BANCO SANTANDER CHILE
Form 6-K
August 10, 2011

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

Report of Foreign Issuer

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

Commission File Number: 001-14554

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

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

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

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

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

Yes ¨ No x

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

Yes ¨ No x

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

Table of Contents

2

SIGNATURE

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

BANCO SANTANDER-CHILE

By: /s/

Name: Juan Pedro Santa María
Title: General Counsel

Date: August 9, 2011

SECOND QUARTER 2011
EARNINGS REPORT

INDEX

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SECTION 1: SUMMARY OF RESULTS

Net income increases 21.7% QoQ in 2Q11

In 2Q11, net income attributable to shareholders[1] totaled Ch$141,512 million (Ch$0.75 per share and US$1.66/ADR[2]). Compared to 1Q11 (from now on QoQ) net income increased 21.7%. Compared to 2Q10 (from now on YoY) net income increased 1.9%.

ROE reaches 30.5% in 2Q11. Core capital at 9.8%

With these results, the Bank's ROAE reached 30.5% in 2Q11. The Bank currently has one of the highest ROEs and capitalization levels in the Chilean financial system. Voting common shareholders' equity is the sole component of our Tier I capital and represented 9.8% of risk-weighted assets. The BIS ratio reached 13.4% as of June 30, 2011. On April 27, 2011, the Bank paid its annual dividend of Ch$1.52 per share, 10.6% more than in 2010 and equivalent to 60% of 2010 earnings attributable to shareholders. At the record date in Chile, the dividend yield was 3.7%. The Bank has not issued shares since 2002 and dividends per share have increased for the last five years in a row.

Evolution of Quarterly ROE (%)

Positive core deposit growth

Total deposits increased 4.6% QoQ. Demand deposits increased 3.1% in the same period and time deposits were up 5.3%. Core deposits (non-institutional deposits) increased 4.5% QoQ and 36.5% YoY. As short-term interest rates went up in the quarter, the Bank proactively increased its cheaper core deposit base. The Bank's market share in total deposits has increased 60 basis points in the last 12 months to 19.1%.

Strong loan growth in the quarter

In 2Q11, total loans increased 3.9% QoQ and 19.5% YoY. Higher yielding retail loans – which include loans to individuals and small and middle-sized companies, SMEs - increased 3.3% QoQ (15.7% YoY) in 2Q11. Consumer loans increased 2.8% QoQ and 20.3% YoY. This positive evolution was driven by credit cards loans that expanded 4.2% QoQ and 37.8% YoY as the Bank's market share in the credit card business continues to rise.

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1 The results in this report are unaudited.
2 Earnings per ADR was calculated using the Observed Exchange Rate of Ch$471.13 per US$ as of June 30, 2011.

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Operating income, net of provisions and costs* increases 2.8% QoQ and 6.8% YoY in 2Q11

Operating income, net of provisions and costs (Ch$ million)	1Q11	YoY Chg.	QoQ Chg.
Net interest income	247,414	1.9 %	8.2 %
Provision for loan losses	(56,874)	(3.8)%	16.8 %
Net interest income, net of provisions	190,540	3.7 %	5.9 %
Fee income	72,050	10.6 %	0.9 %
Financial transactions	29,076	16.1 %	11.0 %
Operating expenses	(125,161)	6.1 %	8.2 %
Operating income, net of provisions & costs*	166,505	6.8 %	2.8 %

* Excludes Other operating income and expenses

Operating income, net of provisions and costs, an indicator or recurring revenue generation increased 2.8% QoQ and 6.8% YoY in 2Q11. Net interest income increased 8.2% QoQ and 1.9% YoY. The Net interest margin (NIM) in 2Q11 reached 5.2% compared to 5.1% in 1Q11 and 6.1% in 2Q10. Compared to 2Q10, the decline in net interest income and NIM was mainly due to higher short-term interest rates, which increased our funding costs. The Central Bank has increased short-term interest rates by 425 basis points to 5.25% in the last twelve months. The Bank's liabilities have a shorter duration than assets and, therefore, re-price more quickly in a rising interest rate environment. Compared to 1Q11, the increase in the Bank's net interest income and NIM was mainly due to the higher yield earned on interest earning assets.

NIMs after provision expense have remained relatively stable for the past 6 quarters, as the higher funding costs has been offset by improvements in asset quality. The Bank's NIM after provision expenses reached 4.0% in 2Q11. Asset quality indicators remained stable in the quarter. The Risk Index, which measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines, remained stable QoQ at 2.9%. The NPL ratio as of June 2011 reached 2.6% compared to 2.5% as of March 2011 and 2.9% as of June 2010.

3Q10 provision expense is net of provisions reversals of Ch$25.7 bn. 4Q10 provision expense excludes Ch$39.8 billion one-time provision charge related to the change in methodology of provisioning for large commercial loans.

Provision expense in the quarter increased 16.8% QoQ and decreased 3.8% YoY. This was mainly due to (i) the Bank has strengthened its provisioning model for residential mortgage lending in 2Q11. This in line with our strategic objective of accelerating retail lending growth, while maintaining a proactive stance regarding credit risk. This signified an additional Ch$3,252 million in provisions for residential mortgage loans in the quarter. For more details on the new model, see Annex 1, (ii) provisions related to La Polar. The bank has a total exposure of Ch$6,835 million to this company and set aside Ch$1,872 million in provisions for this loan position in 2Q11, and (iii) higher lending volumes.

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Operating expenses in 2Q11 increased 8.2% QoQ and 6.1% YoY. The efficiency ratio reached 36.5% in 2Q11 a 100bp improvement compared to 1Q11 efficiency levels. The increase in personnel and administrative expenses was mainly due to greater commercial activity, which increased variable incentives, marketing and general expenses. The higher inflation also fueled administrative cost growth as approximately 2/3 of operating expenses are linked to inflation.

ROAE reaches 27.9% in 1H11

Operating income, net of provisions and costs (Ch$ million)	1H11	YoY Chg.
Net interest income	476,097	0.8 %
Provision for loan losses	(105,548)	(19.2)%
Net interest income, net of provisions	143,439	12.5 %
Fee income	143,439	12.5 %
Financial transactions	55,269	1.2 %
Operating expenses	(240,849)	8.5 %
Operating income, net of provisions & costs*	328,408	8.8 %

* Excludes Other operating income and expenses

In the first half of 2011 (1H11), net income attributable to shareholders totaled Ch$257,810 million (Ch$1.37 per share and US$3.02/ADR). Net income was flat compared to 1H10. Return on average equity reached 27.9% in 1H11, among the highest in the Chilean financial system. Operating income, net of provisions and costs increased 8.8% compared to 1H10. Net interest income, net of provision expenses increased 12.5% compared to 1H10. Fee income in the first half of 2010 grew 12.5% YoY as product usage and cross-selling indicators continued to improve. Finally, operating expenses rose 8.5% mainly driven by higher expenses to support stronger business activity, especially in retail banking. The efficiency ratio in 1H10 reached 37.0%.

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Banco Santander Chile: Summary of Quarterly Results

(Ch$ million)	Quarter 2Q11	1Q11	2Q10	Change % 2Q11 / 2Q10	2Q11 / 1Q11
Net interest income	247,414	228,683	242,782	1.9 %	8.2 %
Fee income	72,050	71,389	65,158	10.6 %	0.9 %
Core revenues	319,464	300,072	307,940	3.7 %	6.5 %
Financial transactions, net	29,076	26,193	25,041	16.1 %	11.0 %
Provision for loan losses1	(56,874)	(48,674)	(59,106)	(3.8)%	16.8 %
Operating expenses	(125,161)	(115,688)	(117,987)	6.1 %	8.2 %
Operating income, net of provisions and costs	166,505	161,903	155,888	6.8 %	2.8 %
Other operating & Non-op. Income	(24,993)	(45,605)	(17,065)	46.5 %	(45.2)%
Net income attributable to shareholders	141,512	116,298	138,823	1.9 %	21.7 %
Net income/share (Ch$)	0.75	0.62	0.74	1.9 %	21.7 %
Net income/ADR (US$)2	1.66	1.33	1.41	17.5 %	24.5 %
Total loans3	17,422,041	16,774,368	14,582,467	19.5 %	3.9 %
Customer funds	16,442,888	15,866,754	14,872,739	10.6 %	3.6 %
Shareholders' equity	1,866,467	1,905,690	1,665,326	12.1 %	(2.1)%
Net interest margin	5.2 %	5.1 %	6.1 %		
Efficiency ratio	36.5 %	37.5 %	34.9 %		
Return on average equity4	30.5 %	25.0 %	33.8 %		
NPL5 / Total loans	2.6 %	2.5 %	2.8 %		
Coverage NPLs6	111.9 %	118.2 %	94.4 %		
PDLs/ Total loans	1.23 %	1.29 %	1.38 %		
Coverage PDLs7	235.86 %	226.33 %	195.53 %		
Risk index8	2.90 %	2.92 %	2.69 %		
BIS ratio	13.4 %	14.1 %	14.1 %		
Branches	487	506	499		
ATMs	1,946	2,017	1,871		
Employees	11,516	11,115	11,133		

1. The Bank reclassified Ch$ 3,154 million in provisions for off balance sheet contingent loans recognized 2Q10 as Other operating expenses and as a Non-credit provision in the Bank's liabilities to Provisions for loan losses and Loan loss allowances with no impact on net income.
2. The change in earnings per ADR may differ from the change in earnings per share due to the exchange rate movements. Earnings per ADR was calculated using the Observed Exchange Rate of Ch$471.13 per US$ as of June 30, 2011.
3. Excludes interbank loans.
4. Annualized quarterly Net income attributable to shareholders / Average equity attributable to shareholders.
5. NPLs: Non-performing loans; full balance of loans with one installment 90 days or more overdue.
6. Loan loss allowances / NPLs.
7. PDLs: Past due loans; all loan installments that are more than 90 days overdue.
8. Risk Index: Loan loss allowances / Total loans; measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.

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5

SECTION 2: BALANCE SHEET ANALYSIS

LOANS

Solid loan growth

Loans	Quarter ended,			% Change	
(Ch$ million)	Jun-11	Mar-11	Jun-10	Jun. 11 / 10	Jun. / Mar. 11
Total loans to individuals1	9,026,697	8,652,205	7,715,031	17.0 %	4.3 %
Consumer loans	2,893,038	2,815,118	2,404,128	20.3 %	2.8 %
Residential mortgage loans	4,909,630	4,758,712	4,360,496	12.6 %	3.2 %
SMEs	2,455,349	2,467,951	2,210,170	11.1 %	(0.5)%
Total retail lending	11,482,046	11,120,156	9,925,201	15.7 %	3.3 %
Institutional lending	372,939	352,593	330,980	12.7 %	5.8 %
Middle-Market & Real estate	3,625,439	3,562,558	2,983,741	21.5 %	1.8 %
Corporate	1,950,992	1,757,732	1,347,855	44.7 %	11.0 %
Total loans 2	17,422,041	16,774,368	14,582,467	19.5 %	3.9 %

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

In 2Q11, total loans increased 3.9% QoQ and 19.5% YoY. In 2Q11, the Chilean economy continued to grow at robust rates led by increases in private consumption and investment. This continues to be an important driver for loan demand. Unemployment figures have also been better than expected as well as wage growth. This has boosted the Bank's credit activity in all segments.

Higher yielding loans to individuals, which include consumer, mortgage and commercial loans to high-income individuals, led loan growth with an increase of 4.3% QoQ in 2Q10. Consumer loans increased 2.8% QoQ and 20.3% YoY. This positive evolution was driven by credit cards loans that expanded 4.2% QoQ and 37.8% YoY as the Bank's market share in the credit card business continues to rise. Credit cards are the bank's highest yielding product that also generate fee income and save costs by lowering the amount of checks written. The Bank's strategy of forming joint-ventures and co-branding alliances for its credit card products and the positive economic environment is driving the growth of our credit card business. Residential mortgage loans increased 3.2% QoQ (12.6% YoY), as long-term rates remained attractive and demand for purchasing housing continues to rise.

Lending to SMEs (defined as companies that sell less than Ch$1,200 million per year) decreased 0.5% QoQ (+11.1% YoY). Loan growth in this segment decelerated in the quarter as the Bank focused on smaller SMEs, which generate higher spreads. This lowered loan growth, but should have a positive impact on margins and profitability going forward. This strategy also lowered credit growth in the middle market (comprised of companies with annual sales between Ch$1,200 million and Ch$10.000 million per year) in which loans grew 1.8% QoQ (21.5% YoY).

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Corporate lending (companies with sale over Ch$10,000 million per year or that are part of a large foreign or local economic group) increased organically 11.0% QoQ (44.7% YoY). The Bank's international funding costs are currently lower than many European and U.S. banks, permitting us to participate more actively in this segment. This should allow the Bank not only to increase its lending business, but also, to enhance its profitable non-lending businesses with these companies.

FINANCIAL INVESTMENTS

Increasing the yield of the Bank's liquidity position

Financial investments	Quarter			Change %	
(Ch$ million)	Jun-11	Mar-11	Jun-10	Jun. 11 / 10	Jun. / Mar. 11
Trading investments	609,331	267,952	812,454	(25.0)%	127.4%
Available-for-sale investments	2,627,373	1,660,746	1,341,296	95.9%	58.2%
Total financial investments	3,236,704	1,928,698	2,153,750	50.3%	67.8%

In the quarter, the Bank's financial investments increased 67.8% QoQ and 50.3% YoY. This was mainly due to the change in the Bank's regulatory liquidity model, which permitted the Bank to shift approximately Ch$895,000 million, previously invested as cash at the Chilean Central Bank overnight rate, to longer dated Chilean Central Bank bonds classified as available-for-sale financial investments. This should have a positive impact on net interest income given the higher yield the Bank will be obtaining on its liquidity position. The Bank's financial investment portfolio is comprised mainly of Chilean Central Bank bonds.

Composition of Financial Investment Portfolio (June 2011)

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FUNDING

Deposits grow 4.6% QoQ and 17.1% YoY. Deposit market share increases 60 basis points in 12 months.

Funding	Quarter ended,			% Change	
(Ch$ million)	Jun-11	Mar-11	Jun-10	Jun. 11 / 10	Jun. / Mar. 11
Demand deposits	4,450,290	4,315,563	4,168,884	6.8 %	3.1 %
Time deposits	8,856,102	8,408,818	7,193,376	23.1 %	5.3 %
Total deposits	13,306,392	12,724,381	11,362,260	17.1 %	4.6 %
Mutual funds	3,136,413	3,142,373	3,510,479	(10.7)%	(0.2)%
Total customer funds	16,442,805	15,866,754	14,872,739	10.6 %	3.6 %
Loans to deposits1	96.8 %	96.9 %	99.8 %		

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

Customer funds increased 3.6% in the quarter led by a 4.6% QoQ rise in total deposits. Demand deposits increased 3.1% in the same period and time deposits were up 5.3%. Core deposits (non-institutional deposits) increased 4.5% QoQ. In the quarter, the Bank continued to focus on increasing its core deposit base in line with growth of the loan book. The Bank's loan to deposit ratio (measured as loans minus marketable securities that fund mortgage portfolio over total deposits) improved to 96.8% as of June 2011 compared to 96.9% as of March 2011 and 99.8% as of June 2010. As of June 2011, 74% of the Bank's deposits were core deposits. As short-term interest rates went up in the quarter, the Bank proactively increased its cheaper core deposit base. Going forward, as short-term interest rates continue to rise, demand deposit growth should decelerate and time deposit growth should continue to accelerate. The Bank's market share in total deposits has increased 60 basis points in the last 12 months to 19.1%.

Mutual funds under management decreased 0.2% QoQ. This was mainly due to negative mark-to-market effects on fixed income funds as short-term interest rates increased and a weaker stock market. The Bank's local equity funds had very limited exposure to Chilean retailer La Polar.

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SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

ROAE in 2Q11 reached 30.5% with a BIS ratio of 13.4%

Shareholders' Equity	Quarter ended,			Change %	
(Ch$ million)	Jun-11	Mar-11	Jun-10	Jun. 11 / 10	Jun. / Mar. 11
Capital	891,303	891,303	891,303	0.0 %	0.0 %
Reserves	51,538	51,539	51,539	(0.0)%	(0.0)%
Valuation adjustment	(7,831)	(12,697)	(18,193)	(57.0)%	(38.3)%
Retained Earnings:	931,457	975,545	740,677	25.8 %	(4.5)%
Retained earnings prior periods	750,989	1,037,283	560,128	34.1 %	(27.6)%
Income for the period	257,810	116,298	257,927	(0.0)%	121.7 %
Provision for mandatory dividend	(77,343)	(178,036)	(77,378)	(0.0)%	(56.6)%
Equity attributable to shareholders	1,866,467	1,905,690	1,665,326	12.1 %	(2.1)%
Non-controlling interest	31,171	34,486	28,460	9.5 %	(9.6)%
Total Equity	1,897,638	1,940,176	1,693,786	12.0 %	(2.2)%
ROAE	30.5 %	25.0 %	33.8 %		

Shareholders' equity totaled Ch$1,866,467 million (US$4.0 billion) as of June 30, 2011. ROAE in the quarter reached 30.5%. Voting common shareholders' equity is the sole component of our Tier I capital and represented 9.8% of risk-weighted assets at the same date. The BIS ratio reached 13.4% as of June 30, 2011.

The reduction in capital between June and March 2011 was due to the annual dividend payment made in April 2011. On April 27, 2011, the Bank paid its annual dividend of Ch$1.52/share, 10.6% more than in 2010 and equivalent to 60% of 2010 earnings attributable to shareholders. At the record date in Chile, the dividend yield was 3.7%.

Capital Adequacy	Quarter ended,			Change %	
(Ch$ million)	Jun-11	Mar-11	Jun-10	Jun. 11 / 10	Jun. / Mar. 11
Tier I	1,866,467	1,905,690	1,665,326	12.1 %	(2.1)%
Tier II	669,798	642,221	627,608	6.7 %	4.3 %
Regulatory capital	2,536,265	2,547,912	2,292,934	10.6 %	(0.5)%
Risk weighted assets	18,964,803	18,013,990	16,210,259	17.0 %	5.3 %
Tier I (Core capital) ratio	9.8 %	10.6 %	10.3 %		
BIS ratio	13.4 %	14.1 %	14.1 %		

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SECTION 3: ANALYSIS OF QUARTERLY INCOME STATEMENT

NET INTEREST INCOME

Net interest income grows 8.2% QoQ as asset yields rise.

Net Interest Income / Margin	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Interest income	472,132	378,417	368,919	28.0 %	24.8 %
Interest expense	(224,718)	(149,734)	(126,137)	78.2 %	50.1 %
Net interest income	247,414	228,683	242,782	1.9 %	8.2 %
Average interest-earning assets	19,099,828	17,866,010	15,816,902	20.8 %	6.9 %
Average loans	17,146,712	16,150,015	14,291,144	20.0 %	6.2 %
Interest earning asset yield1	9.9 %	8.5 %	9.3 %		
Cost of funds2	4.9 %	3.5 %	3.0 %		
Net interest margin (NIM)3	5.2 %	5.1 %	6.1 %		
Net interest margin net of provisions4	4.0 %	4.0 %	4.6 %		
Avg. equity + non-interest bearing demand deposits / Avg. interest earning assets	33.6 %	34.3 %	36.4 %		
Quarterly inflation rate5	1.44 %	0.57 %	0.97 %		
Avg. Central Bank reference rate	4.73 %	3.44 %	0.51 %		
Avg. 10 year Central Bank yield (real)	2.90 %	3.09 %	3.04 %		

1. Interest income divided by interest earning assets.
2. Interest expense divided by interest bearing liabilities + demand deposits.
3. Net interest income divided by average interest earning assets annualized.
4. Net interest income net of provision expenses divided by interest earning assets.
5. Inflation measured as the variation of the Unidad de Fomento in the quarter.

Net interest income increased 8.2% QoQ and 1.9% YoY. The Net interest margin (NIM) in 2Q11 reached 5.2% compared to 5.1% in 1Q11 and 6.1% in 2Q10. Compared to 2Q10, the decline in net interest income and NIM was mainly due to higher short-term interest rates. The Central Bank has increased short-term interest rates by 425 basis points to 5.25% in the last twelve months. The Bank's liabilities have a shorter duration than assets and, therefore, re-price more quickly in a rising interest rate environment. This has increased funding costs as reflected in the 78.2% YoY rise in interest expense in the quarter.

Compared to 1Q11, the increase in the Bank's net interest income and NIM was mainly due to the higher yields earned on interest earning assets. The yields on the Bank's interest earning asset (interest income divided by average interest earning assets) increased 140 basis points QoQ to 9.9% in the quarter. This improvement was mainly due to: (i) the higher inflation rates, which positively affected margins, as the Bank has more assets than liabilities linked to inflation and (ii) rising loan yields, which are beginning to incorporate the higher interest rate environment.

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It is also important to point out that the Bank's NIM in 2Q11 was affected by the modifications made to the Bank's regulatory liquidity model. This permitted the Bank to shift very low yielding assets, classified as Cash equivalent and therefore not included as Interest earning assets, to higher yielding Central Bank bonds that are included as Interest earning assets. The Bank shifted approximately Ch$895,000 million from overnight investments with a very low if not negative spread to higher yielding Central Bank instruments with a longer maturity. We estimate that the impact of this change on annual interest income will be approximately Ch$2,500 million. Therefore, the net interest margin in 2Q11 is not entirely comparable to the net interest margin calculated in previous periods. Adjusting for this impact, the net interest margin would have been 5.4% in 2Q10.

NIMs after provision expense have remained relatively stable for the past 6 quarters, as the higher funding costs has been offset by improvements in asset quality. The Bank's NIM margin after provision expenses reached 4.0% in 2Q11.

PROVISION FOR LOAN LOSSES

Asset quality evolving in line with retail lending growth

Provision for loan losses	Quarter			Change %	
				2Q11 /	2Q11 /
(Ch$ million)	2Q11	1Q11	2Q10	2Q10	1Q11
Gross provisions	1,041	(130)	(17,166)	(106.1)%	(900.8)%
Charge-offs	(62,578)	(54,179)	(49,506)	26.4%	15.5%
Gross provisions and charge-offs	(61,537)	(54,309)	(66,672)	(7.7)%	13.3%
Loan loss recoveries	4,663	5,635	7,566	(38.4)%	(17.2)%
Net provisions for loan losses1	(56,874)	(48,674)	(59,106)	(3.8)%	16.8%
Total loans2	17,422,041	16,774,368	14,582,467	19.5%	3.9%
Loan loss allowances1	505,887	489,034	392,080	29.0%	3.4%
Non-performing loans3 (NPLs)	452,150	413,775	415,556	8.8%	9.3%
Risk Index4	2.90%	2.92%	2.69%		
NPL / Total loans	2.60%	2.47%	2.85%		
Coverage ratio of NPLs5	111.9%	118.2%	94.4%		

1. The Bank reclassified Ch$ 3,154 million in provisions for off balance sheet contingent loans recognized 2Q10 as Other operating expenses and as a Non-credit provision in the Bank's liabilities to Provisions for loan losses and Loan loss allowances with no impact on net income.
2. Excludes interbank loans.
3. NPLs: Non-performing loans; full balance of loans with one installment 90 days or more overdue.
4. Risk Index: Loan loss allowances / Total loans; measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines.
5. Loan loss allowances / NPLs.

Provision for loan losses in the quarter increased 16.8% QoQ and decreased 3.8% YoY. The QoQ increase was mainly due to:

i. Strengthening of the residential mortgage provisioning model. In 2Q11, the Bank improved its provisioning model for residential mortgage lending. This in line with our strategic objective of accelerating retail lending growth while maintaining a proactive stance regarding credit risk. This signified an additional Ch$3,252 million in provisions for residential mortgage loans in the quarter. The Banks is migrating to a model with more parameters to determine the risk level of a client with a mortgage loan. Previously, the main factor for determining the reserve level was non-performance. The total impact of this change on loan loss reserves is expected to be Ch$16,300 million or 0.3%

of the Bank's total mortgage portfolio. Of this total, Ch$11,000 million are related to higher reserves for the Bank's performing portion of residential mortgage loans and Ch$5,300 million are higher reserves for the impaired portion of residential mortgage loans. The full impact of this change will be recognized in 2011. For more details on the new model, see Annex 1.

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ii. Provisions related to La Polar. The bank has a total exposure of Ch$6,835 million to this company and set aside Ch$1,872 million in provisions for this loan position in 2Q11.
iii. Higher retail lending volumes. Excluding the factors described above, the growth of gross provision and charge-offs was mainly due to the growth of our consumer loan portfolio.

It is also important to point out that the net provision expense in consumer lending was negatively affected by lower loan loss recoveries. These decreased 17.2% QoQ and 38.4% YoY in 2Q11. This was mainly due to the shift in the Bank's policy regarding recovery of charged-off loans. For loans that have been charged-off for more than 180 days, the Bank prefers to sell these loans to a third party and focus its recovery efforts on loans that are overdue for less than 90 days and that have not been charged-off. This policy regarding recoveries lowers loan loss recoveries, but the Bank recognizes from time to time a gain in net results from financial transactions from the sale of charged-off loans.

Provision expense in commercial lending decreased 17.5% QoQ and 79.0% YoY mainly due to the positive evolution of asset quality in various sectors because of the favorable economic environment and the recovery of asset quality indicators in the salmon sector.

Net provisions expense by loan product was as follows in 2Q11:

Net provisions by segment	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Commercial loans1	(3,865)	(4,683)	(18,419)	(79.0)%	(17.5)%
Residential mortgage loans	(8,904)	(5,222)	(4,021)	121.4%	70.5%
Consumer loans2	(44,105)	(38,769)	(36,666)	20.3%	13.8%
Net provisions for loan losses	(56,874)	(48,674)	(59,106)	(3.8)%	16.8%

1. Includes net provision expenses for interbank loans.

Asset quality indicators remained stable in the quarter. The Risk Index, which measures the percentage of loans the banks must provision for given their internal models and the Superintendency of Banks guidelines, remained stable QoQ at 2.90%. The NPL ratio as of June 2011 reached 2.60% compared to 2.47% as of March 2011 and 2.85% as of June 2010. This rise in NPLs was mainly due to an increase in NPLs in consumer lending that have grown at a faster rate than the average loan book. The coverage ratio of total NPLs (loan loss allowances over non-performing loans) also reached 111.9% as of June 2011 compared to 118.2% as of March 2011 and 94.4% as of June 2010.

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NET FEE INCOME

Solid growth of the client base, cross-selling and product usage in 1H11

Fee Income	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Collection fees	16,215	15,488	14,236	13.9 %	4.7 %
Credit, debit & ATM card fees	16,079	14,786	13,353	20.4 %	8.7 %
Asset management	10,179	10,953	9,657	5.4 %	(7.1)%
Checking accounts & lines of credit	10,025	10,178	10,470	(4.3)%	(1.5)%
Insurance brokerage	9,574	8,815	8,962	6.8 %	8.6 %
Guarantees, pledges and other contingent operations	5,697	5,818	5,954	(4.3)%	(2.1)%
Fees from brokerage and custody of securities	2,592	3,262	2,098	23.5 %	(20.5)%
Other Fees	1,689	2,089	428	294.6 %	70803.4 %
Total fees	72,050	71,389	65,158	10.6 %	0.9 %

Net fee income was up 0.9% QoQ and 10.6% YoY as product usage and cross-selling indicators continued to improve in the quarter.
Total clients have increased 9.0% YoY and totaled 3.4 million as of June 2011. The number of clients cross-sold* increased 11.2% in the same period totaling 637,000. Product growth was led by the 18.6% YoY increase in debit cards, mainly in Banefe and the 17.9% YoY increase in number of credit cards. Purchases with Santander Chile's credit cards increased 27.2% YoY in monetary terms. The Bank's strategy of forming alliances for co-branding credit cards is driving the greater usage of the Bank's cards. Fees from credit, debit and ATM cards increased 8.7% QoQ and 20.4% YoY.

YoY evolution of clients and main products (#ths.)

* Cross-sold: For clients in Banefe cross-sold clients are clients with at least two products, one of which is a loan product plus direct deposit. In the Bank a cross-sold clients uses at least 4 products.

Greater commercial activity in retail banking also boosted insurance related fees. Collection fees in 2Q11 increased 4.7% QoQ and 13.9% YoY and fees from our insurance brokerage subsidiary increased 6.8% QoQ and 8.6% YoY. Greater demand for insurance has driven insurance brokerage fees. Going forward, regulatory changes may limit the growth of insurance related fees.

This positive evolution of fees in the quarter was partially offset by the negative impacts of a weaker stock market in the quarter. Fees from asset management decreased 7.1% QoQ. Mutual funds under management decreased 0.2% QoQ and 10.7% YoY. At the same time, fees from the brokerage and custody of securities decreased 20.5% QoQ.

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NET RESULTS FROM FINANCIAL TRANSACTIONS

Net results from financial transactions increase 11.0% QoQ and 16.1% YoY

Results from Financial Transactions*	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Net income from financial operations	2,027	49,375	44,922	(95.5)%	(95.9)%
Foreign exchange profit (loss), net	27,049	(23,182)	(19,881)	(236.1)%	(216.7)%
Net results from financial transactions	29,076	26,193	25,041	16.1%	11.0%

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

Net results from financial transactions, which include the sum of the net income from financial operations and net foreign exchange profits, totaled a gain of Ch$29,076 million in 2Q11, an increase of 11.0% QoQ and 16.1% YoY. In order to comprehend more clearly these line items, we present them by business area in the table below.

Results from Financial Transactions	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Santander Global Connect1 and other client activities	15,045	16,040	16,230	(7.3)%	(6.2)%
Market-making	6,012	9,028	7,522	(20.1)%	(33.4)%
Client treasury services	21,058	25,068	23,752	(11.3)%	(16.0)%
Proprietary trading	6,247	2,971	(66)	—%	110.3%
Sale of loans and charged-off loans	1,623	1,081	2,416	(32.8)%	50.1%
Financial Management (ALCO) and other results	148	(2,927)	(1,062)	(114.0)%	(105.1)%
Non-client treasury services	8,018	1,126	1,288	522.3%	612.3%
Net results from financial transactions	29,076	26,193	25,041	16.1%	11.0%

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

The quarterly results were mainly driven by Client treasury services, which totaled Ch$21,058 million in 2Q11 - 70% of this line item - despite decreasing 16.0% QoQ and 11.3% YoY. This was mainly due to the decline in our market-making business.

Non-client treasury services benefited in the quarter from declining long-term rates and the appreciation of the peso. This positively affected our proprietary trading results. The Bank also continued recording gains from the sale of charged-off loans, which offset lower loan loss recoveries recognized in provision expense. Other non-client treasury results include in the quarter a gain of Ch$5,705 million from the sale of shares in Visa Inc.

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14

OPERATING EXPENSES AND EFFICIENCY

Efficiency ratio reaches 36.5% in 2Q11

Operating Expenses	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Personnel salaries and expenses	(70,655)	(62,841)	(66,002)	7.0%	12.4%
Administrative expenses	(41,535)	(39,502)	(35,707)	16.3%	5.1%
Depreciation and amortization	(12,944)	(13,340)	(12,592)	2.8%	(3.0)%
Impairment	(27)	(5)	(3,686)	(99.3)%	440.0%
Operating expenses	(125,161)	(115,688)	(117,987)	6.1%	8.2%
Efficiency ratio1	36.5%	37.5%	34.9%		

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

Operating expenses in 2Q11 increased 8.2% QoQ and 6.1% YoY. The efficiency ratio reached 36.5% in 2Q11 a 100bp improvement compared to 1Q11 efficiency levels.

The 12.4% QoQ increase in personnel expenses was mainly due to seasonal factors related to paid-vacation expenses in 1Q11. The 7.0% YoY increase in personnel expenses was mainly due greater commercial activity in various business segments, which results in greater variable incentives for commercial teams. Headcount also increased 3.4% YoY and as of June 30, 2011 totaled 11,516 employees.

Administrative expenses were up 5.1% QoQ and 16.3% YoY. This was also mainly due to greater commercial activity which increased marketing and general expenses. The higher inflation also fueled administrative cost growth as approximately 2/3 of operating expenses are linked to inflation. Branch rent expenses also increased as the Bank in 2010 sold 43 branches, which it now rents. To offset this, in 2Q11, the Bank closed 20 branches that were solely used for collection purposes.

Branches	Jun-10	Mar-11	Jun-11	YoY	QoQ
Santander brand	259	259	259	0.0%	0.0%
Santander Banefe	98	98	98	0.0%	0.0%
Prime	26	33	33	26.9%	0.0%
Super Caja	46	44	44	-4.3%	0.0%
Others*	70	72	53	-24.3%	-26.4%
Total	499	506	487	-2.4%	-3.8%

* Mainly includes auxiliary tellers, university mini-branches and collection offices.

At the same time, the Bank, in anticipation of a more positive economic environment forecast for the coming years, has been investing in technology and alternative distribution channels. In 2H11, the Bank expects to open approximately 15 branches and has already begun an important investment program in CRM technology, client service and new credit scoring models for residential mortgage loans and SMEs. These projects should drive stronger revenue growth while increasing productivity.

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15

OTHER INCOME AND EXPENSES

Other Income and Expenses	Quarter			Change %	
(Ch$ million)	2Q11	1Q11	2Q10	2Q11 / 2Q10	2Q11 / 1Q11
Other operating income	3,309	2,550	19,160	(82.7)%	29.8%
Other operating expenses	(8,800)	(20,613)	(13,703)	(35.8)%	(57.3)%
Other operating income, net	(5,491)	(18,063)	5,457	(200.6)%	(69.6)%
Income from investments in other companies	552	575	223	147.5%	(4.0)%
Income tax expense	(19,416)	(26,501)	(24,163)	(19.6)%	(26.7)%
Income tax rate	12.0%	18.4%	15.0%		

Other operating income, net, totaled Ch$-5,491 million in 2Q11. Other operating income totaled Ch$3,309 million, increasing 29.8% QoQ and decreasing 82.7% YoY. The QoQ increase was mainly due to better results from the sale of repossessed assets and higher results from the recovery of non-credit related provisions for contingencies. The decline compared to 2Q10 was mainly due to the Ch$12,975 million gain recognized from the sale of 16 branches in 2Q10.

Other operating expenses declined 57.3% QoQ and 35.8% YoY. This was mainly due to lower costs related to repossessed assets and lower provisions for non-credit contingencies.

Income tax expense decreased 26.7% QoQ and 19.6% YoY. The statutory corporate tax rate in Chile in 2011 is 20% compared to 17% last year. In 2012, the statutory corporate tax rate will decline to 18.5% and in 2013, it will return to 17%. The Bank's effect tax rate tends to be below the statutory rate, since for tax purposes, the Bank still recognizes a loss from the price level restatement of its capital. As the inflation accelerated in 2Q11, the tax loss from price level restatement also increased. In addition, in 2Q11, the Bank recognized a tax benefit from real estate taxes (contribuciones) paid over assets it has leased to clients. For these reason, the effective tax rate was only 12% in the quarter. In future quarters, it should be closer to 18% (20% minus the expected price level restatement of capital).

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SECTION 4: CREDIT RISK RATINGS

International ratings

The Bank has credit ratings from three leading international agencies.

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

Standard and Poor's (Outlook Positive)	Rating
Long-term Foreign Issuer Credit	A+
Long-term Local Issuer Credit	A+
Short-term Foreign Issuer Credit	A-1
Short-term Local Issuer Credit	A-1

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

Local ratings:

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

Local ratings	Fitch Ratings	Feller Rate
Shares	Level 2	1CN1
Short-term deposits	N1+	Level 1+
Long-term deposits	AAA	AAA
Mortgage finance bonds	AAA	AAA
Senior bonds	AAA	AAA
Subordinated bonds	AA	AA+
Outlook	Stable	Stable

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SECTION 5: SHARE PERFORMANCE
As of June 2011

Ownership Structure:

ADR price (US$) 1H11

06/30/11:	93.81
Maximum (1H11):	93.81
Minimum (1H11):	76.06

Market Capitalization: US$17,017 million

P/E 12 month trailing*:	16.7
P/BV (06/30/11)**:	4.26
Dividend yield***:	3.7%

* Price as of June 30, 2011 / 12mth. earnings
** Price as of June 30, 2011 / Book value as of 06/30/11
*** Based on closing price on record date of last dividend payment.

Average daily traded volumes 1H11
US$ million

Local share price (Ch$) 1H11

06/30/11:	42.23
Maximum (1H11):	43.65
Minimum (1H11):	35.63

Dividends:

Year paid	Ch$/share	% of previous year earnings	
2007:	0.99	65	%
2008:	1.06	65	%
2009:	1.13	65	%
2010:	1.37	60	%
2011:	1.52	60	%

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ANNEX 1: NEW PROVISIONING MODEL FOR RESIDENTIAL MORTGAGE LOANS

Prior to June 2011, residential mortgage loans were assigned an allowance level based on credit risk profiles which were determined utilizing a statistical model that considered a borrower's credit history, including any defaults on obligations to other creditors, as well as the overdue periods on the loans borrowed from us. Once the rating of the client was determined, the allowance for a mortgage loan was calculated using a risk category, which was directly related to days overdue. The following table sets forth the allowance to loan ratios previously used by the Bank. The ratios represent the percentage of required allowance amount to the aggregate amount of the principal and accrued but unpaid interest on the loan.

Previous model

Residential mortgage loans		Overdue days						
		1-30	31-60	61-120	121-180	181-360	361- 720	>720
Mortgage	Profile 1	0.3 %	0.5 %	1.2 %	2.4 %	6.8 %	14.1 %	28.3 %
	Profile 2	1.5 %	1.6 %	2.5 %	4.4 %	6.8 %	14.1 %	28.3 %

As of June 2011, residential mortgage loans are assigned an allowance level based on credit risk profiles which were determined utilizing a statistical model that considers: (i) a borrower's credit history, (ii) if a client is a new client or an existing client, (iii) if the client is a Bank client or a Banefe client and (iv) if this client has been renegotiated in the system.

As of June 2011, the model for determining provisions for residential mortgage loans is as follows. The ratios represent the percentage of required allowance amount to the aggregate amount of the principal and accrued but unpaid interest on the loan.

New model

Residential mortgage loans		Performing	Overdue days			
			1-29	30-59	60-89	>90 days
Mortgage (Bank client)	New client	0.20 %	2.7 %	3.6 %	4.63 %	11.0 %
	Existing client	0.29 %	1.49 %	2.97 %	3.7 %	11.0 %
	Renegotiated client	1.75 %	1.75 %	1.75 %	1.75 %	11.0 %
Mortgage (Banefe client)	New or existing client	0.35 %	2.19 %	3.64 %	4.72 %	11.0 %
	Renegotiated client	1.75 %	1.75 %	1.75 %	1.75 %	11.0 %

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ANNEX 2: BALANCE SHEET

Unaudited Balance Sheet		Jun-11 US$ths	Jun-11	Mar-11 Ch$mn	Dec-10
Assets					
Cash and deposits in banks		2,095,978	980,813	2,238,573	1,762,198
Unsettled transactions	&				