BANCO SANTANDER CHILE
Form 6-K
August 22, 2012

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

IMPORTANT NOTICE

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos. The consolidated interim unaudited financial statements included in this report have been prepared in accordance with Chilean accounting principles issued by the Superintendency of Banks and Financial Institutions (Chilean Bank GAAP and the SBIF, respectively). The accounting principles issued by the SBIF are substantially similar to IFRS but there are some exceptions. Therefore, the unaudited financial statements included in this 6K have some differences compared to the financial statements filed in our Annual Report on Form 20-F for the year ended December 31, 2011 (the Annual Report). For further details and a discussion on main differences between Chilean Bank GAAP and IFRS refer to Item 5. Operating and Financial Review and Prospects. A. Accounting Standards Applied in 2011 of our Annual Report.

SIGNATURE

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

		BANCO SANTANDER CHILE		
Date:	August 22, 2012	By:	/s/ Juan Pedro Santa María	
			Name:	Juan Pedro Santa María
			Title:	General Counsel

BANCO SANTANDER CHILE

SECOND QUARTER 2012

EARNINGS REPORT

INDEX

CONTACT INFORMATION

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SECTION 1: SUMMARY OF RESULTS

2Q12: Net income reaches Ch$105,695 million

In 2Q12, **Net income** attributable to shareholders totaled Ch$105,695 million (Ch$0.56 per share and US$1.1411/ADR). Compared to 1Q12 (from now on QoQ), net income decreased 10.7%. Compared to 2Q12 (from now on YoY), a record earnings quarter for the Bank, net income decreased 25.3%. This decline was mainly due to the lower inflation rate in the quarter that negatively affected net interest margins. Net income in the first half of 2012 totaled Ch$224,002 million (Ch$1.19 per share and US$2.42/ADR).

Solid levels of capital: Core capital at 10.4%, BIS at 13.7%

ROAE in 2Q12 reached 21.0% and 22.2% in 1H12. The Bank paid on April 25, 2012 its annual dividend equivalent to 60% of 2011 net income (Ch$1.39/share and US$2.9522/ADR) equivalent to a dividend yield of 3.5% on the dividend record date in Chile. Our dividend payout ratio has remained unchanged for the past three years. The prudent management of the Bank s capital ratios and high profitability has permitted the Bank to continue paying attractive dividends without issuing new shares since 2002. The **BIS ratio** reached 13.7% as of June 2012 compared to 13.4% as of June 2011. The Bank s core capital ratio reached 10.4% as of June 2012, among the highest among our main peers. Voting common shareholders equity is the sole component of our Tier I capital.

Loan growth accelerating

In 2Q12, total loans increased 3.3% QoQ (+13.2% annualized) and 5.5% YoY. In the quarter, the Bank focused its loan growth in the middle-market and corporate loan segments. These segments continue to show healthy loan demand given the solid level of investment expected this year in the Chilean economy. Simultaneously, many corporate clients have reverted to the local market for their funding needs as external funding sources for companies have become more expensive. As a result, **lending in the middle market** (companies with annual sales between Ch$1,200 million and Ch$10,000 million per year) increased 4.2% QoQ. **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 6.6% QoQ.

1 Earnings per ADR was calculated using the Observed Exchange Rate Ch$509.73 per US$ as of June 30, 2012.

2 Dividend per ADR calculated based on the observed exchange rate of Ch$487.15 / US$ as of April 25, 2012, which was the dividend pay date in Chile.

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Loans to individuals, which include consumer, mortgage and commercial loans to individuals, increased 1.7% QoQ in 2Q12 and 5.6% YoY. In the quarter, the Bank focused on expanding its loan portfolio in the mid-upper income segments, while remaining more selective in the mass consumer market. Loans to high-income individuals increased 2.7% QoQ in comparison to a decrease of 1.1% QoQ in the mass consumer market. **Lending to SMEs** (defined as companies that sell less than Ch$1,200 million per year) expanded 2.1% QoQ (8.3% YoY), reflecting the Bank s consistent focus on this profitable segment.

Solid growth of deposits

Total deposits increased 8.6% QoQ and 9.3% YoY, outstripping loan growth. In the quarter, pension funds and core deposits fueled deposit growth. As a result, total **time deposits** increased 12.3% QoQ. **Core deposits** (demand deposits and time deposits from non-institutional sources) grew 1.5% QoQ and 17.6% YoY. The Bank took advantage of this influx of deposits and its relatively high structural liquidity to pre-pay more expensive foreign bank lines and bonds.

* Demand deposits plus time deposits from non-institutional sources

Asset quality indicators remain stable QoQ

Net provisions for loan losses in the quarter were up 0.4% QoQ. Total **charge-offs** increased 4.3% QoQ driven by an increase in charge-offs in retail banking. This was offset by a 52.4% QoQ rise in loan loss recoveries, as the Bank strengthened its collection efforts in retail banking. The Bank s **Non-performing loans ratio** (NPL) reached 2.88% as of June 2012 compared to 2.92% as of March 2012 and 2.60% as of June 2011. The **Coverage ratio** of total NPLs (loan loss allowances over non-performing loans) reached 97.8% as of June 30, 2012. The **Risk Index**, which measures the percentage of loans for which the Bank must set aside loan loss allowances, based on our internal models and Superintendency of Banks guidelines, decreased to 2.82% as of June 2012 compared to 2.94% in March 2012 and 2.90% in June 2011.

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Deceleration of inflation temporarily lowers net interest margins

In 2Q12, the **Net interest margin** (NIM) reached 5.0% compared to 5.3% in 1Q12 and 5.2% in 2Q12. The lower NIM was mainly due to **the lower inflation rates**, since the Bank has more assets than liabilities linked to inflation. Inflation, measured as the variation of the Unidad de Fomento (an inflation indexed currency unit), increased 0.42% in 2Q12 compared to 1.07% in 1Q12 and 1.44% in 2Q11. **Net interest income** decreased 4.2% QoQ and increased 3.0% YoY. The negative impact of a lower inflation rate was more than offset by **higher lending volumes and an improved funding mix.** The latter is a direct result of the Bank s efforts over the past two years to improve our funding costs. This should give further stability to margins going forward.

Focus on improving efficiency in middle-income banking

Operating expenses in 2Q12 increased 9.6% QoQ and 10.1% YoY. The QoQ rise in expenses is mainly seasonal. In the quarter, the Bank continued with its projects of investing in a new Client Relationship Management system and the Transformation Initiatives aimed at enhancing productivity, especially in middle-income banking. The CRM and Transformation Project should help to reverse this situation, leading to better long-term efficiency, growth and profitability in this segment.

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Banco Santander Chile: Summary of Quarterly Results

		Quarter		Change%	
	2Q12	1Q12	2Q11	2Q12 /	2Q12 /
(Ch$ million)				**2Q11**	**1Q12**
Net interest income	254,940	266,072	247,414	3.0%	(4.2%)
Fee income	68,007	68,691	72,050	(5.6%)	(1.0%)
Core revenues	**322,947**	**334,763**	**319,464**	**1.1%**	**(3.5%)**
Financial transactions, net	25,640	19,303	29,076	(11.8%)	32.8%
Provision expense	(78,575)	(78,281)	(56,874)	38.2%	0.4%
Operating expenses	(137,742)	(125,670)	(125,161)	10.1%	9.6%
Operating income, net of provisions and costs	**132,270**	**150,115**	**166,505**	**(20.6%)**	**(11.9%)**
Other operating & Non-op. Income	(26,575)	(31,808)	(24,993)	**6.3%**	**(16.5%)**
Net income attributable to shareholders	**105,695**	**118,307**	**141,512**	**(25.3%)**	**(10.7%)**
Net income/share (Ch$)	0.56	0.63	0.75	(25.3%)	(10.7%)
Net income/ADR (US$)[1]	1.14	1.33	1.66	(31.0%)	(14.2%)
Total loans	18,374,472	17,792,081	17,422,040	5.5%	3.3%
Deposits	14,537,663	13,392,489	13,306,475	9.3%	8.6%
Shareholders equity	2,028,611	2,065,995	1,866,467	8.7%	(1.8%)
Net interest margin	5.0%	5.3%	5.2%		
Efficiency ratio	41.0%	36.8%	36.5%		
Return on average equity[2]	21.0%	23.3%	30.5%		
NPL / Total loans[3]	2.88%	2.92%	2.60%		
Coverage NPLs	97.8%	100.7%	111.9%		
Risk index[5]	2.82%	2.94%	2.90%		
BIS ratio	13.7%	14.8%	13.4%		
Branches	499	499	487		
ATMs	1,966	1,939	1,946		
Employees	11,621	11,572	11,516		

1. The change in earnings per ADR may differ from the change in earnings per share due to exchange rate movements. Earnings per ADR was calculated using the Observed Exchange Rate Ch$509.73 per US$ as of June 30, 2012.
2. Annualized quarterly Net income attributable to shareholders / Average equity attributable to shareholders.
3. NPLs: Non-performing loans: full balance of loans with one installment 90 days or more overdue.
4. PDLs: Past due loans; all loan installments that are more than 90 days overdue.
5. 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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SECTION 2: BALANCE SHEET ANALYSIS

LOANS

Loan growth accelerating

Loans	Quarter ended,			% Change	
(Ch$ million)	**Jun-12**	**Mar-12**	**Jun-11**	**Jun. 12 / 11**	**Jun. / Mar. 12**
Total loans to individuals1	9,534,018	9,376,934	9,026,697	5.6%	1.7%
Consumer loans	2,987,880	2,963,104	2,893,037	3.3%	0.8%
Residential mortgage loans	5,221,914	5,162,473	4,909,630	6.4%	1.2%
SMEs	2,658,077	2,604,565	2,455,349	8.3%	2.1%
Total retail lending	**12,192,095**	**11,981,499**	**11,482,046**	**6.2%**	**1.8%**
Institutional lending	366,862	347,818	372,939	(1.6%)	5.5%
Middle-Market & Real estate	3,848,479	3,692,576	3,625,439	6.2%	4.2%
Corporate	2,006,270	1,881,429	1,950,992	2.8%	6.6%
Total loans 2	**18,374,472**	**17,792,081**	**17,422,040**	**5.5%**	**3.3%**

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 2Q12, total loans increased 3.3% QoQ (+13.2% annualized) and 5.5% YoY. Loan growth was driven by the favorable evolution of the Chilean economy and was mainly focused in the high-end of the retail market, the middle-market and the corporate business segment. Even though the external scenario has worsened, the supportive local economic environment continued to push loan demand, albeit in less risky segments.

Loans to individuals, which include consumer, mortgage and commercial loans to individuals, increased of 1.7% QoQ in 2Q12 and 5.6% YoY. By product, **consumer loans** increased 0.8% QoQ (3.3% YoY) and **residential mortgage loans** increased 1.2% QoQ (6.4% YoY). In the quarter, the Bank focused on expanding its loan portfolio in the mid-upper income segments, while remaining more selective in the mass consumer market. Loans to high-income individuals increased 2.7% QoQ in comparison to a decrease of 1.1% in the mass consumer market. **Lending to SMEs** (defined as companies reflecting the Bank s consistent focus on this expanding and profitable segment.

that sell less than Ch$1,200 million per year) expanded 2.1%
QoQ (8.3% YoY),

In the quarter, the Bank focused its loan growth in the middle-market and corporate loan segments. These segments continue to show healthy loan demand given the high level of investment expected this year in the Chilean economy, which is expected to reach approximately 28% of GDP.

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Simultaneously, as external funding sources for companies have become more expensive many clients in these segments have reverted to the local market for their financing needs. A clear example of this was the largest loan approved by the Bank in its history in an amount of US$800 million (which will be included in July 2012 figures). This is a direct result of the Bank s solid levels of liquidity and capital. Additionally, the Bank s non-lending businesses with these clients (cash management, brokerage and treasury services) continue to thrive. As a result, **lending in the middle market** (companies with annual sales between Ch$1,200 million and Ch$10,000 million per year) increased 4.2% QoQ. In **Corporate lending** (companies with sale over Ch$10,000 million per year or that are part of a large foreign or local economic group) loans increased 6.6% QoQ.

FUNDING

Strong deposit growth

Funding	**Quarter ended,**			**% Change**	
(Ch$ million)	**Jun-12**	**Mar-12**	**Jun-11**	**Jun. 12 / 11**	**Jun. / Mar. 12**
Demand deposits	4,624,570	4,566,890	4,450,290	3.9%	1.3%
Time deposits	9,913,093	8,825,599	8,856,185	11.9%	12.3%
Total deposits	**14,537,663**	**13,392,489**	**13,306,475**	**9.3%**	**8.6%**
Mutual funds (off-balance sheet)	2,944,482	2,995,292	3,138,177	(6.2%)	(1.7%)
Total customer funds	**17,482,145**	**16,387,781**	**16,444,652**	**6.3%**	**6.7%**
Loans to deposits1	**96.5%**	**98.4%**	**96.8%**		

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

Customer funds (deposits + mutual funds) increased 6.7% QoQ and 6.3% YoY. **Total deposits** increased 8.6% QoQ and 9.3% YoY, outstripping loan growth. In the quarter, pension funds and core deposits fueled deposit growth. As a result, total **time deposits** increased 12.3% QoQ. The Bank took advantage of this influx of deposits and its relatively high structural liquidity to pre-pay more expensive foreign bank lines and bonds. This improved the Bank s funding mix, as deposits tend to be cheaper and more stable than other sources of funding.

Core deposits (demand deposits and time deposits from non-institutional sources) grew 1.5% QoQ and 17.6% YoY. **Demand deposits** increased 1.3% QoQ and 3.9% YoY. **Core time deposits** increased 1.5% QoQ and 17.6% YoY. Core deposits as a percentage of total deposits reached 73.3% compared to 68.1% as of June 2011.

* Demand deposits plus time deposits from non-institutional sources

It is important to note that the Bank follows Grupo Santander s policy of independent subsidiaries and **intergroup funding** represented 0.8% of our funding as of June 30, 2012.

7

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This high growth of deposits was partially offset by a decrease in **assets under management**. The weakening of equity markets in 2Q12 negatively affected the funds managed by our asset management business. Assets under management decreased 1.7% QoQ and 6.2% YoY. This also had a negative impact on fees from asset management (See Fee income).

SHAREHOLDERS EQUITY AND REGULATORY CAPITAL

Core capital ratio at 10.4%. Dividend payout ratio unchanged since 2009.

Shareholders Equity	**Quarter ended,**			**Change %**	
(Ch$ million)	**Jun-12**	**Mar-12**	**Jun-11**	**Jun. 12 / 11**	**Jun. / Mar. 12**
Capital	891,303	891,303	891,303	0.0%	0.0%
Reserves	51,539	51,539	51,539	0.0%	0.0%
Valuation adjustment	3,946	(15,210)	(7,831)	--%	--%
Retained Earnings:	1,081,823	1,138,363	931,456	16.1%	(5.0%)
Retained earnings prior periods	925,022	1,186,073	750,989	23.2%	(22.0%)
Income for the period	224,002	118,307	257,810	(13.1%)	89.3%
Provision for mandatory dividend	(67,201)	(166,017)	(77,343)	(13.1%)	(59.5%)
Equity attributable to shareholders	**2,028,611**	**2,065,995**	**1,866,467**	**8.7%**	**(1.8%)**
Non-controlling interest	31,272	34,554	31,171	0.3%	(9.5%)
Total Equity	**2,059,883**	**2,100,549**	**1,897,638**	**8.5%**	**(1.9%)**
Quarterly ROAE	**21.0%**	**23.3%**	**30.5%**		

Shareholders equity totaled Ch$2,028,611 million (US$4.0 billion) as of March 31, 2012. The Bank paid on April 25, 2012 its annual dividend equivalent to 60% of 2011 net income (Ch$1.39/share and US$2.953/ADR) equivalent to a dividend yield of 3.5% on the dividend record date in Chile. Our dividend payout ratio has remained unchanged for the past three years. The prudent management of the Bank s capital ratios and high profitability has permitted the Bank to continue paying attractive dividends without issuing new shares since 2002. **ROAE** in 2Q12 reached 21.0% and 22.2% in 1H12.

3 Dividend per ADR calculated based on the observed exchange rate of Ch$487.15 / US$ as of April 25, 2012, which was the dividend pay date in Chile.

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Capital Adequacy	Quarter ended,