BANCO SANTANDER CHILE
Form 6-K
April 15, 2010

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

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

For the month of April 2010

Commission File Number: 001-14554

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

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

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

Form 20-F	X	Form 40-F

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

Yes No X

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

Yes No X

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

Yes No X

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

Banco Santander Chile

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Banco Santander Chile

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Santander Chile and affiliates as of December 31, 2009 and 2008 and as of January 1, 2008, the results of their operations, the comprehensive income, and the changes in shareholders' equity and cash flows for the years ending December 31, 2009 and 2008, in accordance with Accounting Principles issued by the Superintendency of Banks and Financial Institutions.

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

/s/ Deloitte

January 25, 2010

/s/ Alberto Kulenkampff G.

Alberto Kulenkampff G.

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

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

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

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

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

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

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

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

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

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

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

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

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

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BANCO SANTANDER CHILE AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOW

For the periods ending

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

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

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

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

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

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Corporate Information

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

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

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

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

a) Basis of preparation

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

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

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

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

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

b) Basis of consolidation for the Consolidated Financial Statements

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

Affiliates

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

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Associated entities

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

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

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

Special Purpose Entities

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

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

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

This assessment is based on methods and procedures which consider the risks and profits retained by the Bank, for which all the relevant factors, including the guarantees furnished or the losses associated with collection of the related assets retained by the Bank, are taken into account. As a consequence of this assessment, the Bank concluded that it exercised control over the following entities:

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

c) Minority interests

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

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

d) Operating segments

The Bank discloses separate information for each operating segment that:

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

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

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

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

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

ii.

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

e) Functional and presentation currency

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

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

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

f) Foreign currency transactions

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

Furthermore, the Bank grants loans and accepts deposits in amounts denominated in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies and only held by the Bank are translated to Chilean pesos based on the market rate published by Reuters at 1:30 p.m. on the last business day of every month; the rate used was $507.25 per US$1 as of December 31, 2009 ($641.25 per US$1 as of December 31, 2008 and $497.78 per US$1 as of January 1, 2008). The Affiliates record their foreign currency positions at the exchange rate reported by the Central Bank of Chile at the close of operations on the last business day of the month, amounting to $507.10 per US$1 as of December 31, 2009 ($636.45 per US$1 as of December 31, 2008 and $496.89 per US$1 as of January 1, 2008).

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

g) Definitions and classification of financial instruments

i. Definitions

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

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

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

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

ii. Classification of financial assets for measurement purposes

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

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

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

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

- Held-to-maturity instrument portfolio: this category includes debt securities traded on an active market, with a fixed maturity, and with fixed or determinable payments, for which the Bank has both the intent and a proven ability to hold to maturity. Held to maturity investments are recorded at their cost plus interest earned, minus provisions for impairment established when their recorded value exceeds the estimated recoverable value.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

iii. Classification of financial assets for presentation purposes

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

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

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

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

iv. Classification of financial liabilities for measurement purposes

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

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

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

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

v. Classification of financial liabilities for presentation purposes

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

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

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

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

i. Valuation of financial assets

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

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

ii. Valuation of financial liabilities

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

iii. Valuation techniques

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

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

iv. Recording results

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

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

Adjustments due to changes in fair value from:

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

v. Hedging transactions

The consolidated entities use financial derivatives for the following purposes:

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

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

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

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

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

vi. Derivatives embedded in hybrid financial instruments

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

vii. Offsetting of financial instruments

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

viii. Removal of financial assets and liabilities from accounts

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

i.

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

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

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

i) Recognizing income and expenses

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

i. Interest revenue, interest expense and similar items

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

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

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

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

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Commissions, fees, and similar items

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

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

iii. Non-finance income and expenses

These are recorded for accounting purposes on an accrual basis.

iv. Loan arrangement fees

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

j) Impairment

i. Financial assets:

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

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Non-financial assets:

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

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

k) Property, plant and equipment

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

i. Property, plant and equipment for own use

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

ii. Assets leased out under an operating lease

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

l) Leasing

i. Finance leases

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. Operating leases

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

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

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

iii. Sale and leaseback transactions

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

m) Factored receivables

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

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

n) Intangible assets

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

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

Internally developed computer software

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

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

The estimate of useful life for software is 3 years.

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

o) Cash and cash equivalents

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

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

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

p) Allowances for loan losses

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

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

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

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

Allowances for individual evaluations on commercial loans

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

Allowances for group evaluations

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

Allowances for mortgage and consumer loans

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

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

Additional allowances

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

Charge-offs

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

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

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

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

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

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

Recoveries of previously charged-off loans and accounts receivable

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

q) Provisions, contingent assets and contingent liabilities

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The following are classified as contingent in the complementary information:

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

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

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

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

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

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

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

r) Deferred income taxes and other deferred taxes

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

s) Use of estimates

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

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

t) Non-current assets held for sale

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

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

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

Assets received or awarded in lieu of payment

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

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

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

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

u) Earnings per share

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

v) Temporary acquisition (assignment) of assets

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

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

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

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

x) Provision for mandatory dividends

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

y) Personnel benefits

i. Defined benefit plans:

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

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

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

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

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

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

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

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

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

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

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

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

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

ii. Seniority compensation:

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

ii. Share-based compensation:

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

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

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

z) Consolidated Statement of Changes in Equity

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

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

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

aa) Consolidated Statement of Comprehensive Income

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

Accordingly, this statement presents:

i. Consolidated income for the period.

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

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

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

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

ab) New accounting pronouncements

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

SBIF Circulars

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

i. SBIF Circulars:

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

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

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

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

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

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NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ii. IASB Pronouncements

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

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

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

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

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

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

This amendment of IAS 39 is intended to clarify two concrete issues relating to the recognition of hedges: (a) when inflation may be a hedged risk, and (b) in what cases options purchased as hedges may be used. In relation to the hedging of inflation risk, the amendment provides that it is possible to do so only to the extent it is a contractually identified portion of the cash flows to be hedged. Regarding options, only their intrinsic value can be used as a hedge instrument, but not the time value.

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

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

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

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

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

4. Amendment of IAS 32 Classification of rights over shares

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

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

5. CINIIF 15 Agreements for construction of buildings

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

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

6. Amendments to NIIF 2 Stock-based compensation

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

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

7. IAS 24 Revision-Detail of related parties

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

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

8. CINIIF 19 Cancellation of debt with equity instruments

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

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

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 02 - ACCOUNTING CHANGES:

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

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

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

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

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

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

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

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

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

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

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 02 – ACCOUNTING CHANGES, continued:

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 02 – ACCOUNTING CHANGES, continued:

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

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

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

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 02 – ACCOUNTING CHANGES, continued:

d) Pro forma Balance Sheets

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

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

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

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

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 02 – ACCOUNTING CHANGES, continued:

e) Pro forma Statements of Income

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

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

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

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

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

NOTE 02 - ACCOUNTING CHANGES, continued:

f) Pro forma Statement of Cash Flow

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 02 - ACCOUNTING CHANGES, continued:

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

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

g) Description of principal adjustments

i. Perimeter of consolidation

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

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

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NOTE 02 - ACCOUNTING CHANGES, continued:

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

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

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

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

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

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

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

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

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

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

ii. Associated Entities

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

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NOTE 02 - ACCOUNTING CHANGES, continued:

iii. Price-level restatement

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

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

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

iv. Property, plant and equipment and intangible assets

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

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

v. Assets received in lieu of payment

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

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

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

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

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NOTE 02 - ACCOUNTING CHANGES, continued:

vi. Charge-off of loans

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

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

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

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

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

vii. Deferred taxes

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

viii. Other adjustments

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

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NOTE 03 - SIGNIFICANT EVENTS:

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

a) The Board

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

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

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

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

b) Issuance of bonds

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

Current bonds:

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

F6	UF 3,000,000 (1)	5 years	3.50% per annum simple	9/1/2009	9/1/2014
F7	UF 3,000,000 (2)	4.5 years	3.30% per annum simple	11/1/2009	5/1/2014
Total	UF 18,000,000				

144 A	USD 500,000,000	3 years	2.875% per annum simple	11/13/2009	11/13/2012
144 A	USD 300,000,000	3 years	2.875% per annum simple	11/13/2009	11/13/2012
Total	USD 800,000,000				

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NOTE 03 - SIGNIFICANT EVENTS, continued:

Subordinated bonds

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

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

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

c) Building sale

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

d) Stock purchases

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

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

e) Stock sales

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

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

NOTE 03 - SIGNIFICANT EVENTS, continued:

f) Stock purchases between related companies

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

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

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

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

g) Sale of assets received in lieu of payment

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

h) Loans sold

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

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

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NOTE 04 - BUSINESS SEGMENTS:

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

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

The Bank is comprised of the following business segments:

Individuals

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

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

Small and mid-sized companies (PYMEs)

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

Institutional

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

Companies

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

a. Companies

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

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NOTE 04 - BUSINESS SEGMENTS, continued:

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

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

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

Global Banking and Markets

The Global Banking and Markets segment is comprised of:

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

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

Corporate Activities (“Other”)

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

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

NOTE 04 - BUSINESS SEGMENTS, continued:

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

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

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

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

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NOTE 04 - BUSINESS SEGMENTS, continued:

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

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

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

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NOTE 04 - BUSINESS SEGMENTS, continued:

	As of December 31, 2008							As of January 1, 2008
	Loans and accounts receivable from customers MCh$	Net interest income MCh$	Net fee and commission income MCh$	ROF (2) MCh$	Provision for loan losses MCh$	Support expenses (3) MCh$	Segment's net contribution MCh$	Loans and accounts receivable from customers MCh$
Segments								
Individuals	6,859,547	520,332	160,286	19,460	(221,715)	(281,532)	196,831	5,870,141
Santander Banefe	698,268	137,299	28,292	6,208	(84,295)	(58,842)	28,662	663,721
Commercial Banking	6,161,279	383,033	131,994	13,252	(137,420)	(222,690)	168,169	5,206,420
Small and mid-sized companies (PYMEs)	2,468,820	220,058	39,931	9,452	(53,669)	(61,663)	154,109	2,128,785
Institutional	224,776	17,591	1,789	765	(290)	(7,189)	12,666	209,937
Total Retail	9,553,143	757,981	202,006	29,677	(275,674)	(350,384)	363,606	8,208,863
Companies	2,882,943	113,223	16,846	14,740	(16,188)	(32,692)	95,929	2,491,306
Companies	1,124,918	50,592	8,339	6,666	(8,556)	(17,095)	39,946	990,170
Real estate	1,235,465	19,244	1,712	256	(597)	(4,561)	16,054	517,922
Large Corporations	522,560	43,387	6,795	7,818	(7,035)	(11,036)	39,929	983,214
Global banking and markets	2,221,144	31,783	14,786	60,332	(759)	(31,184)	74,958	1,521,699
Corporate	2,221,144	52,352	14,555	-	(759)	(15,567)	50,581	1,521,699
Treasury	-	(20,569)	231	60,332	-	(15,617)	24,377	-
Other	23,858	(10,921)	9,491	(18,314)	4,638	(13,908)	(29,014)	76,772
Totals	14,681,088	892,066	243,129	86,435	(287,983)	(428,168)	505,479	12,298,640
Other operating income						18,222		
Other operating expenses						(41,594)		
Income from investments in other companies						632		
Income tax expense						(60,087)		
Consolidated income for the period						422,652		

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

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NOTE 05 - CASH AND CASH EQUIVALENTS:

a) The detail of the balances included under cash and cash equivalents is as follows:

	As of December 31, 2009 MCh$	As of December 31, 2008 MCh$	As of January 1, 2008 MCh$
Cash and bank deposits			
Cash	418,987	337,509	299,329
Deposits in the Central Bank of Chile	988,978	189,183	48,011
Deposits in domestic banks	255	874	783
Deposits in foreign banks	635,238	327,845	760,514
Subtotals - Cash and bank deposits	2,043,458	855,411	1,108,637
Unsettled transactions, net	192,660	192,853	181,021
Total cash and cash equivalents	2,236,118	1,048,264	1,289,658

The level of funds in cash and at the Central Bank of Chile reflects regulations governing the reserves that the Bank must maintain on average in monthly periods.

b) Unsettled Transactions

Unsettled transactions are transactions in which only settlement remains pending, which will increase or decrease funds in the Central Bank of Chile or in foreign banks, normally within the next 24 to 48 business hours from the end of each period. These transactions are presented according to the following detail:

	As of December 31, 2009 MCh$	As of December 31, 2008 MCh$	As of January 1, 2008 MCh$
Assets			
Documents held by other banks (documents to be exchanged)	206,454	214,929	183,190
Funds receivable	261,680	120,476	133,050
Subtotals	468,134	335,405	316,240
Liabilities			
Funds payable	275,474	142,552	135,219

Subtotals	275,474	142,552	135,219
Unsettled transactions, net	192,660	192,853	181,021

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NOTE 06 - TRADING INVESTMENTS:

The detail of the instruments deemed as financial trading investments is as follows:

		As of December 31,		As of January 1,
		2009	2008	2008
		MCh$	MCh$	MCh$
Chilean Central Bank and Government securities:				
	Chilean Central Bank Bonds	667,703	786,263	552,128
	Chilean Central Bank Notes	63,868	218,355	251,958
	Other Chilean Central Bank and Government securities	29,806	71,739	117,240
	Subtotals	761,377	1,076,357	921,326
Other Chilean securities:				
	Time deposits in Chilean financial institutions	-	-	10,039
	Mortgage finance bonds of Chilean financial institutions	11	2,787	32,713
	Chilean financial institutions bonds	-	3,030	7,742
	Chilean corporate bonds	-	24,832	11,541
	Other Chilean securities	-	-	15,343
	Subtotals	11	30,649	77,378
Foreign financial securities:				
	Foreign Central Banks and Government securities	-	-	-
	Other foreign financial instruments	-	-	6,927
	Subtotals	-	-	6,927
Investments in mutual funds:				
	Funds managed by related entities	37,151	59,420	87,814
	Funds managed by others	-	-	-
	Subtotals	37,151	59,420	87,814
Totals		798,539	1,166,426	1,093,445

Instruments sold under repurchase agreements to customers and financial institutions totaling $506,127 million, $23,410 million, and $96,162 million as of December 31, 2009, 2008 and January 1, 2008, respectively, are included in the “Chilean Central Bank and Government securities” item.

As of December 31, 2008 and January 1, 2008, instruments sold under repurchase agreements to customers and financial institutions totaling $971 million and $294 million, respectively, are included under Other Chilean securities and Foreign financial securities. As of December 31, 2009 there were no transactions with this category of instruments.

The repurchase agreements have an average maturity of 40 days as of December 31, 2009 (27 and 28 days as of December 31 and January 1, 2008, respectively).

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NOTE 07 – INVESTMENTS UNDER RESALE AGREEMENTS:

a) Rights arising from resale agreements

The Bank purchases financial instruments agreeing to resell them at a future date. As of December 31, 2009, 2008 and January 1, 2008 the instruments acquired under resale agreements are as follows:

	As of December 31, 2009				2008				As of January 1, 2008			
	From 1 day and less than 3 months MCh$	More than three months and less than one year MCh$	More than one year MCh$	Total MCh$	From 1 day and less than 3 months MCh$	More than three months and less than one year MCh$	More than one year MCh$	Total MCh$	From 1 day and less than 3 months MCh$	More than three months and less than one year MCh$	More than one year MCh$	Total MCh$
Chilean Central Bank and Government securities:												
Chilean Central Bank Bonds	14,020	-	-	14,020	-	-	-	-	15,533	-	-	15,533
Chilean Central Bank Notes	-	-	-	-	-	-	-	-	9,695	-	-	9,695
Other Chilean Government Central Bank instruments	-	-	-	-	-	-	-	-	1,349	-	-	1,349
Subtotals	14,020	-	-	14,020	-	-	-	-	26,577	-	-	26,577
Other Chilean securities:												
Time deposits in Chilean financial institutions	-	-	-	-	-	-	-	-	770	-	-	770
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-	6,652	-	-	6,652
Chilean financial institutions bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments issued in Chile	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals									7,422			7,422
Foreign financial securities:												

Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds:												
Funds managed by related entities	-	-	-	-	-	-	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-	-	-	-	-
Totals	14,020	-	-	14,020	-	-	-	-	33,999	-	-	33,999

Pursuant to the current SBIF standards, the Bank does not record instruments acquired under repurchase agreements as its own portfolio.

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NOTE 07 - INVESTMENTS UNDER RESALE AGREEMENTS, continued:

b) Obligations arising from repurchase agreements

The Bank raises funds by selling financial instruments and committing itself to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2009, 2008 and January 1, 2008, the instruments sold under repurchase agreements are as follows:

	As of December 31, 2009				As of December 31, 2008				As of January 1, 2008			
	From 1 day and less than 3 months MCh$	More than three months and less than one year MCh$	More than one year MCh$	Total MCh$	From 1 day and less than 3 months MCh$	More than three months and less than one year MCh$	More than one year MCh$	Total MCh$	From 1 day and less than 3 months MCh$	More than three months and less than one year MCh$	More than one year MCh$	Total MCh$
Chilean Central Bank and Government securities:												
Chilean Central Bank Bonds	313,588	451,765	-	765,353	402,760	-	-	402,760	191,437	2,940	-	194,377
Chilean Central Bank Notes	100,072	45,224	-	145,296	12,901	86	91	13,078	86,903	3,501	-	90,404
Other Chilean Government Central Bank instruments	21	-	-	21	54	-	-	54	5,604	-	-	5,604
Subtotals	413,681	496,989		910,670	415,715	86	91	415,892	283,944	6,441		290,385
Other Chilean securities:												
Time deposits in Chilean financial institutions	94,485	242	-	94,727	133,313	10,432	175	143,920	4,498	7,947	-	12,445
Mortgage finance bonds of Chilean financial institutions	139	109,069	-	109,208	1,816	-	587	2,403	4,507	-	-	4,507
Chilean financial institutions bonds	-	-	-	-	-	8	-	8	293	-	-	293

Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments issued in Chile	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	94,624	109,311	-	203,935	135,129	10,440	762	146,331	9,298	7,947	-	17,245
Foreign financial securities:												
Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals												
Investments in mutual funds:												
Funds managed by related entities	-	-	-	-	-	-	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-	-	-	-	-
Totals	508,305	606,300	-	1,114,605	550,844	10,526	853	562,223	293,242	14,388	-	307,630

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NOTE 07 - INVESTMENTS UNDER RESALE AGREEMENTS, continued:

As of December 31, 2009, 2008 and January 1, 2008, the detail of instruments sold under repurchase agreements, by type of portfolio, is as follows:

	As of December 31, 2009			2008			As of January 1, 2008		
	Available for Sale portfolio MCh$	Trading Portfolio MCh$	Total Instruments with agreement MCh$	Available for Sale portfolio MCh$	Trading Portfolio MCh$	Total Instruments with agreement MCh$	Available for Sale portfolio MCh$	Trading Portfolio MCh$	Total Instruments with agreement MCh$
Chilean Central Bank and Government securities:									
Chilean Central Bank Bonds	277,209	506,127	783,336	403,416	11,601	415,017	112,839	62,928	175,767
Chilean Central Bank Notes	152,173	-	152,173	-	11,809	11,809	44,775	33,234	78,009
Other Chilean Government Central Bank instruments	21	-	21	54	-	54	5,604	-	5,604
Subtotals	429,403	506,127	935,530	403,470	23,410	426,880	163,218	96,162	259,380
Other Chilean securities:									
Time deposits in Chilean financial institutions	102,974	-	102,974	97,351	44,671	142,022	-	16,857	16,857
Mortgage finance bonds of Chilean financial	163,114	-	163,114	1,204	1,206	2,410	-	4,534	4,534

institutions									
Chilean financial institutions bonds	-	-	-	-	-	-	-	294	294
Chilean corporate bonds	-	-	-	-	-	-	-	-	-
Other instruments issued in Chile	-	-	-	-	-	-	-	-	-
Subtotals	266,088	-	266,088	98,555	45,877	144,432	-	21,685	21,685
Foreign financial securities:									
Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-	-	-	-
Investments in mutual funds:									
Funds managed by related entities	-	-	-	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-	-
Totals	695,491	506,127	1,201,618	502,025	69,287	571,312	163,218	117,847	281,065

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING:

a) As of December 31, 2009 and 2008, and as of January 1, 2008, the Bank holds the following portfolio of derivative instruments:

	As of December 31, 2009				
	Notional amount			Fair value	
	Up to 3 months MCh$	More than 3 months to one year MCh$	More than one year MCh$	Assets MCh$	Liabilities MCh$
Hedging derivatives at fair value					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	86,963	580,132	2,446	3,794
Cross currency swaps	-	26,079	583,035	16,972	805
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	-	-	-	-	-
Subtotals	-	113,042	1,163,167	19,418	4,599
Cash flow hedging derivatives					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Cross currency swaps	51,993	582,830	73,551	4,741	52,301
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	-	-	-	-	-
Subtotals	51,993	582,830	73,551	4,741	52,301
Trading derivatives					
Currency forwards	6,533,147	4,195,874	587,541	199,665	184,112
Interest rate swaps	2,418,161	4,240,574	9,618,573	243,965	330,975
Cross currency swaps	887,942	1,594,972	9,880,693	922,498	772,959
Call currency options	34,341	22,107	-	203	43
Call interest rate options	122	5,189	39,900	281	595
Put currency options	33,198	15,487	-	3,083	3,232
Put interest rate options	-	-	-	-	-

Interest rate futures		-	-	-	-	-
Other derivatives		29,320	-	-	24	90
	Subtotals	9,936,231	10,074,203	20,126,707	1,369,719	1,292,006
Totals		9,988,224	10,770,075	21,363,425	1,393,878	1,348,906

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

	As of December 31, 2008				
	Notional amount			Fair value	
	Up to 3 months MCh$	More than 3 months to one year MCh$	More than one year MCh$	Assets MCh$	Liabilities MCh$
Hedging derivatives at fair value					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	45,849	1,234	1,332
Cross currency swaps	-	-	359,100	106,335	-
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	-	-	-	-	-
Subtotals	-	-	404,949	107,569	1,332
Cash flow hedging derivatives					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Cross currency swaps	51,300	573,598	128,250	73,036	151
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	-	-	-	-	-
Subtotals	51,300	573,598	128,250	73,036	151
Derivatives for trading					
Currency forwards	5,643,973	2,983,543	438,347	600,199	302,479
Interest rate swaps	3,865,373	4,635,536	9,922,492	239,867	362,813
Cross currency swaps	619,041	1,634,073	9,281,020	803,199	780,614
Call currency options	225,936	157,871	1,347	21,901	18,126
Call interest rate options	-	128,250	-	-	45
Put currency options	195,792	138,795	1,347	657	4,164
Put interest rate options	-	64,125	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	15,016	-	-	81	-
Subtotals	10,565,131	9,742,193	19,644,553	1,665,904	1,468,241

Totals	10,616,431	10,315,791	20,177,752		1,846,509	1,469,724

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

	As of January 1, 2008				
	Notional amount			Fair value	
	Up to 3 months MCh$	More than 3 months to one year MCh$	More than one year MCh$	Assets MCh$	Liabilities MCh$
Hedging derivatives at fair value					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	121,209	3,891	502
Cross currency swaps	-	-	278,757	-	9,246
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	-	-	-	-	-
Subtotals	-	-	399,966	3,891	9,748
Cash flow hedging derivatives					
Currency forwards	-	-	-	-	-
Interest rate swaps	-	-	-	-	-
Cross currency swaps	-	-	472,891	-	55,171
Call currency options	-	-	-	-	-
Call interest rate options	-	-	-	-	-
Put currency options	-	-	-	-	-
Put interest rate options	-	-	-	-	-
Interest rate futures	-	-	-	-	-
Other derivatives	-	-	-	-	-
Subtotals	-	-	472,891	-	55,171
Trading derivatives					
Currency forwards	5,776,546	3,938,733	785,841	111,681	159,969
Interest rate swaps	1,935,239	3,254,410	8,759,290	86,515	159,146
Cross currency swaps	133,688	460,902	6,557,457	576,515	392,337
Call currency options	64,751	29,708	644	262	292
Call interest rate options	-	-	74,667	1	-
Put currency options	159,781	36,532	-	1,501	1,172
Put interest rate options	-	-	75,667	-	9
Interest rate futures	-	-	-	-	-
Other derivatives	196,371	2,943	-	409	373
Subtotals	8,266,376	7,723,228	16,253,566	776,884	713,298

Totals	8,266,376	7,723,228	17,126,423		780,775	778,217

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

b) Hedge Accounting

Fair value hedges:

The Bank uses cross-currency swaps, interest rate swaps, and call money swaps to hedge its exposure to changes in the fair value of the hedged elements attributable to interest rates. The aforementioned hedge instruments change the effective cost of long-term issuances from a fixed interest rate to a variable interest rate, decreasing the duration and modifying the sensitivity to the shortest segments of the curve.

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of December 31, 2009 and 2008, and as of January 1, 2008, classified by term to maturity:

	As of December 31, 2009			
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years
	MCh$	MCh$	MCh$	MCh$
Hedged element				
Chilean Central Bank Bonds in Pesos (BCP)	-	-	10,320	37,173
Chilean Central Bank Bonds in UF (BCU)	-	83,113	57,911	31,588
Corporate bonds	-	-	10,906	-
Senior bonds	-	405,800	-	-
Subordinated bonds	-	111,595	152,175	-
Short-term loans	-	-	25,000	22,191
Interbank loans	-	131,885	-	-
Time deposits	113,042	4,640	-	-
Mortgage bonds	-	-	-	78,870
Totals	113,042	737,033	256,312	169,822
Hedge instrument				
Cross currency swap	26,079	214,998	220,406	147,631
Interest rate swap	71,963	517,395	10,906	-
Call money swap	15,000	4,640	25,000	22,191
Totals	113,042	737,033	256,312	169,822

	As of December 31, 2008			
	Within 1 year			Over 6 years

		Between 1 and 3 years	Between 3 and 6 years	
	MCh$	MCh$	MCh$	MCh$
Hedged element				
Senior bonds	-	-	13,787	-
Subordinated bonds	-	166,725	224,437	-
Totals	-	166,725	238,224	-
Hedge instrument				
Cross currency swap	-	166,725	192,375	-
Interest rate swap	-	-	45,849	-
Totals	-	166,725	238,224	-

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

	As of January 1, 2008			
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$
Hedged element				
Corporate bonds	-	-	10,702	-
Subordinated bonds	-	-	110,507	149,334
Interbank loans	-	-	129,423	-
Totals	-	-	250,632	149,334
Hedge instrument				
Cross currency swap	-	-	129,423	149,334
Interest rate swap	-	-	121,209	-
Totals	-	-	250,632	149,334

Cash flow hedges:

The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and interbank loans at a variable rate. The cash flows of the cross currency swaps equal the cash flows of the hedged items, which modify uncertain cash flows to known cash flows derived from a fixed interest rate.

Below is the nominal amount of the hedged items as of December 31, 2009 and 2008, and as of January 1, 2008, and the period when the cash flows will be generated:

	As of December 31, 2009			
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$
Hedged element				
Bonds	-	-	-	-
Interbank loans	634,823	73,551	-	-
Totals	634,823	73,551	-	-
Hedge instrument				
Cross currency swap	634,823	73,551	-	-
Totals	634,823	73,551	-	-

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

	As of December 31, 2008			
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years
	MCh$	MCh$	MCh$	MCh$
Hedged element				
FRN bonds	256,500	-	-	-
Interbank loans	368,398	128,250	-	-
Totals	624,898	128,250	-	-
Hedge instrument				
Cross currency swap	624,898	128,250	-	-
Totals	624,898	128,250	-	-

	As of January 1, 2008			
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years
	MCh$	MCh$	MCh$	MCh$
Hedged element				
FRN bonds	-	199,112	-	-
Interbank loans	-	273,779	-	-
Totals	-	472,891	-	-
Hedge instrument				
Cross currency swap	-	472,891	-	-
Totals	-	472,891	-	-

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

Below is an estimate of the periods in which the flows are expected to be produced:

	As of December 31, 2009			
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$
Hedged element				
Inflows	-	-	-	-
Outflows	(7,570)	(1,487)	-	-
Net flows	(7,570)	(1,487)	-	-
Hedge instrument				
Inflows	7,570	1,487	-	-
Outflows	(2,570)	(938)	-	-
Net flows	5,000	549	-	-

	As of December 31, 2008			
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$
Hedged element				
Inflows	-	-	-	-
Outflows	(13,212)	(645)	-	-
Net flows	(13,212)	(645)	-	-
Hedge instrument				
Inflows	13,212	645	-	-
Outflows	(13,464)	(1,155)	-	-
Net flows	(252)	(510)	-	-

	As of January 1, 2008			
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$
Hedged element				
Inflows	-	-	-	-
Outflows	-	(37,403)	-	-

Net flows	-	(37,403)	-	-
Hedge instrument				
Inflows	-	37,403	-	-
Outflows	-	(28,173)	-	-
Net flows	-	9,230	-	-

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NOTE 08 - DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING, continued:

c) The income generated by cash flow hedges whose effect was recorded in the Consolidated Statement of Changes in Shareholders' Equity as of December 31, 2009 and 2008 is shown below:

	As of December 31,	
	2009 MCh$	2008 MCh$
Senior bond	-	3,163
Loan	(3,162)	7,710
Net flows	(3,162)	10,873

Since the variable flows for both the hedged element and the hedging element mirror each other, the hedges are 100% efficient, which means that the variations of value attributable to rate components are netted out.

In the 2009 and 2008 period the Bank does not record expected future transactions in its cash flow hedge accounting portfolio.

d) Below is a presentation of income generated by cash flow derivatives whose effect was transferred from other comprehensive income to income for the period:

	As of December 31,	
	2009 MCh$	2008 MCh$
Senior bond	-	-
Loan	(66)	-
Net income from cash flow hedges	(66)	-

e) Net investment hedges for foreign businesses:

As of December 31, 2009 and 2008, the Bank does not present foreign net investment hedges in its hedge accounting portfolio.

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NOTE 09 - INTERBANK LOANS:

a) At December 31, 2009, 2008 and January 1, 2008, the balances in the "Interbank loans" item are as follows:

	As of December 31, 2009 MCh$	2008 MCh$	As of January 1, 2008 MCh$
Domestic banks			
Loans and advances to banks	3	-	45,961
Deposits in the Central Bank of Chile	-	-	-
Nontransferable Chilean Central Bank Bonds	-	-	-
Other Central Bank of Chile loans	-	-	-
Interbank loans	-	-	-
Overdrafts in checking accounts	-	-	-
Nontransferable domestic bank loans	-	-	-
Other domestic bank loans	-	-	-
Allowances and impairment for domestic bank loans	-	-	-
Foreign banks			
Loans to foreign banks	23,409	95,534	-
Overdrafts in current accounts	-	-	-
Nontransferable foreign bank deposits	-	-	-
Other foreign bank loans	-	-	-
Allowances and impairment for foreign bank loans	(42)	(35)	-
			-
Totals	23,370	95,499	45,961

b) The amount in each period for allowances and impairment of interbank loans is shown below:

	As of December 31, 2009 Domestic banks MCh$	2009 Foreign banks MCh$	2009 Total MCh$	2008 Domestic banks MCh$	2008 Foreign banks MCh$	2008 Total MCh$
As of January 1	-	35	35	-	-	-
Charge-offs	-	-	-	-	-	-
Allowances established	-	7	7	-	35	35
Allowances released	-	-	-	-	-	-
Totals	-	42	42	-	35	35

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NOTE 10 - LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS:

a) Loans and accounts receivables from customers

As of December 31, 2009, 2008 and January 1, 2008, the composition of the loan portfolio is as follows:

As of December 31, 2009	Assets before allowances			Allowances established			
	Normal portfolio MCh$	Substandard loans (*) MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Net assets MCh$
Commercial loans							
Commercial loans	4,832,638	656,957	5,489,595	45,857	78,418	124,275	5,365,320
Foreign trade loans	531,487	104,841	636,328	21,732	1,295	23,027	613,301
General purpose mortgage loans	69,060	23,851	92,911	623	2,947	3,570	89,341
Factoring transactions	126,106	4,166	130,272	1,642	744	2,386	127,886
Leasing transactions	890,107	74,591	964,698	6,531	1,308	7,839	956,859
Other loans and accounts receivables from customers	1,026	9,932	10,958	1,912	3,430	5,342	5,616
Subtotals	6,450,424	874,338	7,324,762	78,297	88,142	166,439	7,158,323
Mortgage loans							
Loans with mortgage finance bonds	169,827	5,765	175,592	-	576	576	175,016
Mortgage mutual loans	139,890	59,249	199,139	-	9,040	9,040	190,099
Other mortgage mutual loans	3,717,188	67,134	3,784,322	-	6,918	6,918	3,777,404
Leasing transactions	-	-	-	-	-	-	-
Subtotals	4,026,905	132,148	4,159,053	-	16,534	16,534	4,142,519
Consumer loans							
Installment consumer loans	945,924	432,120	1,378,044	-	130,532	130,532	1,247,512
Credit card balances	564,685	22,252	586,937	-	24,433	24,433	562,504
Consumer leasing contracts	3,447	388	3,835	-	9	9	3,826
Other consumer loans	250,742	24,491	275,233	-	11,538	11,538	263,695
Subtotals	1,764,798	479,251	2,244,049	-	166,512	166,512	2,077,537
Totals	12,242,127	1,485,737	13,727,864	78,297	271,188	349,485	13,378,379

(*) Pursuant to Chapter E, Title I, Section #2 of the Compendium of Accounting Standards issued by the SBIF, up to November 30, 2009, for the purposes of determining the substandard loans it was not required to automatically include loans of a borrower subject to group assessment who was current or overdue for less than 90 days.

Accordingly, commencing December 1, 2009, this category includes 100% of the loans or accounts receivables a given borrower may have that are subject to group assessment when any of them is 90 days or more overdue (whether the rest are current, less than 90 days in arrears, or past due).

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NOTE 10 - LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued:

As of December 31, 2008	Assets before allowances			Allowances established			
	Normal portfolio MCh$	Substandard loans MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Net assets MCh$
Commercial loans							
Commercial loans	5,206,239	269,216	5,475,455	31,880	52,417	84,297	5,391,158
Foreign trade loans	1,381,928	77,256	1,459,184	11,287	1,301	12,588	1,446,596
General purpose mortgage loans	105,871	15,529	121,400	1,017	2,557	3,574	117,826
Factoring transactions	318,676	4,460	323,136	1,309	546	1,855	321,281
Leasing transactions	932,200	32,894	965,094	5,830	643	6,473	958,621
Other loans and accounts receivables from customers	3,730	7,861	11,591	2,768	2,574	5,342	6,249
Subtotals	7,948,644	407,216	8,355,860	54,091	60,038	114,129	8,241,731
Mortgage loans							
Loans with mortgage finance bonds	221,017	7,705	228,722	-	968	968	227,754
Mortgage mutual loans	165,813	31,492	197,305	-	4,400	4,400	192,905
Other mortgage mutual loans	3,472,866	81,663	3,554,529	-	7,262	7,262	3,547,267
Leasing transactions	-	-	-	-	-	-	-
Subtotals	3,859,696	120,860	3,980,556	-	12,630	12,630	3,967,926
Consumer loans							
Installment consumer loans	1,036,068	311,074	1,347,142	-	106,313	106,313	1,240,829
Credit card balances	562,297	20,296	582,593	-	28,162	28,162	554,431
Consumer leasing contacts	4,807	58	4,865	-	-	-	4,865
Other consumer loans	303,783	10,755	314,538	-	12,971	12,971	301,567
Subtotals	1,906,955	342,183	2,249,138	-	147,446	147,446	2,101,692
Totals	13,715,295	870,259	14,585,554	54,091	220,114	274,205	14,311,349

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NOTE 10 - LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued:

As of January 1, 2008	Assets before allowances			Allowances established			
	Normal portfolio MCh$	Substandard loans MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Net assets MCh$
Commercial loans							
Commercial loans	4,480,505	245,404	4,725,909	25,546	43,295	68,841	4,657,068
Foreign trade loans	800,872	13,607	814,479	2,696	841	3,537	810,942
General purpose mortgage loans	136,016	13,137	149,153	523	2,266	2,789	146,364
Factoring transactions	261,468	5,177	266,645	710	939	1,649	264,996
Leasing transactions	848,044	26,899	874,943	4,284	1,405	5,689	869,254
Other loans and accounts receivables from customers	3,220	4,135	7,355	1,345	1,663	3,008	4,347
Subtotals	6,530,125	308,359	6,838,484	35,104	50,409	85,513	6,752,971
Mortgage loans							
Loans with mortgage finance bonds	267,082	3,764	270,846	-	1,389	1,389	269,457
Mortgage mutual loans	9,616	200,080	209,696	-	3,364	3,364	206,332
Other mortgage mutual loans	2,815,468	48,405	2,863,873	-	4,570	4,570	2,859,303
Leasing transactions	-	-	-	-	-	-	-
Subtotals	3,092,166	252,249	3,344,415	-	9,323	9,323	3,335,092
Consumer Loans							
Installment consumer loans	983,554	263,547	1,247,101	-	97,482	97,482	1,149,619
Credit card balances	513,813	11,517	525,330	-	25,471	25,471	499,859
Consumer leasing contacts	4,575	120	4,695	-	-	-	4,695
Other consumer loans	279,971	12,683	292,654	-	12,615	12,615	280,039
Subtotals	1,781,913	287,867	2,069,780	-	135,568	135,568	1,934,212
Totals	11,404,204	848,475	12,252,679	35,104	195,300	230,404	12,022,275

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NOTE 10 - LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued:

b) Portfolio characteristics:

As of December 31, 2009, 2008 and January 1, 2008, the portfolio before allowances has the following detail by customer's economic activity:

	Domestic loans (*)			Foreign loans			Total loans			Distributio percentage		
	As of December 31,		As of January 1,	As of December 31,		As of January 1,	As of December 31,		As of January 1,	As of December 31,		As Jan
	2009 MCh$	2008 MCh$	2008 MCh$	2009 MCh$	2008 MCh$	2008 MCh$	2009 MCh$	2008 MCh$	2008 MCh$	2009 %	2008 %	20 %
Commercial loans												
Manufacturing	640,395	937,305	717,824	-	-	-	640,395	937,305	717,824	4.66	6.39	
Mining	67,057	323,269	51,570	-	-	-	67,057	323,269	51,570	0.49	2.21	
Electricity, gas and water	144,386	207,542	195,992	-	-	-	144,386	207,542	195,992	1.05	1.41	
Agriculture and livestock	610,909	647,897	483,522	-	-	-	610,909	647,897	483,522	4.44	4.40	
Forest	71,085	88,554	66,841	-	-	-	71,085	88,554	66,841	0.52	0.60	
Fishing	127,025	170,934	109,739	-	-	-	127,025	170,934	109,739	0.93	1.16	
Transport	362,508	423,856	303,561	-	-	-	362,508	423,856	303,561	2.64	2.89	
Communications	164,077	192,750	176,299	-	-	-	164,077	192,750	176,299	1.20	1.31	
Construction	817,293	887,391	779,106	-	-	-	817,293	887,391	779,106	5.95	6.04	
Commerce (**)	1,650,903	2,219,987	1,638,178	23,409	95,534	-	1,674,312	2,315,521	1,638,178	12.03	15.78	1
Services	288,256	395,840	348,282	-	-	-	288,256	395,840	348,282	2.10	2.70	
Other	2,380,871	1,860,535	2,013,531	-	-	-	2,380,871	1,860,535	2,013,531	17.34	12.68	1
Subtotals	7,324,765	8,355,860	6,884,445	23,409	95,534	-	7,348,174	8,451,394	6,884,445	53.35	57.57	5
Mortgage loans	4,159,053	3,980,556	3,344,415	-	-	-	4,159,053	3,980,556	3,344,415	30.30	27.11	2
Consumer loans	2,244,049	2,249,138	2,069,780	-	-	-	2,244,049	2,249,138	2,069,780	16.35	15.32	1
Totals	13,727,867	14,585,554	12,298,640	23,409	95,534	-	13,751,276	14,681,088	12,298,640	100	100	

(*) Includes domestic loans and accounts receivables from customers and interbank loans (Note 09).
(**) Includes loans to domestic financial institutions amounting to $3 million as of December 31, 2009 ($45,961 million as of January 1, 2008).
As of December 31, 2008 there were no such loans.

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NOTE 10 - LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued:

c) Allowances

The allowance activities in the 2009 and 2008 periods are as follows:

	As of December 31,					
	2009			2008		
	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$
Balances as of January 1,	54,091	220,114	274,205	35,104	195,300	230,404
Portfolio charge offs:	-	-	-	-	-	-
Commercial loans	(4,898)	(43,220)	(48,118)	(3,796)	(29,139)	(32,935)
Mortgage loans	-	(8,708)	(8,708)	-	(5,032)	(5,032)
Consumer loans	-	(239,005)	(239,005)	-	(236,405)	(236,405)
Total charge offs loans	(4,898)	(290,933)	(295,831)	(3,796)	(270,576)	(274,372)
Allowances established	34,739	363,670	398,409	25,508	300,578	326,086
Allowances released	(5,635)	(21,663)	(27,298)	(2,725)	(5,188)	(7,913)
Totals	78,297	271,188	349,485	54,091	220,114	274,205

In addition to these loan loss allowances, there are allowances to mitigate country risk for foreign operations, which are recorded as liabilities under the item "Provisions".

Contingent loan loss allowances are recorded as liabilities under the item "Provisions". (For further details see Note 22).

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NOTE 11 - LOAN PURCHASES, SALES AND SUBSTITUTIONS:

In 2009 the following loan trading operations were conducted:

	As of December 31, 2009			
	Book value MCh$	Sale value MCh$	Allowances MCh$	Effect on income MCh$
Loans item				
(1)	-	8,689	-	8,689
(2)	14,847	15,389	-	542

(1) In 2009 the Bank sold part of its loan portfolio that had been charged off. The transfer of rights was made in November 2009, for a total of $8,689 million, which was recorded as income from sale of charged-off portfolio in its entirety.

(2) In addition, current portfolio totaling $15,389 million was sold in 2009, generating an income from portfolio sale of approximately $542 million.

In 2008 the following loan trading operations have been conducted:

	As of December 31, 2008			
	Book value MCh$	Sale value MCh$	Allowances MCh$	Effect on income MCh$
Loans item				
(1)	-	5,811	-	5,811
(2)	-	7,611	1,611	6,000
(3)	22,257	23,237	-	980
(4)	-	-	-	2,226

(1) In 2008 the Bank sold part of its loan portfolio that had been charged off: The transfer of rights was made in February 2008, for a total of $5,811 million, which was recorded as income from sale of charged-off portfolio.

(2) Transfer of Rights in August 2008, which represented at total of $7,611 million for the portfolio sale, $6,000 million of which was recorded as income and the remaining $1,611 million remained available in a special account for potential price adjustments that might occur in the future, in accordance with the procedure established in the contract.

(3) In addition, through the Leasing Bank Division, on August 20, 2008 a current transaction was sold for a total of \$23,237 million, generating an income from portfolio sale of approximately \$980 million.

(4) In 2007 the Bank sold part of the charged-off loan portfolio in the Transfer of Rights conducted on March 9, 2007, for a total price of approximately \$39,603 million, of which \$9,901 million remained in a special account for potential future price adjustments, pursuant to the procedure established in the loan assignment contract (escrow deposit). In March 2007 approximately \$4,094 million of the loans that were cancelled between the cut-off date for the loans to be assigned (September 30, 2006) and the date on which this assignment was formalized (March 9, 2007) was refunded. Hence, the net amount recorded as charged-off portfolio recoveries for this operation was \$25,608 million.

Finally, on December 14, 2007, by means of a public instrument, the rights transfer and escrow deposit contract were amended and concluded. According to this last amendment, the Bank would receive \$2,424 million (\$2,226 million at historic value) in 2008 from the aforementioned price adjustment, which actually happened during the first quarter of 2008.

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NOTE 12 – AVAILABLE FOR SALE INVESTMENTS:

As of December 31, 2009 and 2008, the detail of available for sale investments is as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Chilean Central Bank and Government securities			
Chilean Central Bank Bonds	1,063,879	690,123	282,561
Chilean Central Bank Notes	264,011	49,204	54,305
Other Chilean Central Bank and Government securities	212,362	93,128	109,194
Subtotals	1,540,252	832,455	446,060
Other Chilean securities			
Time deposits in Chilean financial institutions	41,407	1,305	-
Mortgage finance bonds of Chilean financial institutions	236,847	284,033	273,010
Chilean financial institutions bonds	-	-	-
Chilean corporate bonds	11,584	13,522	10,638
Other Chilean securities	-	-	-
Subtotals	289,838	298,860	283,648
Foreign financial securities			
Foreign Central Banks and government securities	-	-	-
Other foreign financial securities	-	448,925	49,927
Subtotals	-	448,925	49,927
Totals	1,830,090	1,580,240	779,635

Chilean Central Bank and Government securities include instruments sold to customers and financial institutions under agreements to repurchase in the amount of $403,295 million and $58,859 million as of December 31, 2009, 2008 and January 1, 2008, respectively.

As of December 31, 2009 available for sale investments included unrealized net losses of $29,304 million, recorded as a “Valuation adjustment in equity,” distributed between $29,132 million attributable to Bank shareholders and $172 million attributable to minority interest.

As of December 31, 2008 available for sale investments included unrealized net losses of $20,019 million, recorded as a “Valuation adjustment” in Shareholders’ equity, distributed between $19,972 million attributable to Bank shareholders and $47 million attributable to minority interest.

As of January 1, 2008 available for sale investments included unrealized net losses of $5,548 million, recorded as a “Valuation adjustment” in Shareholders’ equity, attributable solely to Bank shareholders.

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NOTE 12 - INVESTMENT INSTRUMENTS, continued:

Realized profits and losses are calculated as the proceeds from sales less the cost (specific identification method) of the investments identified as for sale. In addition, any unrealized profit or loss previously recorded in equity for these investments is reversed when recorded in the income statements.

Gross profits and losses realized on the sale of available for sale investments as of December 31, 2009 and 2008 are as follows:

	As of December 31,	
	2009 MCh$	2008 MCh$
Proceeds from sale of available for sale investments generating realized profits	5,577,210	697,089
Realized profits	56,977	2,765
Proceeds from sale of available for sale investments generating realized losses	1,830,765	774,658
Realized losses	5,060	1,897

The Bank reviewed the unrealized instruments with losses as of December 31, 2009, 2008 and January 1, 2008 and concluded that there was no impairment other than temporary impairment. This review consisted of evaluating the economic reasons for any declines, the credit ratings of the securities' issuers and the Bank's intention and ability to hold the securities until the unrealized loss is recovered. Based on this analysis, the Bank believes that there were no other than temporary impairments in its investment portfolio, since most of the decline in fair value of these securities was caused by market conditions which the Bank considers to be temporary. Most of the instruments that have unrealized losses as of December 31, 2009, 2008 and January 1, 2008 were in a continuous unrealized loss position for less than one year.

The realized value and fair value of the available for sale investments as of December 31, 2009, 2008 and January 1, 2008 are as follows:

	As of December 31, 2009			
	Cost MCh$	Gross unrealized profits MCh$	Gross unrealized losses MCh$	Fair value MCh$
Chilean Central Bank and Government securities				
Chilean Central Bank Bonds	1,077,227	200	(13,548)	1,063,879
Chilean Central Bank Notes	264,866	31	(886)	264,011
Other Chilean Central Bank and Government securities	220,609	19	(8,266)	212,362

Subtotals	1,562,702	250	(22,700)	1,540,252
Other Chilean securities				
Time deposits in Chilean financial institutions	41,388	19	-	41,407
Mortgage finance bonds of Chilean financial institutions	244,097	80	(7,330)	236,847
Chilean financial institutions bonds	-	-	-	-
Chilean corporate bonds	11,207	377	-	11,584
Other Chilean securities	-	-	-	-
Subtotals	296,692	476	(7,330)	289,838
Foreign financial securities				
Foreign Central Banks and government securities	-	-	-	-
Other foreign financial securities	-	-	-	-
Subtotals	-	-	-	-
Totals	1,859,394	726	(30,030)	1,830,090

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NOTE 12 - INVESTMENT INSTRUMENTS, continued:

	As of December 31, 2008			
	Cost MCh$	Gross unrealized profits MCh$	Gross unrealized losses MCh$	Fair value MCh$
Chilean Central Bank and Government securities				
Chilean Central Bank Bonds	684,176	13,536	(7,589)	690,123
Chilean Central Bank Notes	50,349	-	(1,145)	49,204
Other Chilean Central Bank and Government securities	94,318	676	(1,866)	93,128
Subtotals	828,843	14,212	(10,600)	832,455
Other Chilean securities				
Time deposits in Chilean financial institutions	3,092	-	(1,787)	1,305
Mortgage finance bonds of Chilean financial institutions	305,552	23	(21,542)	284,033
Chilean financial institutions bonds	-	-	-	-
Chilean corporate bonds	13,847	-	(325)	13,522
Other Chilean securities				
Subtotals	322,491	23	(23,654)	298,860
Foreign financial securities				
Foreign Central Banks and government securities	-	-	-	-
Other foreign financial securities	448,925	-	-	448,925
Subtotals	448,925	-	-	448,925
Totals	1,600,259	14,235	(34,254)	1,580,240

	As of January 1, 2008			
	Cost MCh$	Gross unrealized profits MCh$	Gross unrealized losses MCh$	Fair value MCh$
Chilean Central Bank and Government securities				
Chilean Central Bank Bonds	282,995	175	(609)	282,561
Chilean Central Bank Notes	54,358	15	(68)	54,305
Other Chilean Central Bank and Government securities	109,993	264	(1,063)	109,194
Subtotals	447,346	454	(1,740)	446,060
Other Chilean securities				

Time deposits in Chilean financial institutions	-	-	-	-
Mortgage finance bonds of Chilean financial institutions	277,155	542	(4,687)	273,010
Chilean financial institutions bonds	-	-	-	-
Chilean corporate bonds	10,755	-	(117)	10,638
Other Chilean securities	-	-	-	-
Subtotals	287,910	542	(4,804)	283,648
Foreign financial securities				
Foreign Central Banks and government securities	-	-	-	-
Other foreign financial securities	49,927	-	-	49,927
Subtotals	49,927	-	-	49,927
Totals	785,183	996	(6,544)	779,635

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NOTE 12 - INVESTMENT INSTRUMENTS, continued:

The following tables show the available for sale investments in an unrealized profit (loss) position as of December 31, 2009 and 2008 and January 1, 2008.

As of December 31, 2009:

	Less than 12 months				More than 12 months				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$
Chilean Central Bank and Government securities												
Chilean Central Bank Bonds	1,077,227	1,063,879	200	(13,548)	-	-	-	-	1,077,227	1,063,879	200	(13,548)
Chilean Central Bank Notes	264,866	264,011	31	(886)	-	-	-	-	264,866	264,011	31	(886)
Other Chilean Central Bank and Government securities	220,609	212,362	19	(8,266)	-	-	-	-	220,609	212,362	19	(8,266)
Subtotals	1,562,702	1,540,252	250	(22,700)	-	-	-	-	1,562,702	1,540,252	250	(22,700)
Other Chilean securities												
Time deposits in Chilean financial institutions	41,388	41,407	19	-	-	-	-	-	41,388	41,407	19	-
Mortgage finance bonds of Chilean financial institutions	244,097	236,847	80	(7,330)	-	-	-	-	244,097	236,847	80	(7,330)

Chilean financial institutions bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	11,207	11,584	377	-	-	-	-	-	11,207	11,584	377	-
Other Chilean securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	296,692	289,838	476	(7,330)	-	-	-	-	296,692	289,838	476	(7,330)
Foreign financial securities												
Foreign Central Banks and government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-	-	-	-	-	-	-
Totals	1,859,394	1,830,090	726	(30,030)	-	-	-	-	1,859,394	1,830,090	726	(30,030)

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NOTE 12 - INVESTMENT INSTRUMENTS, continued:

As of December 31, 2008:

	Less than 12 months				More than 12 months				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$
Chilean Central Bank and Government securities												
Chilean Central Bank Bonds	684,176	690,123	13,536	(7,589)	-	-	-	-	684,176	690,123	13,536	(7,589)
Chilean Central Bank Notes	50,349	49,204	-	(1,145)	-	-	-	-	50,349	49,204	-	(1,145)
Other Chilean Central Bank and Government securities	94,318	93,128	676	(1,866)	-	-	-	-	94,318	93,128	676	(1,866)
Subtotals	828,843	832,455	14,212	(10,600)	-	-	-	-	828,843	832,455	14,212	(10,600)
Other Chilean securities												
Time deposits in Chilean financial institutions	3,092	1,305	-	(1,787)	-	-	-	-	3,092	1,305	-	(1,787)
Mortgage finance bonds of Chilean financial institutions	305,552	284,033	23	(21,542)	-	-	-	-	305,552	284,033	23	(21,542)
Chilean financial	-	-	-	-	-	-	-	-	-	-	-	-

institutions bonds												
Chilean corporate bonds	13,847	13,522	-	(325)	-	-	-	-	13,847	13,522	-	(325)
Other Chilean securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	322,491	298,860	23	(23,654)	-	-	-	-	322,491	298,860	23	(23,654)
Foreign financial securities												
Foreign Central Banks and government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	448,925	448,925	-	-	-	-	-	-	448,925	448,925	-	-
Subtotals	448,925	448,925	-	-	-	-	-	-	448,925	448,925	-	-
Totals	1,600,259	1,580,240	14,235	(34,254)	-	-	-	-	1,600,259	1,580,240	14,235	(34,254)

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NOTE 12 - INVESTMENT INSTRUMENTS, continued:

As of January 1, 2008:

	Less than 12 months				More than 12 months				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$
Chilean Central Bank and Government securities												
Chilean Central Bank Bonds	282,995	282,561	175	(609)	-	-	-	-	282,995	282,561	175	(609)
Chilean Central Bank Notes	54,358	54,305	15	(68)	-	-	-	-	54,358	54,305	15	(68)
Other Chilean Central Bank and Government securities	109,993	109,194	264	(1,063)	-	-	-	-	109,993	109,194	264	(1,063)
Subtotals	447,346	446,060	454	(1,740)	-	-	-	-	447,346	446,060	454	(1,740)
Other Chilean securities												
Time deposits in Chilean financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage finance bonds of Chilean financial institutions	277,155	273,010	542	(4,687)	-	-	-	-	277,155	273,010	542	(4,687)
Chilean financial institutions bonds	-	-	-	-	-	-	-	-	-	-	-	-
	10,755	10,638	-	(117)	-	-	-	-	10,755	10,638	-	(117)

Chilean corporate bonds												
Other Chilean securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	287,910	283,648	542	(4,804)	-	-	-	-	287,910	283,648	542	(4,804)
Foreign financial securities												
Foreign Central Banks and government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	49,927	49,927	-	-	-	-	-	-	49,927	49,927	-	-
Subtotals	49,927	49,927	-	-	-	-	-	-	49,927	49,927	-	-
Totals	785,183	779,635	996	(6,544)	-	-	-	-	785,183	779,635	996	(6,544)

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BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 - INVESTMENTS IN OTHER COMPANIES:

a) The Consolidated Balance Sheet reflects investments in other companies amounting to $7,417 million as of December 31, 2009, $7,277 million as of December 31, 2008 and $7,301 million as of January 1, 2008, as shown in the following table:

	Ownership interest			Investment Carrying value			Participation in Income	
	As of December 31,		As of January 1,	As of December 31,		As of January 1,	As of December 31,	
	2009 %	2008 %	2008 %	2009 MCh$	2008 MCh$	2008 MCh$	2009 MCh$	2008 MCh$
Companies								
Centro de Compensación Automatizado	33.33	33.33	33.33	304	300	275	18	44
Redbank S.A.	33.43	33.43	33.43	1,756	1,680	1,410	191	145
Transbank S.A.	32.71	32.71	32.71	2,292	2,256	2,112	317	403
Sociedad Interbancaria de Depósito de Valores S.A.	29.28	29.28	29.28	415	380	346	93	19
Sociedad Nexus S.A.	12.90	12.90	12.90	921	932	903	94	147
Administrador Financiero del Transantiago S.A.(1) (11)	20.00	20.00	20.00	583	536	813	(614)	(308)
Cámara Compensación de Alto Valor S.A. (3) (5)	12.65	11.52	11.52	422	390	369	66	97
Subtotals				6,693	6,474	6,228	165	547
Shares or rights in other companies								
Bladex	-	-	-	136	136	136	-	-
Bolsas de Comercio (8) (9)	-	-	-	358	358	664	69	85
Mastercard (2) (10)	-	-	-	-	83	83	-	-
Other (6) (7) (4)	-	-	-	230	226	190	63	-
Totals	-	-	-	7,417	7,277	7,301	297	632

(1) On November 30, 2009, by means of a letter addressed to the Superintendence of Securities and Insurance, Administrador Financiero del Transantiago S.A. reported that, in accordance with the implementation of the IFRS standards, it had modified its equity as of December 31, 2009 to record UF 210,750 of accumulated income which it had previously held in deferred liabilities. Banco Santander Chile recorded that higher value of investment against accumulated income in the amount of $853 million.

(2)

On June 26, 2009 Banco Santander Chile sold all of its Mastercard shares, totaling 16,049 shares with a value of $1,453 million, generating a $1,370 million profit from the sale, which is presented in the "Non-operating income" item of the Consolidated Statement of Income.

(3) On April 21, 2009 Banco Penta sold and transferred to Banco Santander Chile 55 shares in the Cámara Compensación de Alto Valor S.A. at a total price of $16 million.

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

(5) On March 9, 2009 Banco Ripley sold and transferred to Banco Santander Chile 54 shares in the Cámara Compensación de Alto Valor S.A. for a total price of $16 million.

(6) On August 18, 2008, 36 SWIFT shares were sold. At the time of the sale their book value was $45 million and their sale price was $51 million, generating a $6 million gain on the sale.

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NOTE 13 - INVESTMENTS IN OTHER COMPANIES, continued:

(7) On March 12, 2008 Visa Inc. transferred to Banco Santander Chile a total of 312,379 Class C, Series 1, shares valued at $1 in local currency. On March 28, 2008, 56.19% of the total number of shares, numbering 175,512 shares, was sold at a price of $19,190 per share, generating a $3,368 million gain on the sale.

(8) On January 14, 2008 the Santander S.A. Corredores de Bolsa subsidiary sold one share in the Bolsa de Comercio de Santiago. Its book value at the time of the sale was $341 million and its sale price was $1,315 million, generating a $974 million gain on the sale.

(9) In August 2007, Santander S.A. Corredores de Bolsa sold one share in the Bolsa de Comercio de Santiago. The sale price was $1,215 million and the profit generated was $826 million.

(10) In November 2007, 17,000 shares in the Mastercard company were sold, generating a $1,439 million profit, which is shown in the non-operating item of the Consolidated Statement of Income.

(11) On December 21, 2007, it was decided by a Special Shareholders Meeting of the Administradora Financiero del Transantiago S.A. company to capitalize the commercial credit account which was granted by its shareholders, for a total of $11,107 million. Banco Santander Chile owns 20% of that company, and accordingly, its contribution was $2,221 million.

During 2009, the Bank received $833 million ($638 million in 2008) as dividends from its related companies.

b) Activity with respect to investments in other companies during 2009 and 2008 is as follows:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Initial book value	7,277	7,301
Acquisition of equity	32	-
Sale of equity	(209)	(386)
Participation in income	297	632
Dividends received	(833)	(638)
Other equity adjustments	853	368
Totals	7,417	7,277

c) Investments in other companies has not undergone any impairment in 2009 and 2008.

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NOTE 14 - INTANGIBLE ASSETS:

a) Intangible assets as of December 31, 2009, 2008 and January 1, 2008 is as follows:

			2009			
	Useful life (years)	Remaining amortization (years)	Opening balance as of January 1, 2009 MCh$	Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	1.8	1,732	4,422	(2,878)	1,544
Softwares (acquired)	3	2	66,500	123,939	(48,223)	75,716
Totals			68,232	128,361	(51,101)	77,260

			2008			
	Useful life (years)	Remaining amortization (years)	Opening balance as of January 1, 2008 MCh$	Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	1.6	2,420	3,194	(1,462)	1,732
Software development (acquired)	3	2	53,804	91,207	(24,707)	66,500
Totals			56,224	94,401	(26,169)	68,232

b) The activity in intangible assets during 2009 and 2008 is as follows:

b.1) Gross balance

	Licenses MCh$	Software development (acquired) MCh$	Total MCh$
Gross balances 2009			
Opening balances as of January 1, 2009	3,194	91,207	94,401
Acquisitions	1,228	32,732	33,960
Other	-	-	-

Balances as of December 31, 2009	4,422	123,939	128,361
Gross balances 2008			
Opening balances as of January 1, 2008 (*)	2,420	53,804	56,224
Acquisitions	774	37,403	38,177
Other	-	-	-
Balance as of December 31, 2008	3,194	91,207	94,401

(*) On January 1, 2008, intangible assets were recorded at their amortized cost value, net of accumulated amortization.

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - INTANGIBLE ASSETS, continued:

b.2) Accumulated amortization

Accumulated amortization	Licenses MCh$	Softwares (acquired) MCh$	Total MCh$
Opening balances as of January 1, 2009	(1,462)	(24,707)	(26,169)
Amortization for the period	(1,416)	(23,516)	(24,932)
Other changes in book value in the period	-	-	-
Balances as of December 31, 2009	(2,878)	(48,223)	(51,101)
Opening balances as of January 1, 2008 (*)	-	-	-
Amortization for the period	(1,462)	(24,707)	(26,169)
Other changes in book value in the period	-	-	-
Balances as of December 31, 2008	(1,462)	(24,707)	(26,169)

(*) On January 1, 2008, intangible assets were recorded at their amortized cost value, net of accumulated amortization.

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT:

a) Property, plant and equipment as of December 31, 2009, 2008 and January 1, 2008 is as follows:

	2009			
	Opening balance as of January 1, 2009 MCh$	Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	170,197	180,868	(18,946)	161,922
Equipment	15,597	27,993	(14,602)	13,391
Ceded under operating leases	4,092	727	(38)	689
Other	10,503	17,513	(9,393)	8,120
Totals	200,389	227,101	(42,979)	184,122

	2008			
	Opening balance as of January 1, 2008 MCh$	Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	169,409	178,502	(8,305)	170,197
Equipment	17,135	22,990	(7,393)	15,597
Ceded under operating leases	4,161	4,161	(69)	4,092
Other	11,784	16,150	(5,647)	10,503
Totals	202,489	221,803	(21,414)	200,389

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, continued:

b) The activity in property, plant and equipment during the 2009 and 2008 periods is as follows:

b.1) Gross balance

2009 Cost	Land and buildings MCh$	Equipment MCh$	Ceded under operating leases MCh$	Other MCh$	Total MCh$
Opening balances as of January 1, 2009	178,502	22,990	4,161	16,150	221,803
Additions	5,730	5,085	-	941	11,756
Disposals (iii)	(2,637)	(7)	(4,161)	(19)	(6,824)
Impairment due to damage (i)	-	(75)	-	-	(75)
Transfers	(727)	-	727	441	441
Other	-	-	-	-	-
Balances as of December 31, 2009	180,868	27,993	727	17,513	227,101

2008 Cost	Land and buildings MCh$	Equipment MCh$	Ceded under operating leases MCh$	Other MCh$	Total MCh$
Opening balances as of January 1, 2008 (ii)	169,409	17,135	4,161	11,784	202,489
Additions	10,310	5,949	-	3,303	19,562
Disposals	(1,217)	(10)	-	(48)	(1,275)
Impairment due to damages	-	(84)	-	-	(84)
Transfers	-	-	-	-	-
Other	-	-	-	1,111	1,111
Balances as of December 31, 2008	178,502	22,990	4,161	16,150	221,803

(i) During 2009 the Bank recorded impairment due to damage to property, plant and equipment totaling $75 million. The indemnification payment received from the insurance company for this damage is shown in “Other revenues” in the Consolidated Statement of Income.

(ii) Pursuant to the allowances of Chapter E of the new Compendium of Accounting Standards, the Bank determined the cost attributed to its property, plant and equipment as of January 1, 2008, choosing the lower of each asset’s historical cost (including its respective price-level restatements up to December 31, 2007) and its fair value based on an appraisal thereof by an independent third-party appraiser. That is why the property, plant and equipment as of January 1, 2008 are recorded at their amortized cost value, net of accumulated depreciation.

(iii) On December 30, 2009 the Bank sold a building it had received in payment, located at calle Bandera #201, to IM Trust Administradora General de Fondos for Fondo de Inversión Privado Inmobiliario Bandera, a private real estate investment fund, as is disclosed in Note 03, subsection c.

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, continued:

b.2) Accumulated depreciation

2009 Cost	Land and constructions MCh$	Equipment MCh$	Ceded under operating leases MCh$	Other MCh$	Total MCh$
Opening balances as of January 1, 2009	(8,305)	(7,393)	(69)	(5,647)	(21,414)
Depreciation charges in the period	(10,705)	(7,209)	(31)	(3,746)	(21,691)
Sales and disposals in the period (iii)	64	-	62	-	126
Discontinued operations	-	-	-	-	-
Balances as of December 31, 2009	(18,946)	(14,602)	(38)	(9,393)	(42,979)

2008 Cost	Land and constructions MCh$	Equipment MCh$	Ceded under operating leases MCh$	Other MCh$	Total MCh$
Opening balances as of January 1, 2008	-	-	-	-	-
Depreciation charges in the period	(8,349)	(7,393)	(69)	(5,647)	(21,458)
Sales and disposals in the period	44	-	-	-	44
Discontinued operations	-	-	-	-	-
Balances as of December 31, 2008	(8,305)	(7,393)	(69)	(5,647)	(21,414)

c) As of December 31, 2009 and 2008, the Bank has operating leases which cannot be unilaterally rescinded. The information on future payments is broken down as follows:

	Up to 1 year	From 1 to 5 years	More than 5 years	Total
As of December 31, 2009 (iii)	-	-	2,463	2,463
As of December 31, 2008	-	-	21,999	21,999

d) As of December 31, 2009 and 2008, the Bank has no financial leases which cannot be unilaterally rescinded.

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NOTE 16 - CURRENT TAXES AND DEFERRED TAXES:

a) Current Taxes

At the end of each year the bank recognizes a Provision for Income Tax, which is determined based on the currently applicable tax legislation and reflected liabilities of $59,290 million for 2009 (a $17,924 million asset as of December 31, 2008 and a $13,568 million liability as of January 1, 2008). This provision is recorded net of taxes recoverable, as shown in the following detail:

	As of December 31,		As of January 1,
	2009	2008	2008
	MCh$	MCh$	MCh$
Summary of current tax liabilities (assets)			
Current taxes (assets)	(4,541)	(18,715)	(2,499)
Current taxes (liabilities)	63,831	791	16,067
Total tax payable (recoverable)	59,290	(17,924)	13,568
(Assets) liabilities current taxes detail (net)			
Income tax, tax rate 17%	106,882	66,318	66,568
Minus:			
Provisional monthly payments (PPM)	(41,061)	(75,962)	(61,226)
PPM from accrued losses, Article #31, part 3	-	-	(13)
Credit for training expenses	(1,148)	(1,262)	(315)
Other	(5,383)	(7,018)	8,554
Total tax payable (recoverable)	59,290	(17,924)	13,568

b) Effect on income

The effect of tax expense on income during the periods from January 1 to December 31, 2009 and 2008 is comprised of the following items:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Income tax expenses		
Current tax	106,882	66,320

Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	(18,216)	(296)
Prior years tax benefit	-	(3,367)
Subtotals	88,666	62,657
Tax for rejected expenses Article #21	196	221
Other	-	(2,791)
Net charges to income for income tax	88,862	60,087

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NOTE 16 - CURRENT TAXES AND DEFERRED TAXES, continued:

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate applied in determining tax expenses as of December 31, 2009 and 2008, is as follows:

	As of December 31,			
	2009		2008	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Income before tax	17.00	89,279	17.00	82,066
Permanent differences	(0.06)	(304)	(4.59)	(22,151)
Additions or deductions	(0.05)	(250)	-	-
Unique tax (rejected expenses)	0.04	188	0.05	221
Other	(0.01)	(51)	(0.01)	(49)
Effective rates and expenses for income tax	16.92	88,862	12.45	60,087

The variation between the tax expenses in 2009 and 2008 was caused by the recognition of $115,763 million for a price-level restatement of equity for tax purposes as an expense in 2008, leading to a $19,680 million decrease in tax expense. This effect did not exist in 2009, because there was no price-level restatement for tax purposes due to the negative CPI variation.

d) Effect of deferred taxes on shareholders' equity

Below is a summary of the separate effect of deferred tax on Shareholders' Equity, showing the asset and liability balances, during the periods between January 1, 2008 and December 31, 2009 and 2008, which consists of the following items:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Deferred tax assets			
Available for sale investments	4,982	3,403	943
Cash flow hedge	537	-	997
Total deferred tax assets affecting shareholders' equity	5,519	3,403	1,940
Deferred tax liabilities			

Cash flow hedge	-	(1,848)	-
Total deferred tax liabilities affecting shareholders' equity	-	(1,848)	-
Net deferred tax balances in shareholders' equity	5,519	1,555	1,940
Deferred taxes in shareholders' equity attributable to Bank shareholders	5,490	1,547	1,940
Deferred tax in shareholders' equity attributable to minority interest	29	8	

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NOTE 16 - CURRENT TAXES AND DEFERRED TAXES, continued:

e) Effect of deferred taxes on income

In 2009 and 2008 and on January 1, 2008, the Bank has recorded deferred tax effects in its financial statements.

Below are the effects of deferred taxes on assets, liabilities, and income assigned as a result of timing differences:

	As of December 31, 2009 MCh$	As of December 31, 2008 MCh$	As of January 1, 2008 MCh$
Deferred tax assets			
Interest	2,012	615	4,511
Extraordinary charge-off	8,804	9,076	5,958
Assets received in lieu of payment	595	756	1,005
Exchange rate adjustments	35	1,926	806
Valuation of Property, plant and equipment	7,472	10,306	17,642
Allowance for loan losses	43,420	31,583	28,133
Provision for expenses	6,556	11,385	3,275
Derivatives	17	2,111	34
Leased assets	19,241	3,374	8,268
Affiliates' tax losses	51	3,920	3,881
Other	1,507	10,370	5,536
Total deferred tax assets	89,710	85,422	79,049
Deferred tax liabilities			
Valuation of investments	(2,512)	(147)	(4,050)
Depreciation	(78)	(13,748)	(4,584)
Prepaid expenses	(519)	(2,439)	(1,837)
Other	(271)	(1,255)	(613)
Total deferred tax liabilities	(3,380)	(17,589)	(11,084)

f) Summary of deferred tax assets and liabilities

Below is a summary of the deferred tax assets and liabilities, indicating their effect on both shareholders' equity and income:

	As of December 31, 2009 MCh$	As of December 31, 2008 MCh$	As of January 1, 2008 MCh$
Deferred tax assets			

Affecting shareholders’ equity	5,519	3,403	1,940
Affecting income	89,710	85,422	79,049
Total deferred tax assets	95,229	88,825	80,989
Deferred tax liabilities			
Affecting shareholders’ equity	-	(1,848)	-
Affecting income	(3,380)	(17,589)	(11,084)
Total deferred tax liabilities	(3,380)	(19,437)	(11,084)

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NOTE 17 - OTHER ASSETS:

The Other assets item's composition is as follows:

		As of December 31,		As of January 1,
		2009	2008	2008
		MCh$	MCh$	MCh$
Assets for leasing (*)		52,070	101,952	59,574
Assets received in lieu of payment (**)				
	Received in lieu of payment	10,405	5,481	1,065
	Awarded in judicial sale	2,179	13,807	9,158
	Provision for assets received in lieu of payment	(431)	(1,621)	(2,360)
	Subtotals	12,153	17,667	7,863
Other assets				
	Guarantee deposits	229,083	157,862	189,539
	VAT credit	7,180	7,104	7,157
	Income tax recoverable	15,261	10,811	7,348
	Prepaid expenses	8,960	11,635	12,364
	Assets recovered from leasing for sale	985	1,326	3,843
	Pension plan assets (Note 37)	4,893	-	-
	Accounts and notes receivable	53,196	84,906	43,071
	Notes receivable through brokerage and simultaneous transactions	60,622	74,875	84,009
	Higher value paid on purchase of mortgage finance bonds issued by Bank	561	847	1,300
	Other assets	7,595	39,670	44,214
	Subtotals	388,336	389,036	392,845
	Totals	452,559	508,655	460,282

(*) Assets available to be surrendered under the financial leasing arrangement.

(**) The assets received in lieu of payment are assets received as payment of customers' past-due debts. The assets acquired must at no time exceed, in the aggregate, 20% of the Bank's effective shareholders' equity. These assets represent 0.52% (0.84% as of December 31, 2008 and 0.49% as of January 1, 2008) of the Bank's effective shareholders' equity.

The assets awarded at judicial sale are assets that have been acquired as payment of debts previously owed towards the Bank. The assets awarded at judicial sales are not subject to the aforementioned margin. These properties are assets available for sale. For most assets, the sale is expected to be completed within one year from the date on which the asset was received or acquired. If the asset in question is not sold within the year, it must be written off.

In addition, a provision is recorded for the difference between the initial award value plus its additions and price-level restatements when appropriate, and its estimated realization value (appraisal) when the first is higher.

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NOTE 18 - DEPOSITS AND OTHER LIABILITIES:

As of December 31, 2009, 2008 and January 1, 2008, the composition of Deposits and other liabilities is as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Deposits and other demand liabilities			
Checking accounts	2,776,607	2,268,991	2,123,221
Other deposits and demand accounts	303,495	206,347	281,993
Other demand liabilities	453,432	472,824	462,720
Totals	3,533,534	2,948,162	2,867,934
Time deposits and other time liabilities			
Time deposits	4,219,392	9,476,024	7,651,725
Time savings accounts	98,985	102,951	97,155
Other time liabilities	2,856,880	177,291	139,017
Totals	7,175,257	9,756,266	7,887,897

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NOTE 19 - INTERBANK BORROWINGS:

At December 31, 2009 and 2008 financial statements and as of January 1, 2009, interbank borrowings are as follows:

	As of December 31, 2009 MCh$	2008 MCh$	As of January 1, 2008 MCh$
Loans from financial institutions and the Central Bank of Chile			
Other obligations to the Central Bank of Chile	1,850	3,012	3,972
Subtotals	1,850	3,012	3,972
Loans from domestic financial institutions			
The Royal Bank of Scotland	1,500	-	-
The Bank of Tokyo Mitsubishi	4,800	5,003	-
Banco de Crédito e Inversiones	20,001	-	-
Subtotals	26,301	5,003	-
Loans from foreign financial institutions			
Banco Santander – Hong Kong	457,610	-	-
Wachovia Bank N.A. Miami	211,480	204,826	121,008
Standard Chartered Bank, New York	193,176	9,620	44,864
Banco Santander – Madrid	190,539	-	19,581
Bayerische Landesbank	183,329	232,631	217,244
Bank of America	131,784	76,559	59,734
Citibank N.A. New York	91,994	41,231	24,889
Banco Santander – Montevideo	75,155	-	-
Bank of Montreal – Toronto	68,681	-	44,824
J.P. Morgan Chase Bank N.A. New York	63,501	45,412	-
The Toronto Dominion Bank – Toronto	55,935	12,859	49,829
Commerzbank A.G.-Frankfurt	55,831	-	-
Landesbank Baden-Wuerttemberg	50,802	195,357	102,699
Intesa San Paolo SPA U.S.A.	45,833	35,328	32,397
Banesto New York	35,536	16,057	-
Sumitomo Mitsui Banking Corporation	35,636	29,191	-
Banco Latinoamericano de Comercio	30,533	-	-
Commercebank N.A. – Miami	15,286	-	-
Deutsche Bank A.G. New York	13,971	32,134	-

Dresdner Bank A.C.	-	70,730	-
Bank of Montreal	-	64,474	-
Caja de Madrid	-	48,284	32,558
HSBC Bank USA London	-	32,409	-
ABN Amro Bank N.V. Amsterdam	-	25,798	49,778
ING Bank N.V. Amsterdam	-	23,783	14,999
Santander Overseas Bank	-	19,776	3,851
Unicrédito Italiano New York	-	19,574	12,445
The Bank of New York Mellon	-	19,269	-
Standard Chartered Bank, Hong Kong	-	16,253	-
Toronto Dominion Bank Singapur	-	17,645	-
American Express Bank, Ltd (USA)	-	12,898	16,925
Raiffeisen Zentralbank Oesterr	-	12,852	-
BNP Paribas, Panamá Branch	-	12,844	-
Toronto Dominion Bank	-	12,835	-
Credit Suisse, Zurich	-	9,731	-
BHF-Bank Aktiengesellscjatft	-	9,684	-
WGZ Bank A.G. Westdeutsche Genos	-	7,707	5,995
National Westminster Bank PLC	-	-	49,984
The Chase Manhattan Bank – New York	-	-	39,325
Dresdner Bank A.G. – Frankfurt	-	-	34,997
HSBC Holding	-	-	24,889
The Bank of New York	-	-	19,911
National City Bank Cleveland	-	-	14,933
Banco Español de Crédito	-	-	9,956
Other	12,027	49,301	47,870
Subtotals	2,018,639	1,417,052	1,095,485
Totals	2,046,790	1,425,067	1,099,457

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NOTE 19 - INTERBANK BORROWINGS, continued:

a) Obligations to the Central Bank of Chile

Debts to the Central Bank of Chile include credit lines for the renegotiation of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank of Chile for the renegotiation of loans due to the need to refinance debt as a result of the economic recession and crisis of the banking system in the early 1980s. The lines of credit for the renegotiations, which are considered long-term, are related to mortgage loans linked to the UF index and bore a real annual interest rate of 3% as of December 31, 2009, 2008 and January 1, 2008.

The outstanding amounts owed to the Central Bank of Chile under these credit lines are as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Totals Line of credit for renegotiation of obligations to the Central Bank of Chile	1,850	3,012	3,972

b) Loans from domestic financial institutions

These obligations' maturities are as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Due within 1 year	26,301	5,003	-
Due after 1 year but within 2 years	-	-	-
Due after 2 years but within 3 years	-	-	-
Due after 3 years but within 4 years	-	-	-
Due after 5 years	-	-	-
Totals loans from domestic financial institutions	26,301	5,003	-

c) Foreign obligations

These obligations' maturities are as follows:

	As of December 31,		As of January

	2009 MCh$	2008 MCh$	1, 2008 MCh$
Due within 1 year	1,812,296	1,107,997	608,889
Due after 1 year but within 2 years	206,343	143,555	241,588
Due after 2 years but within 3 years	-	165,500	115,430
Due after 3 years but within 4 years	-	-	129,578
Due after 5 years	-	-	-
Totals loans from foreign financial institutions	2,018,639	1,417,052	1,095,485

The foreign obligations are generally issued in U.S. dollars and are mainly used to fund foreign commercial loans of the Bank; they have average per annum interest rates of 1.4% and 3.9% as of December 31, 2009 and 2008, respectively, and of 1.3% as of January 1, 2008.

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NOTE 20 - DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS

As of December 31, 2009, 2008 and January 1, 2008, the composition of this item is as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Other financial obligations			
Obligations to the public sector	90,144	62,259	38,371
Other domestic obligations	55,015	55,903	61,884
Foreign obligations	1,752	13,156	75,412
Subtotals	146,911	131,318	175,667
Debt instruments issued			
Mortgage finance bonds	263,864	344,680	434,275
Senior bonds	2,068,786	1,618,780	1,225,007
Subordinated bonds	592,026	687,912	495,714
Subtotals	2,924,676	2,651,372	2,154,996
Totals	3,071,587	2,782,690	2,330,663

The debts classified as short term are either demand obligations or will mature in one year or less. All other debts are classified as long term. The Bank’s debts, both short and long-term, are summarized below:

	As of December 31, 2009		
	Long term MCh$	Short term MCh$	Total MCh$
Mortgage finance bonds	213,853	50,011	263,864
Senior bonds	1,901,972	166,814	2,068,786
Subordinated bonds	592,026	-	592,026
Debt instruments issued	2,707,851	216,825	2,924,676
Other financial obligations	109,013	37,898	146,911
Totals	2,816,864	254,723	3,071,587

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NOTE 20 - DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS, continued:

	As of December 31, 2008		
	Long term MCh$	Short term MCh$	Total MCh$
Mortgage finance bonds	289,913	54,767	344,680
Senior bonds	1,362,198	256,582	1,618,780
Subordinated bonds	687,912	-	687,912
Debt instruments issued	2,340,023	311,349	2,651,372
Other financial obligations	32,277	99,041	131,318
Totals	2,372,300	410,390	2,782,690

	As of January 1, 2008		
	Long term MCh$	Short term MCh$	Total MCh$
Mortgage finance bonds	376,847	57,428	434,275
Senior bonds	1,225,007	-	1,225,007
Subordinated bonds	495,714	-	495,714
Debt instruments issued	2,097,568	57,428	2,154,996
Other financial obligations	33,749	141,918	175,667
Totals	2,131,317	199,346	2,330,663

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. The outstanding principal of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a weighted-average annual interest rate of 4.7% as of December 2009 and 4.6% as of December 2008.

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Due within 1 year	50,011	54,767	57,428
Due after 1 year but within 2 years	31,804	41,211	47,461

Due after 2 years but within 3 years	28,574	37,635	45,331
Due after 3 years but within 4 years	23,277	31,284	41,456
Due after 4 years but within 5 years	27,350	33,655	36,951
Due after 5 years	102,848	146,128	205,648
Mortgage finance bonds totals	263,864	344,680	434,275

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NOTE 20 - DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS, continued:

b) Senior Bonds

The following table shows, at the indicated dates, our senior bonds issued.

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Santander Bonds denominated in UF	1,660,877	1,362,198	1,025,758
Santander Bonds denominated in US $	407,909	256,582	199,249
Senior bonds totals	2,068,786	1,618,780	1,225,007

In 2009 the Bank places bonds for UF 16,289,000 and USD 800,000.000.

Bonds Series	Amount	Term	Issue Rate	Issue Date	Maturity Date
F1	UF 3,000,000	8 years	3.50% per annum simple	5/2/2008	5/2/2016
F2	UF 2,379,000	9 years	4.20% per annum simple	9/1/2008	9/1/2017
F3	UF 3,000,000	5 years	4.50% per annum simple	2/1/2009	2/1/2014
F4	UF 3,000,000	4 years	4.50% per annum simple	2/1/2009	2/1/2013
F5	UF 3,000,000	4.5 years	2.50% per annum simple	5/1/2009	11/1/2013
F6	UF 3,000,000 (*)	5 years	3.50% per annum simple	9/1/2009	9/1/2014
F7	UF 3,000,000 (**)	4.5 years	3.30% per annum simple	11/1/2009	5/1/2014
Total	UF 20,379,000				
144 A	USD 500,000,000	3 years	2.88% per annum simple	11/13/2009	11/13/2012
144 A	USD 300,000,000	3 years	2.88% per annum simple	11/13/2009	11/13/2012

Total	USD 800,000,000

In 2008 the Bank placed bonds on the local market totaling UF 12,621,000 ($264,320 million as of December 31, 2009). The details of these bonds is as follows:

Bonds Series	Amount	Term	Issue rate	Placement date	Maturity date
Y	UF 4,000,000	6 years	3.50% per annum simple	1/17/2008	12/3/2013
Y1	UF 3,000,000	5 years	3.50% per annum simple	4/28/2008	2/1/2013
Y2	UF 3,000,000	25 years	Non-interest bearing	5/9/2008	2/1/2033
Y3	UF 2,000,000	10 years	3.80% per annum simple	6/4/2008	2/1/2018
F2	UF 621,000	9 years	4.20% per annum simple	12/16/2008	9/1/2017
Total	UF 12,621,000				

(*) On September 1, 2009 a line of senior bonds totaling UF 3,000,000 corresponding to F6 series with a 5-year term was registered in the SBIF's Registry of Securities. The F6 series bond has an unplaced face value of UF 1,090,000 as of December 31, 2009.

(**) On November 1, 2009 a line of senior bonds totaling UF 3,000,000 corresponding to F7 series with a 4.5 year term was registered in the Superintendency of Banks and Financial Institutions' registry of securities. No placements of this bond have been made in the current period.

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NOTE 20 - DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS, continued:

These bonds mature as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Due within 1 year	166,814	256,582	-
Due after 1 year but within 2 years	218,339	170,358	199,249
Due after 2 years but within 3 years	438,446	226,910	137,872
Due after 3 years but within 4 years	378,064	8,805	209,543
Due after 4 years but within 5 years	171,647	259,768	9,390
Due after 5 years	695,476	696,357	668,953
Senior bonds totals	2,068,786	1,618,780	1,225,007

c) Subordinated bonds

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

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Subordinated bonds denominated in US $	278,087	364,410	263,676
Subordinated bonds denominated in UF	313,939	323,502	232,038
Subordinated bonds totals	592,026	687,912	495,714

In 2009 the Bank placed subordinated bonds on the local market for UF 300,000, which is broken down as follows:

Subordinated bonds Series	Amount	Term	Issue rate	Issue date	Maturity date
G2 (*)	UF 300,000	30 years	4.8% per annum simple	9/1/2008	3/1/2038
Total	UF 300,000				

During the year the Bank issued subordinated bonds totaling UF 3,750,000 of G1 and G2 series ($80,447 million as of December 31, 2008) with 25 and 30 year maturities, respectively.

Subordinated bonds Series	Amount	Term	Issue rate	Placement date	Maturity date
G1	UF 3,000,000	25 years	3.90% per annum simple	7/25/2008	5/2/2033
G2 (*)	UF 750,000	30 years	4.80% per annum simple	12/26/2008	3/1/2038
Total	UF 3,750,000				

(*) As of December 31, 2009 there are unplaced G2 series bonds with a U.F. face value 1,950,000.

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NOTE 20 - DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS, continued:

The maturities of these bonds, considered long term, is as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Due within 1 year	-	-	-
Due after 1 year but within 2 years	12,899	-	-
Due after 2 years but within 3 years	119,211	19,420	-
Due after 3 years but within 4 years	-	141,187	17,349
Due after 4 years but within 5 years	158,876	-	116,330
Due after 5 years	301,040	527,305	362,035
Subordinated bonds totals	592,026	687,912	495,714

d) Other financial obligations

The composition of other financial obligations, by maturity, is detailed below:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Long-term obligations:			
Due after 1 year but within 2 years	4,583	2,772	3,304
Due after 2 years but within 3 years	3,515	2,502	2,727
Due after 3 years but within 4 years	3,556	1,835	2,539
Due after 4 years but within 5 years	27,868	1,626	1,977
Due after 5 years	69,491	23,542	23,201
Long-term financial obligations subtotals	109,013	32,277	33,748
Short-term obligations:			
Amounts due to credit card operators	31,045	41,018	23,497
Acceptance of letters of credit	-	-	75,134
Other long-term financial obligations, short-term portion	6,853	58,023	43,288
Short-term financial obligations subtotals	37,898	99,041	141,919

Other financial obligations totals	146,911	131,318	175,667

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NOTE 21 - MATURITIES OF ASSETS AND LIABILITIES:

As of December 31, 2009 and 2008, the detail of maturities of assets and liabilities is as follows:

As of December 31, 2009	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal after 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	2,043,458	-	-	-	2,043,458	-	-	-	2,043,
Unsettled transactions	468,134	-	-	-	468,134	-	-	-	468,
Trading investments	37,151	521	2,541	663,359	703,572	71,262	23,705	94,967	798,
Investments under resale agreements	-	14,020	-	-	14,020	-	-	-	14,
Financial derivative contracts	-	54,140	73,784	166,202	294,126	732,143	367,609	1,099,752	1,393,
Interbank loans	-	23,370	-	-	23,370	-	-	-	23,
Loans and accounts receivable from customers (*)	353,799	1,050,056	897,422	2,033,400	4,334,677	4,277,025	4,573,427	8,850,452	13,185,
Available for sale investments	5,132	93,861	120,057	342,426	561,476	620,963	647,651	1,268,614	1,830,
Held to maturity investments	-	-	-	-	-	-	-	-	
Total assets	2,907,674	1,235,968	1,093,804	3,205,387	8,442,833	5,701,393	5,612,392	11,313,785	19,756,
Liabilities									
Deposits and other	3,533,534	-	-	-	3,533,534	-	-	-	3,533,

demand liabilities									
Unsettled transactions	275,474	-	-	-	275,474	-	-	-	275,
Investments under repurchase agreements	-	191,118	317,187	606,300	1,114,605	-	-	-	1,114,
Time deposits and other time liabilities (**)	1,235	2,338,029	1,750,407	1,945,620	6,035,291	1,029,446	11,535	1,040,981	7,076,
Financial derivative contracts	-	81,601	77,426	216,070	375,097	668,674	305,135	973,809	1,348,
Interbank borrowings	3,726	69,060	350,645	1,417,016	1,840,447	206,343	-	206,343	2,046,
Issued debt instruments	3,450	18,308	169,012	26,055	216,825	1,608,489	1,099,362	2,707,851	2,924,
Other financial obligations	32,443	1,163	604	3,688	37,898	39,522	69,491	109,013	146,
Total liabilities	3,849,862	2,699,279	2,665,281	4,214,749	13,429,171	3,552,474	1,485,523	5,037,997	18,467,

(*) Excludes amounts already matured.
(**) Excludes time savings accounts.

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NOTE 21 - MATURITY OF ASSETS AND LIABILITIES, continued:

As of December 31, 2008	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal after 1 year MCh$	Total MCh
Assets									
Cash and deposits in banks	532,897	322,514	-	-	855,411	-	-	-	855,
Unsettled transactions	335,405	-	-	-	335,405	-	-	-	335,
Trading investments	59,420	1,655	2,523	212,071	275,669	741,913	148,844	890,757	1,166,
Investments under resale agreements	-	-	-	-	-	-	-	-	
Financial derivative contracts	-	144,191	233,545	393,833	771,569	596,347	478,593	1,074,940	1,846,
Interbank loans	95,499	-	-	-	95,499	-	-	-	95,
Loans and accounts receivable from customers (*)	290,941	2,092,500	1,320,866	2,034,584	5,738,891	4,134,266	4,437,651	8,571,917	14,310,
Available for sale investments	986	474,148	12,174	110,703	598,011	460,182	522,047	982,229	1,580,
Held to maturity investments	-	-	-	-	-	-	-	-	
Total assets	1,315,148	3,035,008	1,569,108	2,751,191	8,670,455	5,932,708	5,587,135	11,519,843	20,190,
Liabilities									
Deposits and other demand liabilities	2,948,162	-	-	-	2,948,162	-	-	-	2,948,
	142,552	-	-	-	142,552	-	-	-	142,

Unsettled transactions									
Investment under repurchase agreements	-	524,007	26,837	10,526	561,370	853	-	853	562,
Time deposits and other time liabilities (**)	446	2,944,775	2,491,573	2,620,290	8,057,084	1,582,324	13,907	1,596,231	9,653,
Financial derivative contracts	-	145,974	119,815	218,260	484,049	578,402	407,273	985,675	1,469,
Interbank borrowings	4,371	50,639	235,605	825,397	1,116,012	309,055	-	309,055	1,425,
Issued debt instruments	-	20,135	2,855	288,359	311,349	970,233	1,369,790	2,340,023	2,651,
Other financial obligations	78,094	16,631	2,015	2,301	99,041	8,735	23,542	32,277	131,
Total liabilities	3,173,625	3,702,161	2,878,700	3,965,133	13,719,619	3,449,602	1,814,512	5,264,114	18,983,

(*) Excludes amounts already matured.
(**) Excludes time savings accounts.

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NOTE 21 - MATURITY OF ASSETS AND LIABILITIES, continued:

As of January 1, 2008	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal after 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,108,637	-	-	-	1,108,637	-	-	-	1,108,6
Unsettled transactions	316,240	-	-	-	316,240	-	-	-	316,2
Trading investments	-	145,170	7,087	113,274	265,531	431,615	396,299	827,914	1,093,4
Investments under resale agreements	-	33,999	-	-	33,999	-	-	-	33,9
Financial derivative contracts	-	36,907	37,049	92,043	165,999	259,690	355,086	614,776	780,7
Interbank loans	-	45,961	-	-	45,961	-	-	-	45,9
Loans and accounts receivable from customers (*)	490,610	1,732,281	778,159	1,742,638	4,743,688	3,639,248	3,522,685	7,161,933	11,905,6
Available for sale investments	138	60,296	14,202	71,916	146,552	183,136	449,947	633,083	779,6
Held to maturity investments	-	-	-	-	-	-	-	-	
Total assets	1,915,625	2,054,614	836,497	2,019,871	6,826,607	4,513,689	4,724,017	9,237,706	16,064,3
Liabilities									
Deposits and other demand liabilities	2,867,934	-	-	-	2,867,934	-	-	-	2,867,9
	135,219	-	-	-	135,219	-	-	-	135,2

Unsettled transactions									
Investment under repurchase agreements	-	307,630	-	-	307,630	-	-	-	307,6
Time deposits and other time liabilities (**)	-	2,272,828	1,763,080	2,213,515	6,249,423	1,531,142	10,177	1,541,319	7,790,7
Financial derivative contracts	-	44,426	38,435	84,599	167,460	303,887	306,870	610,757	778,2
Interbank borrowings	962	10,301	5,359	596,239	612,861	486,596	-	486,596	1,099,4
Issued debt instruments	4,885	16,666	3,331	32,546	57,428	860,932	1,236,636	2,097,568	2,154,9
Other financial obligations	49,166	65,728	21,394	5,630	141,918	10,548	23,201	33,749	175,6
Total liabilities	3,058,166	2,717,579	1,831,599	2,932,529	10,539,873	3,193,105	1,576,884	4,769,989	15,309,8

(*) Excludes amounts already matured.
(**) Excludes time savings accounts.

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NOTE 22 - PROVISIONS:

a) As of December 31, 2009, 2008 and January 1, 2008, the composition of the allowances item is as shown below:

	As of December 31, 2009 MCh$	2008 MCh$	As of January 1, 2008 MCh$
Provisions for personnel salaries and expenses	31,208	38,235	30,535
Provision for mandatory dividends (*)	129,376	98,444	-
Allowance for contingent loans	4,077	2,769	2,362
Provisions for contingencies	21,460	27,271	17,205
Allowance for country risks	-	-	-
Totals	186,121	166,719	50,102

b) Below is the activity in provisions during the 2009 and 2008 periods:

	Provisions for				
	Personnel salaries and expenses MCh$	Allowances for contingent loans MCh$	Contingencies MCh$	Mandatory dividends MCh$	Total MCh$
Opening balances as of January 1, 2009	38,235	2,769	27,271	98,444	166,719
Provisions established	26,882	1,380	1,088	129,376	158,726
Used provisions	(31,934)	-	(586)	(98,444)	(130,964)
Release of provisions	(1,975)	(72)	(14,793)	-	(16,840)
Reclassifications	-	-	7,283	-	7,283
Other	-	-	1,197	-	1,197
Balances as of December 31, 2009	31,208	4,077	21,460	129,376	186,121
Opening balances as of January 1, 2008	30,535	2,362	17,205	-	50,102
Provisions established	44,076	2,808	1,075	191,038	238,997
Used provisions	(36,119)	-	(3,282)	(92,594)	(131,995)
Release of provisions	(898)	(2,401)	(1,246)	-	(4,545)
Other	641	-	13,519	-	14,160
Balances as of December 31, 2008	38,235	2,769	27,271	98,444	166,719

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NOTE 22 - PROVISIONS, continued:

c) Provision for personnel salaries and expenses:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Provision for seniority compensation	312	4,030
Provision for stock-based personnel benefits	1,076	673
Provision for performance bonds	14,025	18,005
Provision for vacations	14,053	14,723
Provision for other personnel benefits	1,742	804
Totals	31,208	38,235

d) Seniority compensation:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Present value of obligations at beginning of the period	4,030	1,675
Increase in provisions	926	4,447
Payments made	(4,240)	(2,092)
Prepayments	-	-
Used provisions	(404)	-
Other	-	-
Totals	312	4,030

e) Movements in provision for performance bonds:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Opening balances as of January 1, 2008	18,005	15,202
Provisions established	14,897	18,903
Applications of provisions	(18,059)	(15,202)
Used provisions	(818)	(898)
Other	-	-

Totals	14,025	18,005

f) Movements in provision for personnel vacation:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Opening balances as of January 1, 2008	14,723	12,725
Provisions established	6,730	16,868
Used provisions	(7,320)	(15,484)
Releases of provisions	(80)	-
Other	-	614
Totals	14,053	14,723

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NOTE 23 - OTHER LIABILITIES:

This item's composition is as follows:

	As of December 31,		As of January 1,
	2009	2008	2008
	MCh$	MCh$	MCh$
Accounts and notes payable	79,491	74,302	75,961
Unearned income	2,081	4,669	6,437
Guarantees received (threshold)	148,308	177,017	15,188
Notes payable through brokerage and simultaneous transactions	14,802	11,192	11,697
Other liabilities	18,714	26,553	9,266
Totals	263,396	293,733	118,549

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NOTE 24 - CONTINGENCIES AND COMMITMENTS:

a) Lawsuits and legal procedures

On the date of these financial statements' issuance, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of December 31, 2009 the Bank and its affiliates maintained provisions for these legal actions, totaling $830 million ($1,394 million as of December 31, 2008 and $1,566 million as of January 1, 2008), which are part of the "Provisions for contingencies" item.

b) Contingent loans

The following table shows the Bank's contractual obligations to issue loans.

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Letters of credit issued	155,956	181,381	181,034
Foreign letters of credit confirmed	35,818	122,783	145,016
Guarantees	655,780	766,727	627,642
Pledges and other commercial commitments	169,931	172,568	236,661
Subtotals	1,017,485	1,243,459	1,190,353
Available credit lines	4,615,787	4,041,849	3,338,221
Totals	5,633,272	5,285,308	4,528,574

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NOTE 24 - CONTINGENCIES AND COMMITMENTS, continued:

c) Held securities:

The Bank holds securities in the normal course of its business as follows:

	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$
Securities held in custody	238,490	463,161	128,549
Collections	179,547	432,786	283,908
Assets from third parties managed by the Bank and its affiliates held in custody	66	1,158	658
Issued securities held in custody	7,371,486	10,081,416	8,844,411
Totals	7,789,589	10,978,521	9,257,526

d) Guarantees

Banco Santander Chile has a comprehensive officer fidelity insurance policy, #2340815, with the Chilena Consolidada de Seguros insurance company, for an amount of USD $5,000,000, which jointly covers both the Bank and its affiliates for the period from July 1, 2009 to June 30, 2010.

Santander Asset Management S.A. Administradora General de Fondos

In conformity with General Standard #125, the company designated Banco Santander Chile as the representative of the beneficiaries of the guarantees established by each of the managed funds, in compliance with Articles 226 and following of Law #18,045.

In addition to these guarantees for creating mutual funds, there are other guarantees for a guaranteed return on certain mutual funds, totaling $64,346 million, and time deposits totaling UF 20,385.18 million as a guaranty of Private Investment Funds (P.I.F.) as of December 31, 2009.

Santander S.A. Agente de Valores

To ensure correct and full performance of all its obligations as an Agent, in conformity with the provisions of Articles #30 and following of Law #18,045 on the Securities Market, the Company provided a guarantee in the amount of UF 4,000 through Insurance Policy #209106829, taken out from the Compañía de Seguros de Crédito Continental S.A., which matures on December 19, 2010.

Santander S.A. Corredores de Bolsa

To ensure correct and full performance of all its obligations as a Stock Broker, in conformity with the provisions of Articles 30 and following of Law 18,045 on the Securities Market, the Company has given fixed-income securities to the Bolsa de Comercio de Santiago for a current value of $2,369 million as of December 31, 2009 ($1,791 million as of December 31, 2008).

In addition, the Company has provided guarantees to the Bolsa de Comercio de Santiago to cover simultaneous transactions with a current value of $14,802 million as of December 31, 2009 ($10,934 million as of December 31, 2008).

NOTE 24 - CONTINGENCIES AND COMMITMENTS, continued:

Santander Corredora de Seguros Limitada

a) Insurance policies

In accordance with Circular #1,160 of the Superintendency of Securities and Insurance, the Company has an insurance policy in in connection with its obligations as an intermediary in insurance contracts. The guarantee policy for insurance brokers #4282537, which covers UF 500, and professional liability policy #4282542, which covers UF 60,000, were taken out from the Seguros Generales Consorcio Nacional de Seguros S.A. Each is in effect from April 16, 2009 to April 14, 2010.

b) Deferred customs duties

In conformity with legal procedures, the obligation to pay deferred customs duties on imports of leased goods is transferred to the lessees, which undertake to make that payment both directly to the appropriate customs office and indirectly in the leases into which they enter into with the Company. Accordingly, if a lessee fails to make a payment, the Chilean government would have the right to be paid from the proceeds of the imported good’s sale at auction, but that auction can be avoided if the Company pays the customs duties and then charges the lessee for them, as is stipulated in the contract.

Bansa Santander S.A.

On March 15, 2006 it was resolved at a special shareholders meeting of the Company, pursuant to Article 57 #5 of Law #18,046, to authorize the Company to provide a bond in favor of Banco Santander Chile, to ensure fulfillment of all the obligations that might arise from the injunction against entering into legal acts and contracts over real properties at lot 18 of the Hijuela El Arco subdivision.

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NOTE 25 - SHAREHOLDERS' EQUITY:

a) Capital stock and preferred shares

As of December 31, 2009 and 2008 the Bank had 188,446,126,794 shares outstanding, all of which are subscribed for and paid in full. All shares are common shares, with no par value or other preferences.

The activity with respect to shares during 2009 and 2008 was as follows:

	Shares As of December 31, 2009 Number	Shares As of December 31, 2008 Number
Issued as of January 1	188,446,126,794	188,446,126,794
Paid-up shares issued	-	-
Owed shares issued	-	-
Stock options exercised	-	-
Issued as of December 31,	188,446,126,794	188,446,126,794

As of December 31, 2009, 2008 and January 1, 2008, the Bank does not have any of its own shares in treasury, nor do any of the companies included in the perimeter of consolidation.

As of December 31, 2009 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Totals	% of Equity Holding
Teatinos Siglo XXI Inversiones Limitada	78,108,391,607	-	78,108,391,607	41.45

Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
J.P. Morgan Chase Bank	-	31,775,852,329	31,775,852,329	16.86
Inversiones Antares S.A.	250,363,545	-	250,363,545	0.13
Antonio Hitschfeld Bollman	200,000,000	-	200,000,000	0.11
Banks and stock brokers on behalf of third parties	6,985,588,652	-	6,985,588,652	3.71
Other minority shareholders	4,303,410,966	-	4,303,410,966	2.28
Totals			188,446,126,794	100.00

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NOTE 25 – SHAREHOLDERS' EQUITY, continued:

As of December 31, 2008 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Totals	% of Equity Holding
Teatinos Siglo XXI Inversiones Limitada	78,108,391,607	-	78,108,391,607	41.45
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
J.P. Morgan Chase Bank	-	29,254,384,271	29,254,384,271	15.52
Inversiones Antares S.A.	415,363,545	-	415,363,545	0.22
Banks and stock brokers on behalf of third parties	9,075,663,584	-	9,075,663,584	4.82
Other minority shareholders	4,769,804,092	-	4,769,804,092	2.53
Totals			188,446,126,794	100.00

As of January 1, 2008 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Totals	% of Equity Holding
Teatinos Siglo XXI Inversiones Limitada	78,108,391,607	-	78,108,391,607	41.45
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
The Bank of New York	-	26,772,309,006	26,772,309,006	14.21
Inversiones Antares S.A.	425,363,545	-	425,363,545	0.23
Banks and stock brokers on behalf of third parties	11,164,190,056	-	11,164,190,056	5.92
Other minority shareholders	5,153,352,885	-	5,153,352,885	2.73
Totals			188,446,126,794	100.00

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

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NOTE 25 – SHAREHOLDERS' EQUITY, continued:

b) Dividends

During the year ended December 31, 2009 and 2008, the following dividends were declared and paid by the Bank:

Distributed dividends	Total attributable to shareholders	Allocated to reserves or retained earnings	Allocated to Dividends	Percentage distributed	Number of shares	Dividend per share (in pesos)
- Year 2007 (Shareholders Meeting April 2008)	308,647	108,028	200,619	65%	188,446,126,794	1.065
- Year 2008 (Shareholders Meeting April 2009)	328,146	114,851	213,295	65%	188,446,126,794	1.132

c) As of December 31, diluted earnings and basic earnings were as follows:

	As of December 31, 2009 MCh$	2008 MCh$
a) Basic earnings per share		
Total attributable to shareholders	431,253	415,055
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Dividend per share (in pesos)	2.288	2.203
b) Diluted dividends per share		
Total attributable to shareholders	431,253	415,055
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
	-	-

Assumed conversion of convertible debt		
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in pesos)	2.288	2.203

As of December 31, 2008 and 2009, the Bank has no instruments with dilutive effects.

NOTE 26 - CAPITAL REQUIREMENTS (BASEL):

Pursuant to the General Law of Banks, the Bank must maintain a minimum ratio of effective equity to risk-weighted assets of 8% net of required allowances, and a minimum ratio of basic equity to consolidated total assets of 3%, net of required allowances. However, as a result of the Bank's merger in 2002, the SBIF has determined that the Bank's combined effective net equity cannot be lower than 11% of its risk-weighted assets. Effective net equity is defined for these purposes as basic equity (capital and reserves) plus subordinated bonds, up to a maximum of 50% of basic equity.

Assets are allocated to different risk categories, each of which is assigned a weighting percentage according to the amount of capital required to be held for each type of asset. For example, cash, deposits in banks and financial instruments issued by the Central Bank of Chile have a 0% risk weighting, meaning that it is not necessary to hold equity to back these assets according to current regulations. Property, plant and equipment have a 100% risk weighting, meaning that a minimum capital equivalent to 11% of these assets must be held. All derivatives traded off the exchanges are also assigned a risk weighting, using a conversion factor applied to their notional values, to determine the amount of their exposure to credit risk. Off-balance-sheet contingent credits are also included for weighting purposes, as "Credit equivalents."

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NOTE 26 – CAPITAL REQUIREMENTS (BASEL), continued:

The levels of Basic capital and Effective net equity at the close of each period are as follows:

	Consolidated assets			Risk-weighted assets		
	As of December 31,		As of January 1,	As of December 31,		As of January 1,
	2009 MCh$	2008 MCh$	2008 MCh$	2009 MCh$	2008 MCh$	2008 MCh$
Balance-sheet assets (net of allowances)						
Cash and deposits in banks	2,043,458	855,411	1,108,637	-	-	-
Unsettled transactions	468,134	335,405	316,240	191,287	58,580	73,437
Trading investments	798,539	1,166,426	1,093,445	41,918	97,594	164,600
Investments under resale agreements	14,020	-	33,999	14,020	-	33,999
Financial derivative contracts (*)	1,391,886	1,459,901	1,283,957	837,692	844,892	597,881
Interbank loans	23,370	95,499	45,961	4,674	19,100	9,192
Loans and accounts receivable from customers	13,378,379	14,311,349	12,022,275	11,717,337	12,721,633	10,814,912
Available for sale investments	1,830,090	1,580,240	779,635	154,089	167,995	67,769
Investments in other companies	7,417	7,277	7,301	7,417	7,277	7,301
Intangible assets	77,260	68,232	56,224	77,260	68,232	56,224
Property, plant and equipment	184,122	200,389	202,489	184,122	200,389	202,489
Current taxes	4,541	18,715	2,499	454	1,872	250
Deferred taxes	95,229	88,825	80,989	9,523	8,883	8,099
Other assets	452,559	508,655	460,282	269,313	382,452	460,282
Off-balance-sheet assets						
Contingent loans	1,160,118	1,240,690	1,190,363	693,009	735,126	714,218
Totals	21,929,122	21,937,014	18,684,296	14,202,115	15,314,025	13,210,653

(*) "Financial derivative contracts" are presented at their "Credit Equivalent Risk" value as established in Chapter 12-1 of the Updated Compilation of Rules issued by the Superintendency of Banks and Financial Institutions.

To maintain a base of accounting information, the Bank has presented the ratio of basic capital and effective equity for the year 2008 in accordance with the new regulations established in Circular #3,479 of the Superintendency of Banks, of August 18, 2009, which is in force as of September 30, 2009. The ratio determined under the standards in force prior to the changes would be 7.18% and 13.80% for the basic capital and effective equity limits, respectively, as shown in the following detail:

				Percentage		
	As of December 31,		As of January 1,	As of December 31,		As of January 1,
	2009	2008	2008	2009	2008	2008
	MCh$	MCh$	MCh$	%	%	%
Basic capital	1,658,316	1,489,689	1,129,395	7.56	6.79	6.04
Effective net equity	2,214,092	2,104,225	1,602,432	15.59	13.74	12.13

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NOTE 27 - MINORITY INTERESTS:

This item reflects the net amount of the subsidaries' net equity attributable to equity instruments which do not belong to the Bank either directly or indirectly, including the part that has been attributed to income for the period.

The minority interest in the affiliates' shareholders' equity is summarized as follows:

As of December 31, 2009	Third-party share %	Shareholders' Equity MCh$	Income MCh$	Other comprehensive income: Available for sale investments MCh$	Other comprehensive income: Deferred tax MCh$	Other comprehensive income: Total other comprehensive income MCh$	Comprehensive income MCh$
Affiliates:							
Santander S.A. Agente de Valores	0.97%	437	63	(2)	-	(2)	61
Santander S.A. Sociedad Securitizadora	0.36%	4	-	-	-	-	-
Santander Investment S.A. Corredores de Bolsa	49.00%	22,612	3,156	(123)	21	(102)	3,054
Santander Asset Management S.A. Adm. Gral. de Fondos	0.02%	13	5	-	-	-	5
Santander Corredora de Seguros Limitada	0.24%	127	14	-	-	-	14
Subtotals		23,193	3,238	(125)	21	(104)	3,134
Special-purpose entities:							
Bansa Santander S.A.	100%	2,380	(412)	-	-	-	(412)
Santander Gestión de Recaudación y Cobranzas Limitada	100%	3,368	1,542	-	-	-	1,542
Multinegocios S.A	100%	96	28	-	-	-	28
Servicios de Administración y Financieros Limitada	100%	336	380	-	-	-	380
Servicios de Cobranzas Fiscalex Limitada	100%	51	48	-	-	-	48
Multiservicios de Negocios Limitada	100%	375	229	-	-	-	229

	Subtotals	6,606	1,815	-	-	-	1,815
Totals		29,799	5,053	(125)	21	(104)	4,949

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NOTE 27 - MINORITY INTERESTS, continued:

Minority interests in shareholders' equity and the affiliates' income as of December 31, 2008 are as follows:

					As of December 31, 2008			
					Other comprehensive income			
	Third-party share %	Shareholders Equity 01.01.08 MCh$	Shareholders' Equity 31.12.08 MCh$	Income MCh$	Available for sale investments MCh$	Deferred tax MCh$	Total other comprehensive income MCh$	Comprehensive income MCh$
Affiliates:								
Santander S.A. Agente de Valores	0.97%	1,374	1,473	210	(47)	8	(39)	171
Santander S.A. Sociedad Securitizadora	0.36%	4	4	-	-	-	-	-
Santander Investment S.A. Corredores de Bolsa	49.00%	18,271	22,706	4,229	-	-	-	4,229
Santander Asset Management S.A. Administradora General de Fondos	0.02%	18	18	5	-	-	-	5
Santander Corredora de Seguros Limitada (formerly Santander Leasing S.A.)	0.24%	154	179	19	-	-	-	19
Santander Corredora de Seguros Limitada	0.01%	3	-	-	-	-	-	-
Subtotals		19,824	24,380	4,463	(47)	8	(39)	4,424
Special-purpose entities:								
Bansa Santander S.A.	100%	(2,362)	(3,027)	(1,411)	-	-	-	(1,411)
Gesbán Santander Servicios Profesionales Contables Limitada (1)	100%	533	211	139	-	-	-	139
Santander Gestión de Recaudación y	100%	(279)	3,864	4,211	-	-	-	4,211

Cobranzas Limitada								
Multinegocios S.A.	100%	103	92	16	-	-	-	16
Servicios Administración y Financieros Limitada	100%	86	32	19	-	-	-	19
Servicios de Cobranzas Fiscalex Limitada	100%	67	71	43	-	-	-	43
Multiservicios de Negocios Limitada	100%	162	256	117	-	-	-	117
Subtotals		(1,690)	1,499	3,134	-	-	-	3,134
Totals		18,134	25,879	7,597	(47)	8	(39)	7,558

(1) On December 31, 2008 it was decided to modify the corporate purpose and transform the entity into a limited liability company operating under the name of Gesban Santander Servicios Profesionales Contables Limitada (formerly Santander Multimedios S.A.); its line of business was also changed, as a result of which its income ceased to be largely dependent on operations conducted with the Bank.

As indicated above, it was determined that the Bank no longer controlled it, so it was excluded from the perimeter of consolidation as of March 2009.

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NOTE 28 – INTEREST INCOME AND EXPENSE:

This item refers to interest earned in the period by all the financial assets whose return, whether implicitly or explicitly, is determined by applying the effective interest rate method, regardless of the value at fair value, as well as the reclassifications of products as a consequence of hedge accounting.

a) On the financial statement closing date, the composition of income from interest and adjustments, not including income from hedge accounting, is as follows:

	As of December 31,							
	2009				2008			
Items	Interest MCh$	Adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Adjustments MCh$	Prepaid fees MCh$	Total MCh$
Repurchase agreements	16,903	3,603	-	20,506	3,691	-	-	3,691
Interbank loans	262	-	-	262	1,273	-	-	1,273
Commercial loans	574,912	(65,137)	3,016	512,791	577,043	273,751	1,935	852,729
Mortgage loans	182,262	(88,801)	4,109	97,570	169,946	317,678	4,874	492,498
Consumer loans	506,896	(1,844)	3,249	508,301	548,570	9,704	2,282	560,556
Investment instruments	47,331	(20,646)	-	26,685	55,631	59,895	-	115,526
Other interest income	3,102	1,897	-	4,999	32,619	7,750	-	40,369
Interest income	1,331,668	(170,928)	10,374	1,171,114	1,388,773	668,778	9,091	2,066,642

b) As indicated in section i) of Note 01, suspended interest are recorded in order accounts (off-balance-sheet accounts) until they are effectively received.

At the period end, the detail of income from suspended interest is as follows:

	As of December 31,							
	2009				2008			
Off balance sheet	Interest MCh$	Adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Adjustments MCh$	Prepaid fees MCh$	Total MCh$
Commercial loans	21,224	3,933	-	25,157	11,188	14,748	-	25,936
Mortgage loans	5,570	2,726	-	8,296	1,728	1,678	-	3,406
Consumer loans	32,788	(671)	-	32,117	18,168	7,538	-	25,706

Totals	59,582	5,988	-	65,570	31,084	23,964	-	55,048

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NOTE 28 – INTEREST INCOME AND EXPENSE, continued:

c) At the end of the period the detail of expenses for interest and adjustments is as follows:

	As of December 31,							
	2009				2008			
Items	Interest MCh$	Adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Adjustments MCh$	Prepaid fees MCh$	Total MCh$
Demand deposits	(704)	(167)	-	(871)	(1,551)	(67)	-	(1,618)
Repurchase agreements	(15,372)	572	-	(14,800)	(32,096)	(903)	-	(32,999)
Time deposits and liabilities	(293,658)	65,909	-	(227,749)	(447,990)	(286,493)	-	(734,483)
Interbank borrowings	(29,030)	64	-	(28,966)	(54,547)	(280)	-	(54,827)
Issued debt instruments	(112,549)	49,801	-	(62,748)	(108,356)	(169,986)	-	(278,342)
Other financial obligations	(3,834)	1,447	-	(2,387)	(2,429)	(3,502)	-	(5,931)
Other interest expenses	(1,994)	(71)	-	(2,065)	(3,308)	(9,112)	-	(12,420)
	-	-	-	-				
Interest expenses totals	(457,141)	117,555	-	(339,586)	(650,277)	(470,343)	-	(1,120,620)

d) At the end of the period the summary of interest and adjustments is as follows:

	As of December 31,	
	2009	2008
Items	MCh$	MCh$
Interest income	1,171,114	2,066,642
Interest expense	(339,586)	(1,120,620)
Interest income	831,528	946,022
Income from hedge accounting (net)	24,988	(53,956)
Total net interest income	856,516	892,066

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NOTE 29 – FEES AND COMMISSIONS:

This item includes the amount of fees earned and paid in the period, except for those which are an integral part of the financial instrument's effective interest rate:

	As of December 31,	
	2009 MCh$	2008 MCh$
Fees and commissions income		
Fees and commissions for lines of credit and overdrafts (*)	25,822	38,878
Fees and commissions for guarantees and letters of credit	24,558	17,092
Fees and commissions for card services	96,388	87,403
Fees and commissions for management of accounts	27,566	25,605
Fees and commissions for collections and payments	65,782	59,237
Fees and commissions for intermediation and management of securities	7,808	8,830
Fees and commissions for investments in mutual funds or others	30,766	28,220
Compensation for marketing of securities	16,307	15,284
Office banking	8,586	5,285
Other fees earned	12,342	10,135
Totals	315,925	295,969

	As of December 31,	
	2009 MCh$	2008 MCh$
Fees and commissions expenses		
Compensation for card operation	(44,718)	(43,631)
Fees and commissions for securities transactions	(1,276)	(2,292)
Office banking	(6,034)	(3,341)
Other fees	(9,767)	(3,576)
Totals	(61,795)	(52,840)
Net fees and commissions income	254,130	243,129

The fees earned through transactions with letters of credit are recorded in the Consolidated Statement of Income in the "Interest income" item.

(*) According to SBIF Circular 3,452, of November 25, 2008, amended by SBIF Circular 3,466 of February 4, 2009, fee charges on overdrafts for which there is no contractual provision were eliminated.

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NOTE 30 - INCOME FROM FINANCIAL OPERATIONS:

This item includes the adjustments for changes in financial instruments, except for interest attributable to the application of the effective interest rate method for adjustments to asset values, as well as the income earned in purchases and sales of financial instruments.

As of December 31, 2009 and 2008, the detail of income from financial operations is as follows:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Net income from financial operations		
Derivatives classified as trading	(102,825)	178,883
Trading investments	49,220	77,222
Decrease (increase) of loans and accounts receivable from customers		
Current portfolio	542	980
Written-off portfolio	8,689	14,037
Available for sale investments	47,335	3,807
Other income from financial operations	926	(1,452)
Totals	3,887	273,477

NOTE 31 - NET FOREIGN EXCHANGE INCOME:

This item includes the income earned from foreign currency trading, the differences arise from converting monetary items in a foreign currency to the functional currency and those generated by non-monetary assets in a foreign currency at the time of their divestiture.

As of December 31, 2009 and 2008, the detail of foreign exchange income is as follows:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Currency exchange differences		
Net profit (loss) from currency exchange differences	401,695	(402,927)
Hedging derivatives	(266,221)	243,979
Income from adjustable assets in foreign currency	(10,138)	12,684
Income from adjustable liabilities in foreign currency	37,905	(40,778)
Totals	163,241	(187,042)

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NOTE 32 - ALLOWANCES FOR LOAN LOSSES:

The recorded activity in the 2009 and 2008 periods for provision for loan losses recorded on the income statement is as follows:

As of December 31, 2009	Interbank loans MCh$	Loans and accounts receivable from customers: Commercial loans MCh$	Loans and accounts receivable from customers: Mortgage loans MCh$	Loans and accounts receivable from customers: Consumer loans MCh$	Contingent credits MCh$	Total MCh$
Allowances and charge-offs						
- Individual evaluations	(7)	(34,739)	-	-	(1,380)	(36,126)
- Group evaluations	-	(73,774)	(14,061)	(276,530)	-	(364,365)
Total allowances and charge-offs	(7)	(108,513)	(14,061)	(276,530)	(1,380)	(400,491)
Allowances released						
- Individual evaluations	-	5,635	-	-	-	5,635
- Group evaluations	-	1,718	1,450	18,495	72	21,735
Total released allowances	-	7,353	1,450	18,495	72	27,370
Recovery of loans previously charged off	-	8,446	2,560	28,268	-	39,274
Net charge to income	(7)	(92,714)	(10,051)	(229,767)	(1,308)	(333,847)

As of December 31, 2008	Contingent interbank loans MCh$	Loans and accounts receivable from customers: Credits, commercial MCh$	Loans and accounts receivable from customers: Credits, mortgage MCh$	Loans and accounts receivable from customers: Loans, consumer MCh$	Credits, contingent MCh$	Total MCh$
Allowances and charge-offs						
- Individual evaluations	(35)	(32,284)	-	-	(2,759)	(35,078)
- Group evaluations	-	(41,235)	(8,761)	(251,068)	(49)	(301,113)
Total allowances and charge-offs	(35)	(73,519)	(8,761)	(251,068)	(2,808)	(336,191)
Allowances released						
- Individual evaluations	-	2,725	-	-	2,401	5,126
- Group evaluations	-	2,046	685	2,457	-	5,188
Total released allowances	-	4,771	685	2,457	2,401	10,314
Recovery of loans previously charged off	-	9,244	1,932	26,718	-	37,894

Net charge to income	(35)	(59,504)	(6,144)	(221,893)	(407)	(287,983)

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NOTE 33 - PERSONNEL COMPENSATION AND EXPENSES:

a) Composition of personnel compensations and expenses:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Personnel compensation	152,695	161,801
Bonuses or gratifications	47,983	47,364
Stock-based benefits	2,371	1,352
Seniority compensation	3,075	17,844
Pension plans	100	-
Training expenses	1,452	1,763
Day care and kindergarten	1,582	1,295
Health funds	2,519	2,492
Welfare fund	462	435
Other personnel expenses	12,245	12,429
Totals	224,484	246,775

b) Stock-based benefits

Banco Santander Chile and its Affiliates have designed variable-compensation plans for their employees, based on performance targets and objectives, the achievement of which are evaluated and paid on a quarterly and/or annual basis. There are also multi-year variable-compensation plans designed to retain and motivate executives, whose compensation depends on the achievement of overall wide and individual targets over the course of a time period exceeding one year.

Long-term incentive policy

In 2007, the Parent Company's Board of Directors approved a long-term incentive plan (PI06) consisting of granting stock-options on Bank's shares for the 2008-2010 period. This plan focuses on the Santander Group's executive directors and certain executive employees in Spain and other Santander Group companies.

As of December 31, 2008 approximately 90 of the Bank's executives enrolled in Plan PI06 exercised 3,099,850 options over Banco Santander S.A. shares. (the Parent Company located in Spain) at a price of €9,09.

Stock performance plan

This consists of a multi-year incentive plan with compensation in shares of the Parent Company. The plan's beneficiaries are the Executive Directors, other members of Top Management and other Bank employees designated by the Parent Company's Board of Directors or, by delegation from it, the Executive Committee. The shares are distributed if the following conditions are met:

i. The share price reaches the top 10 as compared to 30 other global banks.
ii. Earnings per share reach the top 10 as compared to 30 other global banks.
iii. The Bank has achieved its commercial and financial budget objectives in the last two years.
iv. The executive has achieved his/her personal targets during the last two years and has continued to work at the Bank until the end of the program.

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NOTE 33 - PERSONNEL COMPENSATION AND EXPENSES, continued:

This plan involves cycles of shares given to the beneficiaries. Each cycle has a three-year length, so a cycle will begin every year and, from 2009 onward, another cycle will simultaneously terminate. The objective is to establish an adequate sequence between the end of the incentive program linked to the previous plan (PI06) and the successive cycles of this plan. Accordingly, the first two cycles began in July 2007, the first cycle had a two-year length (PI09), and the second cycle has a standard three-year length (PI10). In June 2008 and 2009 the beginning of the third-cycle (PI11) and fourth-cycle (PI12) incentive plans was approved by the Parent Company. They will be linked to the fulfillment of the predetermined objectives. These new plans consisting of three-year cycles began to impact the Consolidated Statement of Income in 2009.

For each cycle and beneficiary who remains employed at the Bank throughout the plan's term, the Parent determines a maximum number of shares that may be granted. The objectives to be fulfilled, which will determine the number of shares to be granted, were defined by comparing the Santander Group's performance with that of a reference group of financial institutions. These objectives are linked to two parameters: Total Shareholder Return (TSR) and Increase in Earnings per Share (EPS), each of which has a 50% weighting in the determination of the percentage of shares to be granted.

The final number of shares to be granted in each cycle is determined by the degree of fulfillment of the objectives on the third anniversary of each cycle (with the exception of the first cycle, for which the second anniversary is used), and the shares will be delivered within seven months from the date the cycle ends. The RTA and the growth of ETS for Santander and the reference financial institutions will be calculated at that time, which will yield 50% of the percentage of shares to be granted according to the following scale and based on the relative position of the Parent Company:

Santander's position in the RTA Ranking	Maximum percentage of shares earned	Santander's position in the BPA growth ranking	Shares earned as percentage of maximum
1st to 6th	50%	1st to 6th	50%
7th	43%	7th	43%
8th	36%	8th	36%
9th	29%	9th	29%
10th	22%	10th	22%
11th	15%	11th	15%
12th and more	0%	12th and more	0%

If Banco Santander, S.A. is within the first quartile (including the 25th percentile) for each of the measures considered (TSR and EPS growth), the maximum percentage of shares will be earned; if it is at the median (including the 50th percentile), 30% of the maximum percentage of shares will be earned. If it is below the median, all the share distributions will be voided.

Plan PI09 ended in 2009 and over 707,305 shares were granted to 181 Bank's executives. In addition, Plan PI10 commenced during that period; and over 419,312 shares were granted to 181 executives, yielding a cumulative total of 980,784 shares to 181 executives. Plan PI11 granted 476,025 shares, and Plan PI12 granted 522,155 shares, to 214 and 271 executives, respectively.

NOTE 33 - PERSONNEL COMPENSATION AND EXPENSES, continued:

As of December 31, 2009 the aforementioned objectives were achieved in their entirety, so the Bank recorded a cost for the period of $2,371 million, which corresponds to the fair value of Plan I09 (which terminated on July 31, 2009), Plan I10, Plan I11, and Plan I12 for the shares granted; this sum was charged to income in the specific period in which the beneficiaries provided their services to Banco Santander Chile. This program had no diluting effects on the minority interests. This fair value was calculated as described below:

The fair value of the 50% which is linked to the TSR was determined by an independent expert on the basis of the Monte Carlo valuation model with 10,000 simulations run to determine the TSR for each of the reference Group companies, considering the aforementioned variables. The results (each of which represents the distribution of a number of shares) are classified in descending order through the calculation of the weighted average, and this amount is discounted at the risk-free interest rate.

	PI09	PI10	PI11	PI12
Expected volatility (*)	16.25%	15.67%	19.31%	42.36%
Historical annual dividend return	3.23%	3.24%	3.47%	4.88%
Risk-free interest rate	4.47%	4.49%	4.83%	2.04%

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

The simulation model's application yields a percentage value of 42.7% for PI09, 42.3% for PI10 and 44.9% for the second cycle for PI11, and finally, 55.4% for PI12, applied to 50% of the value of the granted shares to determine the carrying amount of the incentive's TSR-based portion. Since this valuation is related to a market condition, it cannot be adjusted after the date on which the shares are granted.

In view of the high correlation between the TSR and EPS, it can reasonably be concluded that the TSR value is also valid for EPS in a high percentage of cases. Accordingly, it was determined that the fair value of the portion of the plans linked to the Bank's relative EPS position, for example the remaining 50% of the shares granted, was the same as the 50% corresponding to TSR. Since this valuation does not refer to market conditions, the number of shares expected to be granted will be re-examined and adjusted on a per-annum basis.

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NOTE 33 - PERSONNEL COMPENSATION AND EXPENSES, continued:

Below is a table which provides a detail of the foregoing:

	Number of shares MCh$	Exercise price €	Group of employees	Number of individuals	Date of commencement of Exercise Period	Date of termination of Exercise Period
Plans in force on January 1, 2005						
Options granted (Plan I06)	4,284,700	9.09 (**)	Managers	123	1/15/2008	1/15/2009
Options exercised	-	-	-			
Options cancelled or not exercised	(267,700)	-	-	(6)	1/15/2008	1/15/2009
Plans in force on December 31, 2005	4,017,000	9.09				
Options exercised	-	-	-			
Options cancelled, net (Plan I06)	(166,600)	9.09	Managers	(5)	1/15/2008	1/15/2009
Plans in force on December 31, 2006	3,850,400	9.09				
Options granted (Plan I09)	270,823	-	Managers	159	6/23/2007	7/31/2009
Options granted (Plan I09)	12,844	-	Other non-managerial positions	23	6/23/2007	7/31/2009
Options granted (Plan I10)	402,865	-	Managers	159	6/23/2007	7/31/2010
Options granted (Plan I10)	18,564	-	Other non-managerial positions	23	6/23/2007	7/31/2010
Options cancelled, net (Plan I06)	(184,900)	9.09	Managers			
Plans in force on December 31, 2007	4,370,596	-				
Options granted (Plan I09)	134,985	-	Managers	159	6/23/2007	7/31/2009
Options granted (Plan I09)	6,401		Other non-managerial positions	22	6/23/2007	7/31/2009
Options granted (Plan I10)	133,874	-	Managers	159	6/23/2007	7/31/2010

Options granted (Plan I10)	6,169	-	Other non-managerial positions	22	6/23/2007	7/31/2010
Options cancelled, net (Plan I06)	(565,650)	-	-		4/15/2008	1/15/2009
Options exercised, net (Plan I06)	(3,099,850)	-	Managers	90		
Plans in force on December 31, 2008	986,525					
Options granted (Plan I09)	269,472	-	Managers	159	6/23/2007	7/31/2009
Options granted (Plan I09)	12,780	-	Other non-managerial positions	22	6/23/2007	7/31/2009
Options granted (Plan I10)	400,842	-	Managers	159	6/23/2007	7/31/2010
Options granted (Plan I10)	18,470	-	Other non-managerial positions	22	6/23/2007	7/31/2010
Options granted (Plan I11)	443,098	-	Managers	161	7/31/2008	7/31/2011
Options granted (Plan I11)	32,927	-	Other non-managerial positions	53	7/31/2008	7/31/2011
Options granted (Plan I12)	458,850	-	Managers	176	7/31/2009	7/31/2012
Options granted (Plan I12)	63,305	-	Other non-managerial positions	95	7/31/2009	7/31/2012
Options granted (Plan I09)	(675,280)	-	Managers	159		
Options granted (Plan I09)	(32,025)	-	Other non-managerial positions	22		
Plans in force on December 31, 2009	1,978,964					
Plan I10	980,784					
Plan I11	476,025					
Plan I12	522,155					

(**) The exercise price for the options under Plan I06 was 9.09 Euros per share, which is the weighted average of the average daily market price of the Bank shares over the continuous market for the first 15 trading days of January 2005. This was the criterion established in the resolution approving Plan I06, adopted at the Annual General Meeting of the Parent Company on June 18, 2005. Such plan maintained a restriction on exercising the option 15 days prior to the 2008 Financial Statement closing date, which explains why the options not exercised before December 15, 2008 were cancelled in their entirety.

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NOTE 34 - ADMINISTRATIVE EXPENSES:

As of December 31, 2009 and 2008 the composition of this item is as follows:

	As of December 31,	
	2009 MCh$	2008 MCh$
General administrative expenses		
Maintenance and repair of property, plant and equipment	10,260	10,455
Office lease	17,202	14,687
Equipment lease	228	192
Insurance payments	1,183	1,225
Office supplies	6,626	7,350
Information technology and communication expenses	19,789	22,620
Lighting, heating, and other utilities	6,204	5,576
Security and valuables transport services	10,136	10,116
Representation and personnel travel expenses	3,789	4,080
Judicial and notarial expenses	4,470	2,452
Fees for technical reports	5,665	5,155
Fees for professional services	631	725
Other general administrative expenses	3,012	2,943
Outsourced services		
Data processing	14,585	8,568
Other outsourcing	6,631	9,092
Other	2,767	5,194
Board expenses		
Compensation to Board members	645	628
Other Board expenses	-	-
Marketing Expenses		
Publicity and advertising	13,847	14,615
Taxes, payroll taxes and contributions		
Real estate contributions	1,886	1,795
Patents	1,701	1,526
Other taxes	24	30
Contribution to SBIF	5,431	4,658
Totals	136,712	133,682

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NOTE 35 - DEPRECIATION AND AMORTIZATION:

a) The values of depreciation and amortization charges during the 2009 and 2008 periods are detailed below:

	As of December 31, 2009 MCh$	2008 MCh$
Depreciation and amortization		
Depreciation of property, plant and equipment	(21,691)	(21,458)
Amortization of intangible assets	(24,932)	(26,169)
Totals	(46,623)	(47,627)

b) The reconciliation between the book values as of January 1, 2008 and the balances as of December 31, 2009 and 2008 is as follows:

	Accumulated depreciation and amortization					
	2009			2008 (*)		
	Property, plant and equipment MCh$	Intangible assets MCh$	Total MCh$	Property, plant and equipment MCh$	Intangible assets MCh$	Total MCh$
Opening balances as of January 1 (*)	(21,414)	(26,169)	(47,583)	-	-	-
Depreciation and amortization charges for the period	(21,691)	(24,932)	(46,623)	(21,458)	(26,169)	(47,627)
Sales and disposals in the period	126	-	126	44	-	44
Balances as of December 31	(42,979)	(51,101)	(94,080)	(21,414)	(26,169)	(47,583)

(*) As of January 1, 2008 both property, plant and equipment and intangible assets were shown net of their accumulated depreciation.

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NOTE 36 - OTHER OPERATING INCOME AND EXPENSES:

a)Other operating income is comprised of the following components:

		As of December 31,	
		2009	2008
		MCh$	MCh$
Income from assets received in lieu of payment			
Income from sale of assets received in lieu of payment		2,462	3,168
Recovery of charge-off and income from assets received in lieu of payment		4,944	5,676
	Subtotals	7,406	8,844
Income from sale of investments in other companies (**)			
Gain on sale of investments in other companies		1,859	4,348
	Subtotals	1,859	4,348
Other income			
Leases		1,123	1,304
Gain on sale of Property, plant and equipment (***)		7,622	1,248
Recovery of provisions for contingencies		14,793	1,246
Other		440	1,232
	Subtotals	23,978	5,030
Totals		33,243	18,222

(*) On December 30, 2009 Banco Santander Chile sold 201 real estate properties received in payment to “IM Trust Administradora General de Fondos for the Fondo de Inversión Privado Inmobiliario Bandera”, a private real estate investment fund, for $5,852 million; their book value at the time of the transaction came to $5,723 million, generating an income of $130 million.

(**) As is stated in section e) of Note 03, in 2009 Banco Santander Chile recorded a $1,847 million gain on sale of stocks ($477 million for Visa and $1,370 million for Mastercard). During 2008, income of $4,336 million was recorded ($3,368 million recorded by Banco Santander Chile for sale of Visa shares and $974 by Santander S.A. Corredora de Bolsa, stemming from a sale of shares of the Santiago Commercial Exchange).

(***) As is expressed in section c) of Note 03, on December 30, 2009 Banco Santander Chile sold a real estate property to the “Fondo de Inversión Privado Inmobiliario Bandera”, a private real estate investment fund, generating a $7,072 million income.

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NOTE 36 - OTHER OPERATING INCOME AND EXPENSES, continued:

b) Other operating expenses are comprised of the following components:

	As of December 31,	
	2009 MCh$	2008 MCh$
Provisions and expenses for assets received in lieu of payment		
Charge-off of assets received in lieu of payment	8,192	5,324
Provisions for assets received in lieu of payment	2,757	1,483
Expenses for maintenance of assets received in lieu of payment	2,922	1,667
Subtotals	13,871	8,474
Credit card expenses		
Credit card expenses	3,004	4,127
Credit card memberships	2,898	3,159
Subtotals	5,902	7,286
Customer services	8,807	9,366
Other expenses		
Operating charge-offs	3,106	3,791
Life insurance and general product insurance policies	4,553	4,777
Additional tax on expenses paid overseas	1,728	2,499
Expenses for mortgage credits	814	1,383
Losses on sale of property, plant and equipment	24	529
Expenses for foreign trade operations	306	211
Provisions for contingencies	1,088	1,075
Other	4,206	2,203
Subtotals	15,825	16,468
Totals	44,405	41,594

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES:

In addition to Affiliates and associated entities, the Bank's "related parties" include the "key personnel" of the Bank's executive staff (members of the Bank's Board and the Managers of Banco Santander Chile and its Affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also considers the companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, i.e., Banco Santander S.A. (located in Spain).

Article 89 of the Corporations Act, which is also applicable to banks, provides that any transaction with a related party must be made under equitable conditions similar to those that customarily prevail in the market.

Moreover, Article 84 of the General Banking Act imposes limits on loans that can be granted to related parties and prohibits lending to the Bank's directors, managers, or representatives.

Transactions that the Bank enters into with related parties are specified below. To facilitate comprehension, we have divided the information into four categories:

Santander Group Companies
This category includes all the companies that are controlled by the Santander Group around the world, and hence, it also includes the companies over which the Bank exercises any degree of control (Affiliates and special-purpose entities).

Associated companies
This category includes the entities over which the Bank, in accordance with section b) of Note 01 to these Financial Statements, exercises a significant degree of influence and which generally belong to the group of entities known as "business support companies."

Key personnel
This category includes members of the Bank's Board and the managers of Banco Santander Chile and its Affiliates, together with their close relatives.

Other
This category encompasses the related parties that are not included in the groups identified above and which are, in general, entities over which the key personnel could exercise significant influence or control.

The terms for transactions with related parties are equivalent to those which prevail in transactions made under market conditions or to which the corresponding considerations in kind have been attributed.

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

a) Loans to related parties:

Below are loans and receivables, and contingent loans, corresponding to related entities:

	As of December 31, 2009				As of December 31, 2008				As of January 1, 2008			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Loans and receivables												
Commercial loans	11,331	914	2,840	108,372	54,996	51	2,417	110,074	9,375	36	2,274	71,979
Mortgage loans	-	-	12,754	-	-	-	11,517	-	-	-	10,256	-
Consumer loans	-	-	1,744	-	-	-	911	-	-	-	972	-
Loans and receivables	11,331	914	17,338	108,372	54,996	51	14,845	110,074	9,375	36	13,502	71,979
Provision for loan losses	(13)	(1)	(11)	(298)	(114)	-	(8)	(34)	(5)	-	(4)	(25)
Net loans	11,318	913	17,327	108,074	54,882	51	14,837	110,040	9,370	36	13,498	71,954
Guarantees	4,552	-	45,550	596	62,040	-	13,867	602	25,791	-	12,526	45,626
Contingent loans												
Personal guarantees	-	-	15,900	-	-	-	-	-	-	-	-	-
Letters of credit	1,868	-	-	-	1,582	-	-	-	4,760	-	-	-
Performance bonds	134,644	-	-	259	51,237	-	-	25	45,510	-	-	-
Contingent loans	136,512	-	-	259	52,819	-	-	25	50,270	-	-	-
Provision for contingent	(21)	-		-	(4)	-	-	-	(17)	-	-	-

loans											-	
Net contingent loans	136,491	-	-	259	52,815	-	-	25	50,253	-	-	-

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

The activity of loans to related parties during the years 2009 and 2008 is shown below:

	As of December 31,							
	2009				2008			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key Personnel MCh$	Other MCh$
Balance as of January 1	107,815	51	14,845	110,099	59,645	36	13,502	71,979
New loans	176,516	2,268	8,279	30,220	107,916	49	3,732	39,461
Payments	(136,488)	(1,405)	(5,785)	(31,688)	(59,746)	(34)	(2,389)	(1,341)
Balances as of December 31	147,843	914	17,338	108,631	107,815	51	14,845	110,099

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

b) Assets and liabilities with related parties

	As of December 31, 2009				As of December 31, 2008				As of January 1, 2008			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Assets												
Trading investments	-	-	-	-	-	-	-	-	55,549	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-	-	-
Financial derivatives contracts	405,411	-	-	-	293,649	-	-	-	235,056	-	2	187
Available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	117,060	-	-	-	15,422	-	-	-	17,732	65	60	13
Liabilities												
Demand deposits and other demand obligations	1,503	6,238	502	925	6,827	4,963	1,442	5,761	156,000	7,029	567	752
Investments under repurchase agreements	-	-	-	-	40,345	-	-	-	-	-	-	-
Deposits and other time liabilities	411,295	-	1,126	21,652	387,477	-	2,918	3,057	65,353	-	538	313
Financial derivatives contracts	245,574	-	-	-	358,747	-	-	-	52,553	-	2	150
Issued debt instruments	89,258	-	-	-	186,098	-	-	-	11,505	-	-	-
	55,156	-	-	-	8,967	-	-	-	10,594	-	-	-

Other financial liabilities												
Other liabilities	310	-	-	-	2,710	-	-	-	3,922	-	-	-

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

c) Income (expenses) recorded with related parties

	As of December 31, 2009				As of December 31, 2008			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Income (expense) recorded								
Income and expenses from interest and adjustments	(23,344)	42	308	(769)	1,070	-	67	(11)
Income and expenses from fees and services	56,822	71	79	50	47,984	-	11	5
Net income from financial and foreign exchange transactions (*)	129,046	-	2	(13,634)	(210,308)	-	-	97
Other operating revenues and expenses	(4,294)	-	-	-	(3,995)	-	-	-
Key personnel compensation and expenses	-	-	(28,663)	-	-	-	(29,820)	-
Administrative and other expenses	(13,107)	(16,666)	-	-	(12,656)	(28,016)	-	-
Totals	145,123	(16,553)	(28,274)	(14,353)	(177,905)	(28,016)	(29,742)	91

(*) Reflects derivative contracts that hedge Group positions in Chile.

d) Payments to Board members and key management personnel

The compensation received by the key management personnel, including Board members and all the executives holding Manager positions, shown in the "Personnel compensation and expenses" and/or "Administrative expenses" items of the Consolidated Statement of Income, corresponds to the following categories:

	As of December 31,	
	2009	2008
	MCh$	MCh$
Personnel compensation	13,531	14,156
Board members' compensation	645	628
Bonuses or gratifications	10,318	10,143
Compensation in stock	1,676	1,248
Training expenses	49	40
Seniority compensation	1,759	2,982
Health funds	242	299
Other personnel expenses	343	324
Pension plan	100	-
Totals	28,663	29,820

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

e) Composition of key personnel

As of December 31, 2009 and 2008, the composition of the Bank's key personnel is as follows:

Positions	# of executives	
	2009	2008
Directors	13	12
Division managers	13	16
Department managers	83	86
Managers	58	65
Total key personnel	167	179

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

f)Stock-based benefits

The following table details the activity in stock-based benefits paid to the key personnel of the Bank and its Affiliates. The detail for each of these benefit plans is described in section b) of Note 33.

	Number of shares MCh$	Exercise price €	Group of employees	Number of individuals	Date of Exercise Period	Date of termination of Exercise Period
Plans in force on January 1, 2005						
Options granted (Plan I06)	4,284,700	9.09 (**)	Managers	123	1/15/2008	1/15/2009
Options exercised	-	-	-			
Options cancelled or not exercised	(267,700)	-	-	(6)	1/15/2008	1/15/2009
Plans in force on December 31, 2005	4,017,000	9.09				
Options exercised	-	-	-			
Options cancelled, net (Plan I06)	(166,600)	9.09	Managers	(5)	1/15/2008	1/15/2009
Plans in force on December 31, 2006	3,850,400	9.09				
Options granted (Plan I09)	270,823	-	Managers	159	6/23/2007	7/31/2009
Options granted (Plan I10)	402,865	-	Managers	159	6/23/2007	7/31/2010
Options cancelled, net (Plan I06)	(184,900)	9.09	Managers			
Plans in force on December 31, 2007	4,339,188					
Options granted (Plan I09)	134,985	-	Managers	159	6/23/2007	7/31/2009
Options granted (Plan I10)	133,874	-	Managers	159	6/23/2007	7/31/2010
Options cancelled, net (Plan I06)	(565,650)	-	-		4/15/2008	1/15/2009

Options exercised, net (Plan I06)	(3,099,850)	-	Managers	90		
Plans in force on December 31, 2008	942,547					
Options granted (Plan I09)	269,472	-	Managers	159	6/23/2007	7/31/2009
Options granted (Plan I10)	400,842	-	Managers	159	6/23/2007	7/31/2010
Options granted (Plan I11)	443,098	-	Managers	161	7/31/2008	7/31/2011
Options granted (Plan I12)	458,850	-	Managers	176	7/31/2009	7/31/2012
Options granted (Plan I09)	(675,280)	-	Managers	159		
Plans in force on December 31, 2009	1,839,529					
Plan I10	937,581					
Plan I11	443,098					
Plan I12	458,850					

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

g) Post-employment benefits

During the second half of 2009, the Bank granted an additional benefit to its principal executives, consisting of a pension plan whose purpose is to endow them with funds for a better supplementary pension upon their retirement.

In practical terms, the Bank will match the voluntary contributions made by the beneficiaries for their future pensions with an equivalent contribution. The executives will be entitled to receive this benefit only when they fulfill the following conditions:

i. Retire from the Bank (or from any other Santander Group company) and be 60 years of age or older;
ii. The reason for termination of their employment may not be any of the legal grounds for dismissal attributable to the executive in question.

In other words, in the event the employment relationship between the executive and the company is terminated before the executive meets the aforementioned conditions, he will have no rights under this benefit plan.

In the event of the executive's death or total or partial disability, he will be entitled to receive this benefit.

The Bank will make the contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank. The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company.

During the second half of 2009, the Bank made a contribution of $4,726 million, and a current contribution of $267 million.

The assets related to the savings fund that are contributed by the Bank in the Insurance Company for defined benefit plans are presented net of associated commitments. The balance for this item at the close of the period is as follows:

	Post-employment plans 2009 MCh$
Plan assets	4,993
Commitments for defined-benefit plans	
For active personnel	(100)
Incurred by inactive personnel	
Minus:	
Unrealized actuarial (gain) losses	

Balances at the period end	4,893

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NOTE 37 - TRANSACTIONS WITH RELATED PARTIES, continued:

The period's activity for post-employment benefits is as follows:

	Post-employment plans 2009 MCh$
a) Fair value of plan assets	
Balance at beginning of period	-
Expected yield of insurance contracts	-
Employer contributions	4,993
Actuarial (gain) losses	-
Premiums paid	-
Benefits paid	-
Other activity	-
Fair value of plan assets at end of period	4,993
b) Present value of obligations	
Current value of obligations at beginning of period	-
Net incorporation of Group companies	-
Service cost	(100)
Interest cost	-
Curtailment/settlement effect	-
Benefits paid	-
Past service cost	-
Actuarial (gain) losses	-
Other activity	-
Present value of obligations at end of period	(100)
Net balance at end of period	4,893

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NOTE 38 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

Fair value is defined as the amount at which a financial instrument (asset or liability) could be delivered or settled, respectively, on that date between two independent knowledgeable parties who act freely and prudently; i.e., not in a forced or liquidation sale. The most objective and customary reference for the fair value of an asset or liability is the quoted price that would be paid for it on a transparent organized market ("estimated fair value").

For financial instruments with no available market prices, fair values have been estimated by using recent transactions in analogous instruments, and in the absence thereof, the present values or other valuation techniques based on mathematical valuation models sufficiently accepted by the international financial community. In the use of these models, consideration is given to the specific particularities of the asset or liability to be valued, and especially to the different kinds of risks associated with the asset or liability.

These techniques are inherently subjective and are significantly influenced by the assumptions used, including the discount rate, the estimates of future cash flows and prepayment expectations. Hence, the fair value estimated for an asset or liability may not coincide exactly with the price at which that asset or liability could be delivered or settled on the date of its valuation, and may not be justified in comparison with independent markets.

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2009 and 2008:

	As of December 31, 2009		As of December 31, 2008		As of January 1, 2008	
	Amount recorded MCh$	Fair value MCh$	Amount recorded MCh$	Fair value MCh$	Amount recorded MCh$	Fair value MCh$
Assets						
Cash and deposits in banks	2,043,458	2,043,458	855,411	855,411	1,108,637	1,108,637
Unsettled transactions	468,134	468,134	335,405	335,405	316,240	316,240
Trading investments	798,539	798,539	1,166,426	1,166,426	1,093,445	1,093,445
Investments under resale agreements	14,020	14,020	-	-	33,999	33,999
Financial derivatives contracts	1,393,878	1,393,878	1,846,509	1,846,509	780,775	780,775
Loans and accounts receivable from customers and interbank loans	13,401,749	15,075,810	14,406,848	16,183,644	12,068,236	13,478,112
Available for sale investments	1,830,090	1,830,090	1,580,240	1,580,240	779,635	779,635

Liabilities						
Deposits	12,755,581	12,446,748	14,129,495	14,007,109	11,855,288	10,551,438
Unsettled transactions	275,474	275,474	142,552	142,552	135,219	135,219
Investments under repurchase agreements	1,114,605	1,114,605	562,223	562,223	307,630	307,630
Financial derivatives contracts	1,348,906	1,348,906	1,469,724	1,469,724	778,217	778,217
Short and long term issued debt instruments	3,071,587	3,184,880	2,782,690	3,202,637	2,330,663	1,685,037

In addition, the fair value estimates presented above do not attempt to estimate the value of the Bank's profits generated by its business activity, nor its future activities, and accordingly, they do not represent the Bank's value as a going concern. Below is a detail of the methods used to estimate the financial instruments' fair value:

NOTE 38 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

a) Cash and deposits in banks

The recorded value of cash and interbank loans approximates its estimated fair value in view of these instruments' short-term nature.

b) Unsettled transactions, trading instruments, available for sale investment instruments, resale agreements, and securities loans

The estimated fair value of these financial instruments was determined through the use of market values or quotes by an available dealer, or the prices quoted on the market for similar financial instruments. Investments maturing in less than one year are valued at their recorded value because they are — in view of their short terms — deemed to have a fair value that does not significantly diverge from their recorded value. For the fair value estimates of debt investments or debt securities included in these items, additional variables and inputs are considered to the extent applicable, including an estimate of prepayment rates and the issuers' credit risk.

c) Loans and accounts receivable from customers and interbank loans

The fair values of commercial loans are estimates made by peforming a cash flow discount analysis, using the interest rates that are currently offered for loans with terms similar to those of borrowers having a similar credit quality. The fair values of unearned loans are estimated by using the cash flow discount analysis stemming from the settlement of the underlying securities, if any (or other sources of payment), at an estimated discount rate. For floating-rate loans whose prices change frequently and are not subject to any significant change of credit risk, the estimated fair values are based on the recorded values. The fair values estimated for certain mortgage loans, credit cards, and other consumer loans are based on market values for similar loans, adjusted for differences in the loans' characteristics.

d) Deposits

The disclosed fair value of deposits that do not accrue interest and savings accounts is the amount payable on the reporting date, and accordingly, it is equal to the recorded amount. The fair value of time deposits is calculated by using a discounted cash flow calculation, which applies current interest rates being offered at the time to a calendar of monthly maturities established for time deposits. The value of long-term relations with depositors does not take into consideration the disclosed fair value estimate.

e) Short and long term issued debt instruments

The fair value of these financial instruments is calculated by using the cash flow discount analysis based on the current incremental lending rates for similar types of loans having similar maturities.

f) Financial derivative contracts

The estimated fair value of currency forward contracts was calculated using the prices quoted on the market for financial instruments having similar characteristics.

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NOTE 38 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

The fair value of interest rate swaps represents the estimated amount that the Bank expects to receive or pay to rescind the contracts or agreements, bearing in mind the term structures of the interest rate curve, the underlying asset's volatility and the counterparts' credit risk.

If there are no quoted prices on the market (either direct or indirect) for any derivative instrument, the respective fair value estimates have been calculated by using models and valuation techniques such as Black-Scholes, Hull, and Monte Carlo simulations, taking into consideration the relevant inputs/outputs such as volatility of options, observable correlations between underlying assets, counterparts' credit risk, implicit price volatility, the velocity with which the volatility reverts to its average value, and the straight-line relationship (correlation) between the value of a market variable and its volatility, among others.

Measurement of fair value and hierarchy

IAS 39 provides a hierarchy of reasonable value which separates the inputs and/or valuation technique assumptions used to measure the fair value of financial instruments. The hierarchy attributes the highest priority to unadjusted quoted prices on active markets, to identical (level 1) assets or liabilities, and a lower priority to measures which involve significant unobservable inputs or outputs (level 3 measurements). The three levels of the hierarchy of fair values are:

- Level 1: inputs/outputs with (unadjusted) quoted prices on active markets for identical assets and liabilities which the Bank can access on the date of measurement.

- Level 2: inputs/outputs other than the quoted prices included in level 1 which are observable for assets or liabilities, either directly or indirectly.

- Level 3: inputs/outputs which are not observable for the asset or the liability.

The level of hierarchy at which a measurement is classified is based on the lowest level of input/output which is significant for the measurement as such of the fair value in its entirety.

The Bank has currently determined certain financial instruments as pertaining to level 3, because the calculation made at market value is based on information from internal modeling and not observable on the market.

The following financial instruments are classified as level 3:

Type of financial instrument	Model used in valuation	Description
Caps/Floors/Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
UF Options	Black – Scholes	There is no observable input of implicit volatility.

CCS with Window	Hull-White	Hybrid HW model for rates and Brownian motion for FX. There is no observable input of implicit volatility.
CCS (METRO)	Implicit FRA	Start Fwd unsupported by MUREX (platform) due to the UF fwd estimate.
CCS, IRS, CMS in TAB	Sundry	Validation obtained by using the interest curve and interpolating at flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.

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NOTE 38 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

The following table presents the assets and liabilities that are measured at fair value on a recurrent basis, as of December 31, 2009, 2008 and January 1, 2008:

		Measures of fair value		
December 31,	2009 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	798,539	798,539	-	-
Available for sale investments	1,830,090	1,830,090	-	-
Derivatives	1,393,878	-	1,181,660	212,218
Totals	4,022,507	2,628,629	1,181,660	212,218
Liabilities				
Derivatives	1,348,906	-	880,058	468,848
Totals	1,348,906	-	880,058	468,848

		Measures of fair value		
December 31,	2008 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	1,166,426	1,166,426	-	-
Available for sale investments	1,580,240	1,580,240	-	-
Derivatives	1,846,509	-	1,765,205	81,304
Totals	4,593,175	2,746,666	1,765,205	81,304
Liabilities				
Derivatives	1,469,724	-	1,418,323	51,401
Totals	1,469,724	-	1,418,323	51,401

		Measures of fair value		
January 1,	2008 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	1,093,445	1,093,445	-	-
Available for sale investments	779,635	779,635	-	-
Derivatives	780,775	-	716,458	64,317

Totals	2,653,855	1,873,080	716,458	64,317
Liabilities				
Derivatives	778,217	-	771,034	7,183
Totals	778,217	-	771,034	7,183

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NOTE 38 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued:

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of December 31, 2009 and 2008:

	Assets MCh$	Liabilities MCh$
As of January 1, 2008	64,317	(7,183)
Total realized and unrealized profits (losses):		
Included in profit	16,987	(44,218)
Included in comprehensive income	-	-
Purchases, issuances, and placements (net)	-	-
As of December 31, 2008	81,304	(51,401)
Total profits or losses included in income for 2008 that are attributable to change in unrealized profits (losses) related to assets or liabilities as of December 31, 2008.	16,987	(44,218)

	Assets MCh$	Liabilities MCh$
As of December 31, 2008	81,304	(51,401)
Total realized and unrealized profits (losses):		
Included in profit	130,914	(417,447)
Included in comprehensive income		
Purchases, issuances, and placements (net)		
As of December 31, 2009	212,218	(468,848)
Total profits or losses included in income for 2009 that are attributable to change in unrealized profits (losses) related to assets or liabilities as of December 31, 2009.	130,914	(417,447)

The realized and unrealized profits (losses) included in income for 2009 and 2008, in the assets and liabilities valued at fair value on a recurrent basis through unobservable significant entries (Level 3) are recorded in the Income Statement under the "Net profit from financial operations" item.

The potential effect as of December 31, 2009 and 2008 on the valuation of assets and liabilities valued at fair value on a recurrent basis through unobservable significant entries (level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

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NOTE 39 - RISK MANAGEMENT:

Introduction and general description

Through its activity with financial instruments, the Bank is exposed to several types of risk. The principal risks related to the financial instruments that are applicable to the Bank are the following:

- Market risks: these arise from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:
  a. Foreign exchange risk: this arises as a consequence of exchange rate fluctuations among currencies.
  b. Interest rate risk: this arises as a consequence of fluctuations in market interest rates.
  c. Price risk: this arises as a consequence of changes in market prices, either due to factors specific to the instrument itself or due to factors that affect all the instruments negotiated in the market.
  d. Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UFs.

- Credit risk: this is the risk of one of the parties to a financial instrument failing to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question, causing a financial loss on the other party.

- Liquidity risk: liquidity risk is the possibility that an entity may be unable to meet its payment commitments , or that in order to meet them, it may have to raise funds on onerous terms or damage its image and reputation.

- Operating risk: this is a risk arising from human errors, system errors, fraud or external events which may damage the Bank's reputation, may have legal or regulatory implications, or cause financial losses.

This note includes information on the Bank's exposure to these risks and on its objectives, policies, and processes involved in their measurement and management.

Risk management structure

The Board is responsible for the establishment and monitoring of the Bank's risk management structure, for which purpose it has an on-line corporate governance system with the international recommendations and trends, adapted to Chilean regulatory conditions and able to apply the most advanced practices in the markets in which the Bank operates. To optimize the performance of this function, the Board has established the Assets and Liabilities Committee ("ALCO"), whose principal task is to assist in carrying out its functions relating to oversight and management of the Bank's risks. To complement the ALCO in the risk management function, the Board also has three key committees: the Markets Committee ("CDM," the acronym in Spanish) the Executive Credit Committee ("CEC," the acronym in Spanish) and the Audit Committee ("CDA," the acronym in Spanish). Each of these committees is composed of directors and executive members of the Bank's management.

The ALCO is responsible for formulating the Bank's risk management policies according to guidelines of the Board, those of Santander Spain's Global Risk Department, and the regulatory requirements adopted by the Chilean Superintendency of Banks and Financial Institutions ("SBIF"). These policies have been created mainly to identify and analyze the risks faced by the Bank, determine the risk limits and appropriate controls, and keep track of the risks and comply with the limits. The Bank's risk management policies and systems are regularly reviewed to reflect the changes in market conditions and in products or services offered. Through training in and management of standards and procedures, the Bank seeks to develop a disciplined and constructive control environment in which all its employees understand their functions and obligations.

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NOTE 39 - RISK MANAGEMENT, continued:

To carry out its duties, the ALCO works directly with the Bank's control and risk departments, whose joint objectives include the following:

- evaluate risks whose magnitude might threaten the Bank's solvency or which might potentially pose significant risks to its operations or reputation;
- ensure that the Bank is equipped with the means, systems, structures, and resources consistent with best practices, which enable the implementation of the risk management strategy;
- ensure the integration, control, and management of all the Bank's risks;
- apply homogeneous risk principles, policies and metrics throughout the Bank and its businesses;
- develop and implement a risk management model at the bank, in order for risk exposure to be adequately integrated into the different decision making processes;
- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantifying sensitivities and the foreseeable impact of different scenarios on risk positioning; and
- carry out the management of structural liquidity, interest rate and exchange rate risks, as well as those arising from the Bank's own resource base.

To achieve the aforementioned objectives, the Bank (its management and the ALCO) performs a variety of activities relating to risk management, including the following: calculate exposures to risk of different portfolios and/or investments, taking into consideration mitigating factors (guarantees, netting, collateral, etc.); calculate the probabilities of expected loss for each portfolio and/or investment; assign loss factors to the new transactions (rating and scoring); measure the risk values of the portfolios and/or investments based on different scenarios by means of historical simulations; specify limits for potential losses based on the different risks incurred; determine the potential impact of the structural risks on the Bank's Consolidated Statements of Income; set limits and alerts which guarantee the Bank's liquidity; and identify and quantify the operating risks by line of business, so as to facilitate their mitigation through corrective actions.

The CDA is mainly responsible for supervising compliance with the Bank's risk management policies and procedures, and for reviewing the adaptation of the risk management framework to the risks faced by the Bank.

Credit risk

Credit risk is the risk of one of the parties to a financial instrument contract failing to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question, causing a financial loss to the other party. For credit risk management purposes, the Bank consolidates all the elements and components of the exposure to credit risk (for example, individual arrears by creditor, the innate risk of a given line of business or industry and/or geographic risk).

Mitigation of credit risk for loans and accounts receivable

The Board has delegated the duty of credit risk management to the ALCO and CEC, as well as to the Bank's risk departments, whose roles are summarized below:

- Formulation of credit policies, by consulting with the business units, meeting requirements of guarantees, credit evaluation, risk rating and submission of reports, documentation and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.

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NOTE 39 - RISK MANAGEMENT, continued:

- Establish structure for the authorization of approval and renewal of credit applications. The Bank structures credit risk levels by assigning concentration limits on such risk for individual borrowers, industry segments, and countries. The authorization limits are assigned to the respective officers of the business unit (commercial, consumer, PYME), in order to be permanently monitored by Management. In addition, these limits are periodically reviewed. The risk evaluation teams at the branch level regularly interact with customers, but for large-scale operations, the risk teams of the parent and even the CEC work directly with the customers in the evaluation of credit risk and preparation of the loan applications. Even Banco Santander – Spain participates in the approval process of the most important loans, such as those made to customers or economic groups with amounts of debt that exceeds US$40 million.

- Limit concentrations of exposure to customers or counterparts, in geographic areas or industries (for accounts receivable or loans), and by issuer, credit rating, and liquidity (for investments).

- Develop and maintain the Bank’s credit risk classifications, for the purpose of classifying risks according to the degree of exposure to financial loss that is faced by the respective financial instruments, with the aim of focusing risk management specifically on the associated risks.

- Review and evaluate credit risk. Management’s risk divisions are largely independent of the Bank’s commercial division and evaluate all credit risks in excess of the specified limits, prior to loan approvals for customers or prior to the acquisition of specific investments. Renewals and revisions of loans are subject to similar processes.

While preparing a loan application for a corporate customer, the Bank verifies multiple parameters such as ability to service debt (generally including the projected cash flows), the customer’s financial history, and/or projections for the economic sector or industry in which it operates. The risk division is closely involved in this process. All applications contain an analysis of the customer’s strengths and weaknesses, a rating, and a recommendation. Credit limits are not determined on the basis of the customers’ outstanding loan balances, but on the financial group’s direct and indirect credit risk. For example, a corporation would be evaluated jointly with its Affiliates and affiliates.

Consumer loans are evaluated and approved by their respective risk divisions (individual, PYME), and the evaluation process is based on an evaluation system known as Garra (Hook) (Banco Santander) and Syseva (Santander Banefe). Both of these processes are decentralized, automated, and based on a scoring system that includes the credit risk policies adopted by the Bank’s Board. The loan application process is based on a collection of information to determine the customer’s financial condition and ability to pay. The parameters used to evaluate an applicant’s credit risk include several variables, such as income level, duration of current employment, indebtedness and credit bureau reports.

- Provide advice, orientation and specialized knowledge to the business units in order to promote the Bank’s best practices in credit risk management.

Mitigation of credit risk of other financial assets (investments, derivatives, commitments)

As a part of the acquisition process of financial investments and financial instruments, the Bank examines the probability of uncollectibility from issuers or counterparties, using internal and external evaluations, such as risk evaluators that are independent from the Bank. The Bank is also governed by a strict and conservative policy which ensures that the issuers of its investments and the counterparties in derivative transactions are highly reputable.

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NOTE 39 - RISK MANAGEMENT, continued:

In addition, the Bank operates with a variety of instruments which imply credit risk, but are not reflected in the Consolidated Statement of Financial Position, such as: guarantees and bonds, documentary letters of credit, performance bonds, and commitments to grant loans.

The guarantees and bonds imply an irrevocable payment obligation. If a guaranteed customer fails to meet their obligations to third parties secured by the Bank, the Bank will make the relevant payments; hence, these transactions imply the same credit risk exposure as an ordinary loan.

Documentary letters of credit are commitments documented by the Bank on behalf of customers, which are secured by the shipped merchandise to which they relate, and hence, have a lower risk than direct indebtedness. Performance bonds are contingent commitments which become enforceable only if the customer fails to carry out the work agreed upon with a third party and secured by such performance bonds.

For commitments to grant loans, the Bank is potentially exposed to losses in an amount equivalent to the total unused amount of the commitment. However, the probable amount of loss is smaller than the total unused amount of the commitment. The Bank monitors the maturities of lines of credit because long-term commitments generally pose a higher credit risk than short-term commitments.

Maximum credit risk exposure

For financial assets recorded in the Consolidated Statement of Financial Position, the credit risk exposure is equal to their book value. For the financial guarantees granted, the maximum credit risk exposure is the maximum amount the Bank would have to pay if the guarantee were enforced.

Below is the distribution by financial asset of the Bank’s maximum exposure to credit risk as of December 31, 2009 and 2008, without deduction of collateral or credit improvements received:

		As of December 31,		As of January 1,
	Note	2009 Amount of exposure MCh$	2008 Amount of exposure MCh$	2008 Amount of exposure MCh$
Cash and deposits in banks	5	2,043,458	855,411	1,108,637
Unsettled transactions	5	468,134	335,405	316,240
Trading investments	6	798,539	1,166,426	1,093,445
Investments under resale agreements	7	14,020	-	33,999
Financial derivatives contracts	8	1,393,878	1,846,509	780,775
Loans and accounts receivable from customers	9 and 10	13,401,749	14,406,848	12,068,236
Available for sale investments	12	1,830,090	1,580,240	779,635

Off-balance commitments:				
Letters of credit issued	24	155,956	181,381	181,034
Confirmed foreign letters of credit	24	35,818	122,783	145,016
Guarantees	24	655,780	766,727	627,642
Available credit lines	24	4,615,787	4,041,849	-
Guarantees	24	169,931	172,568	236,661
Totals		25,583,140	25,476,147	17,371,320

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NOTE 39 - RISK MANAGEMENT, continued:

Credit quality is classified as described in the SBIF's Compendium of Standards as of December 31, 2009 and 2008:

	As of December 31, 2009				
Category	Commercial loans MCh$	Consumer loans MCh$	Mortgage loans MCh$	Total MCh$	%
A	-	1,895,241	-	1,895,241	13.8
A1	-	-	-	-	-
A2	3,187,959	-	3,808,195	6,996,154	50.9
A3	2,998,956	-	223,928	3,222,884	23.5
B	601,080	165,181	10,481	776,742	5.5
B-	-	69,150	-	69,150	0.5
C	-	74,735	3,636	78,371	0.6
C1	224,732	-	18,101	242,833	1.8
C2	97,885	-	8,640	106,525	0.8
C3	60,679	-	2,012	62,691	0.4
C4	56,985	-	27,294	84,279	0.6
D	-	39,742	-	39,742	0.3
D1	80,574	-	42,438	123,012	0.9
D2	39,324	-	14,328	53,652	0.4
Total	7,348,174	2,244,049	4,159,053	13,751,276	100.0

	As of December 31, 2008				
Category	Commercial loans MCh$	Consumer loans MCh$	Mortgage loans MCh$	Total MCh$	%
A	-	1,811,060	3,562,617	5,373,677	36.7
A1	-	-	-	-	-
A2	6,463,445	-	-	6,463,445	44.0
A3	1,351,054	-	-	1,351,054	9.2
B	208,954	203,375	199,087	611,416	4.2
B-	-	75,281	79,930	155,211	1.1
C	-	94,507	64,972	159,479	1.1
C1	220,434	-	-	220,434	1.5
C2	26,738	-	-	26,738	0.2
C3	34,296	-	-	34,296	0.2
C4	36,100	-	-	36,100	0.2
D	-	64,916	73,950	138,866	0.9
D1	48,711	-	-	48,711	0.3
D2	61,661	-	-	61,661	0.4

Total	8,451,393	2,249,139	3,980,556	14,681,088	100.0

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NOTE 39 - RISK MANAGEMENT, continued:

	As of January 1, 2008				
Category	Commercial loans MCh$	Consumer loans MCh$	Mortgage loans MCh$	Total MCh$	%
A	-	1,746,587	-	1,746,587	14.3
A1	-	-	-	-	-
A2	5,346,983	-	3,116,306	8,463,289	68.8
A3	1,237,799	-	147,644	1,385,443	11.3
B	74,068	154,328	23,697	252,093	2.0
B-	-	66,905	-	66,905	0.5
C	-	71,508	-	71,508	0.6
C1	88,171	-	12,200	100,371	0.8
C2	20,920	-	7,350	28,270	0.2
C3	18,518	-	2,773	21,291	0.2
C4	38,480	-	19,103	57,583	0.5
D	-	30,452	-	30,452	0.2
D1	40,277	-	12,819	53,096	0.4
D2	19,229	-	2,523	21,752	0.2
Total	6,884,445	2,069,780	3,344,415	12,298,640	100.0

- The A categories pertain to borrowers that pose minimal credit risk.

- The B categories pertain to borrowers that pose a certain credit risk, having minimal inability to pay and a low vulnerability to defaulting on their financial obligations. This category includes borrowers whose ability to pay depends on favorable business and economic conditions. It may include those who have past-due contractual interests or principal payments but such impairment is not deemed inappropriate by the Bank, based on the level of available security interest and/or the stage of collection of the amounts owed to the Bank.

- The C and D categories pertain to impaired loans for which the Bank determines that the borrower will not be able to raise all the principal and interest owed pursuant to the terms of the loan agreement.

See Note 32 for a detail of the Bank’s impaired loans and their respective allowances. See also Note 21 for a detail of the maturities of the Bank’s financial assets.

Impairment of other financial instruments

As of December 31, 2009 and 2008, the Bank had no significant impairment of its financial assets other than loans and accounts receivable.

Security interests and credit improvements

The maximum exposure to credit risk is reduced in some cases by security interests, credit improvements, and other actions which mitigate the Bank's exposure. Based on the foregoing, the creation of security interests are a necessary but not a sufficient condition for granting a loan; accordingly, the Bank's acceptance of risks requires the verification of other variables and parameters, such as the ability to pay or generate funds in order to mitigate the risk being taken on.

The procedures for management and valuation of security interests are reflected in the internal risk management policy. The basic principles for credit risk management, which includes management of the security interests received in transactions with customers, are set forth in these policies. In this respect, the risk management model includes a determination of the existence of appropriate and sufficient security interests that enable recovery of the loan if the borrower's circumstances do not allow it to meet its obligations.

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NOTE 39 - RISK MANAGEMENT, continued:

The procedures used for the valuation of security interests conform to best market practices, which provide for the use of appraisals for mortgage securities, market prices for stock securities, value of the interest for investment funds, etc. All collateral received must be properly documented and registered in the appropriate registry, and must be approved by the Bank's legal divisions.

The Bank also has rating tools which allow it to rank the credit quality of transactions or customers. In order to analyze the manner in which this probability fluctuates, the Bank has historical databases which store internally generated information. The rating tools vary according to the segment to which the customer being analyzed belongs (commercial, consumer, PYME, etc.).

Below is the detail of security interests, collateral or credit improvements provided to the Bank as of December 31, 2009 and 2008.

	2009 MCh$	2008 MCh$
Nonimpaired financial assets:		
Properties/mortgages	6,778,005	6,268,670
Investments and other	322,435	330,244
Impaired financial assets:		
Properties/mortgages	517,495	703,702
Investments and other	26,422	17,982
Totals	7,644,357	7,320,598

Liquidity risk

Liquidity risk is the risk that the Bank may have difficulty meeting the obligations associated with its financial obligations.

Liquidity risk management

The Bank is continually exposed to demands for cash arising from multiple banking transactions such as payments from checking accounts, payments on time deposits, payments of guarantees, disbursements for derivative transactions, etc. As is inherent in banking activity, the Bank does not hold enough cash to cover the balance of these positions, since experience shows that only a minimal amount of these funds will be withdrawn, which amount can be foreseen with a high degree of certainty.

The Bank's approach to liquidity management is to make as certain as possible that it always has enough liquidity to meet its obligations when they mature, under both normal circumstances and conditions of stress, without incurring unacceptable losses or running the risk of damage to the Bank's reputation. The Board sets limits at a minimum portion of maturing funds available to make these payments, and over a minimum level of interbank transactions and other loan facilities which must be available to cover unexpected levels of demand, which is periodically reviewed. Moreover, the Bank must comply with regulatory limits imposed by the SBIF for term asymmetries.

These limits affect the asymmetries of future flows of income and outlays on an individual basis. They are:

(i) asymmetries of up to 30 days for all currencies, up to the amount of basic capital;
(ii) asymmetries of up to 30 days for foreign currencies, up to the amount of the basic capital; and
(iii) asymmetries of up to 90 days for all currencies, twice the basic capital.

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NOTE 39 - RISK MANAGEMENT, continued:

The treasury department receives information from all the business units on the liquidity profile of their financial assets and liabilities, as well as details of other expected cash flows stemming from future businesses. Based on that information, the treasury department maintains a portfolio of liquid short-term assets, comprised mainly of liquid investments, loans and advances to other banks, to make sure the Bank has sufficient liquidity. The business units' liquidity needs are met through short-term transfers from the treasury department to cover any short-term fluctuations and long-term financing to address all the structural liquidity requirements.

The Bank monitors its liquidity position every day, determining the future flows of its outlays and revenues. In addition, stress tests are performed at the end of each month, for which a variety of scenarios encompassing both normal market conditions and conditions of market fluctuation are used. The liquidity policy and procedures are subject to review and approval by the Bank's Board. Periodic reports are generated, providing a detail of the liquidity position of the Bank and its Affiliates, including any exceptions and the corrective measures adopted, which are regularly submitted to the ALCO for review.

The Bank relies on customer (retail) and institutional deposits, obligations to banks, debt instruments, and time deposits as
its main sources of funding. Although most obligations to banks, debt instruments and time deposits have maturities of more than one year, customer (retail) and institutional deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. The short-term nature of these deposits increases the Bank's liquidity risk, and hence, the Bank actively manages this risk through continual supervision of the market trends and price management.

Exposure to liquidity risk

The key measure used by the bank to manage liquidity risk is the ratio of net liquid assets to customer deposits. For this purpose, the net liquid assets must include cash, cash equivalents and debt securities for which there is an active and liquid market, minus bank deposits, fixed-income securities issued, loans and other commitments maturing within the next month. A similar but not identical measure is used to determine the bank's compliance with the liquidity limit established by the SBIF. The ratios of net liquid assets to customer deposits at the reporting dates were as follows:

	As of December 31,	
	2009	2008
	%	%
30 days	7	29
90 days	57	40

BANCO SANTANDER CHILE AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 39 - RISK MANAGEMENT, continued:

The detail by contractual maturity of the Bank's asset and liability balances as of December 31, 2009 and 2008, including consideration of off-balance commitments:

As of December 31, 2009	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months, MCh$	Between 3 and 12 months MCh$	Between 1 and 5 years MCh$	More than 5 years, MCh$	Total MCh$
Maturity of assets (Note 21)	2,907,674	1,235,968	1,093,804	3,205,387	5,701,393	5,612,392	19,756,618
Maturity of liabilities (Note 21)	(3,849,862)	(2,699,279)	(2,665,281)	(4,214,749)	(3,552,474)	(1,485,523)	(18,467,168)
Net maturity	(942,188)	(1,463,311)	(1,571,477)	(1,009,362)	2,148,919	4,126,869	1,289,450
Off-balance commitments:							
Guarantees and bonds	-	(23,412)	(86,692)	(43,378)	(16,322)	(127)	(169,931)
Confirmed foreign letters of credit	-	(8,851)	(6,935)	(17,453)	(2,579)	-	(35,818)
Letters of credit issued	-	(49,347)	(82,488)	(16,685)	(7,435)	-	(155,955)
Securities	-	(76,173)	(92,409)	(287,001)	(193,458)	(6,739)	(655,780)
Net maturity, including commitments	(942,188)	(1,621,094)	(1,840,001)	(1,373,879)	1,929,125	4,120,003	271,966

As of December 31, 2008	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months, MCh$	Between 3 and 12 months MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Maturity of assets (Note 21)	1,315,148	3,035,008	1,569,108	2,751,191	5,932,708	5,587,135	20,190,298
Maturity of liabilities (Note 21)	(3,173,625)	(3,702,161)	(2,878,700)	(3,965,133)	(3,449,602)	(1,814,512)	(18,983,733)
Net maturity							