations

The collective evaluation is relevant to address a large number of smaller balance loans related to individuals and small-size companies.

The levels of required allowances have been established by the Bank, in accordance with loan losses methodology by classifying and grouping the loan portfolio based on similar credit risk characteristic indicative of debtor's ability to pay all amounts due according to the contractual terms. The Bank uses models based on debtors' characteristics, payment history, due and default loans, among others.

The Bank uses methodologies to establish credit risk, based on internal models to estimate the allowances for the group-evaluated portfolio, which include non-individually commercial significant loans, mortgage and consumer loans (including installment loans, credit cards and overdraft lines). These methodologies allow us to independently identify the portfolio behavior and establish the provision required to cover losses arising during the year.

The customers are classified according to their internal and external characteristics, using customer-portfolio model to differentiate each portfolio's risk proper and orderly, this is known as the allocation profile method.

The allocation profile method is based on a statistical construction model that establishes a relation through logistic regression between variables such as default, payment behavior outside the Bank, socio-demographic data, among others, and a response variable which determines the client's risk, in this case is 90 or more delinquency days. Afterwards, common profiles are established and assigned a Probability of Non-Performance (PNP) and a recovery rate based on a historical analysis known as Severity (SEV).

Therefore, once the customers have been profiled and assigned a PNP and a SEV relating to the loan's profile, the exposure at default (EXP) is calculated. This exposure includes the book value of the loans and accounts receivable from the customer, plus contingent loans, minus any amount that can be recovered by executing guarantees (for credits other than consumer loans).

Changes in accounting estimates

In 2012, and as a response to the ongoing improvement and monitoring process of the allowance models, the Bank updated its allowance model for consumer loans. Until June 2012, estimated loss rates were established by the historical behavior of charge-offs net of recoveries for each risk profile. This methodology only considered historical debt data for each specific profile and did not include the use of any other statistical information. Since June 2012, loss rate has been estimated as the product of the Probability of Non-Performance (PNP) and Severity (SEV); established according to the historical behavior of the profiles and based on a historical analysis properly supported. These changes had an effect on Consolidated Statement of Income for MCh$ 24,756. The effect of these improvements was considered as a change of estimate, according to International Accounting Standards No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; therefore, the effect was reported on the

Consolidated Statement for the period.

In 2011, the Bank recalibrated their models for mortgage and commercial loans provisions, which caused an effect over the profit and loss for MCh$ 16,258 and MCh$ 16,560, respectively. The effects of these improvements were accounted as a change of estimate according to the IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, and were registered at the Consolidated Financial Statements for the period.

According to the Administration, it is impracticable to determine the effects of these changes in accounting estimate for future periods.

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES continued:

III. Additional provisions

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

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

IV. Charge-offs

As a general rule, charge-offs should be done when the contract rights over cash flow expire. In the case of loans and account receivable from customers, even if the above not happen, the Bank will charged-off those amount in accordance with Title II of Chapter B-2 of the Compendium of Accounting Regulations (SBIF).

These charge-offs refer to derecognition from Consolidated Statements of Financial Position of the corresponding loans operations, therefore, includes a no past due portion of a loan in the case of installments loans or leasing operations (no partial charge-offs exists).

Charge-offs are always recorded under provision for loan losses in accordance with Chapter B-1 of the Compendium of Accounting Regulations (SBIF), whatever cause the charge-off. Subsequent payments obtained from charge-off operations will be recognized at the Consolidated Statement of Income as Recovery of loan previously charge-off.

Loan and accounts receivable charge-offs are recorded on overdue, past due, and current installments based on the past due deadlines presented below:

Type of loan	Term
Consumer loans with or without collateral	6 months
Other transactions without collateral	24 months
Business credits with collateral	36 months
Mortgage loans	48 months

Consumer leasing	6 months
Other non-mortgage leasing transactions	12 months
Mortgage leasing (household and business)	36 months

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

The renegotiated loans only shall recognized as an asset if it is no longer deteriorated, recognizing also the activation as loans previously charge-off.

V. Recovery of loans previously charged off and accounts receivable from clients

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

q) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Consolidated Statements of Financial Position when the Bank:

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

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

The following are classified as contingent in the supplementary information:

i. Guarantees and bonds: Encompasses guarantees, bonds, standby letters of credit and guarantees of payment from buyers in factored receivables.

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

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

iv. Documented guarantees: Guarantees with promissory notes.

v. Interbank guarantee: Guarantees issued.

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

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

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

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

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

Provisions are classified according to the obligation covered as follows:

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

r) Deferred income taxes and other deferred taxes

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

s) Use of estimates

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

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

The Bank has established allowances to cover incurred losses, therefore, to estimate the allowances, they must be regularly evaluated taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers’ payment capacity. Increases in the allowances for loan losses are reflected as “Provision for loan losses” in the Consolidated Statement of Income. Loans are charged-off when management determines that a loan or a portion thereof is uncollectible. Charge-offs are recorded as a reduction of the provisions for loan losses.

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

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

- Impairment losses of certain assets (Notes 7, 8, 9, and 31)
- The useful lives of tangible and intangible assets (Notes 12, 13, and 31)
- The fair value of assets and liabilities (Notes 6, 7, 11, and 34)
- Commitments and contingencies (Note 20)
- Current and deferred taxes (Note 14)

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

t) Non-current assets held for sale

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

Any impairment loss on disposal is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except no losses are recorded in financial assets, deferred assets, employee benefit plan assets, and investment property, which are still evaluated according to the Bank's accounting policies. Impairment losses on the initial classification of held-for-sale assets, and profits and losses from the revaluation are recorded in income. Reversals of impairment losses are recorded to extent they do not result in a higher carrying amount than that originally recorded for "Non-current assets held for sale."

As of March 31, 2013 and 2012 and December 31, 2012 the Bank has not classified any non-current assets as held for sale.

Assets received or awarded in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognized at their fair value (as determined by an independent appraisal). A price is agreed upon by the parties through negotiation, or, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction. In the latter case, an independent appraisal is performed. The excess of the outstanding loan balance over the fair value, is charged to net income for the period, under "Provision for loan losses". Any excess of the fair value over the outstanding loan balance, less costs to sell of the collateral, is returned to the client.

These assets are subsequently adjusted to their net releasable value less cost to sale (assuming a forced sale). The difference between the fair value of the asset and the estimated net releasable value less cost sale is charged to net income for the period, under "Other Operating Expenses". The result obtained in the sale of the asset is subsequently recorded under "Other Operating Income".

Independent appraisals are obtained at least every 18 months and fair values are adjusted accordingly. No adjustments have been made between appraisals considering the stability of the real estate market in Chile during past years and the expected stability of the real estate market in the coming years.

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

u) Earnings per share

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

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

As of March 31, 2013 and 2012 and December 31, 2012 the Bank did not have any instruments that generated diluting effects.

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SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

v) Temporary acquisition (assignment) of assets

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

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

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

Assets owned by third parties and managed by certain companies that are within the Bank's scope of consolidation (Santander Asset Management S.A., Administradora General de Fondos and Santander S.A. Sociedad Securitizadora), are not included in the Consolidated Intermediate Statements of Financial Position. Management fees are included in "Fee and commission income" in the Consolidated Intermediate Statement of Income.

x) Provision for mandatory dividends

As of March 31, 2013 and 2012, and December 31, 2012 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy. Under Article No 79 of the Corporations Act, at least 30% of net income for the period should be distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded, as a deducting item, in the "Retained earnings – Provisions for mandatory dividends" in the Consolidated Statement of Changes in Equity.

y) Employee benefits

i. Post-employment benefits – Defined benefit plan:

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

Features of the Plan:

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

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

d. The Bank will be directly responsible for granting benefits.

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

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

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NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, continued:

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

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

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

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

- Current service cost, defined as the increase in the present value of the obligations arising as a consequence of the services provided by the employees during the period under the "Personnel salaries and expenses" item.
- Interest cost, defined as the increase in the present value of the obligations as a consequence of the passage of time which occurs during the period. When the obligations are shown in liabilities in the Consolidated Statements of Financial Position net of the plan assets, the cost of the liabilities recognized in the Consolidated Statement of Income under "Personnel salaries and expenses" reflects exclusively the obligations recorded as liabilities.
- The expected return on the plan's assets and the gains and losses in their value, less any cost arising from their management and the taxes to which they are subject.