

BANCO SANTANDER CHILE

Form 6-K

November 05, 2004

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**FORM 6 - K**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 or 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

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**Banco Santander - Chile**

(Exact name of Registrant as specified in its charter)

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**Republic of Chile**

(Jurisdiction of incorporation)

**Bandera 140**

**Santiago, Chile**

(Address of principal executive offices )

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

FORM 20-F  FORM 40-F

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

YES  NO

If *Yes* is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) : Not applicable

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**[www.santandersantiago.cl](http://www.santandersantiago.cl)**

**BANCO SANTANDER SANTIAGO ANNOUNCES**

**RESULTS FOR THE THIRD QUARTER 2004**

In 3Q 2004 net income totaled Ch\$53,515 million (Ch\$0.28 per share and US\$0.49/ADR), increasing 6.0% compared to 3Q 2003 and 32.2% compared to 2Q04. ROE reached 26.0% in 3Q 2004 compared to 24.3% in 3Q 2003.

Net financial income in 3Q 2004 increased 11.8% compared to 3Q 2003. Net interest margin improved to 4.5% in 3Q 2004, compared to 4.2% in 3Q 2003.

Increased focus in commercial activity resulted in loan growth. Total loans (excluding interbank/past due loans), increased 2.0% between 2Q and 3Q 2004 and 11.5% vs. 3Q03. Loans in retail banking increased 6.1% in 3Q04.

Customer funds also recorded healthy growth, increasing 9.1% between 2Q and 3Q 2004 and 21.7% vs. 3Q03.

Past due loans at September 30, 2004 decreased 7.2% compared to June 30, 2004 and 27.0% compared to September 30, 2003. The ratio of loan loss reserves / past due loans improved to 123.7%, from 94.3% in 3Q03 and the NPL ratio improved to 1.58% (2.38% in 3Q03).

The Bank's efficiency ratio reached 39.7% in 3Q 2004 compared to 45.1% in the same quarter of 2003.

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**Santiago, Chile, October 29, 2004<sup>1</sup>**- Banco Santander Santiago (NYSE: SAN) announced today its unaudited results for the third quarter 2004. These results are reported on a consolidated basis in accordance with Chilean GAAP<sup>2</sup>

In 3Q 2004 net income totaled Ch\$53,515 million (Ch\$0.28 per share and US\$0.49/ADR), increasing 6.0% compared to 3Q 2003. This increase was mainly due to an 11.8% rise in net financial income, a higher net interest margin and the increase in market related gains and loan loss recoveries. The increase in net financial income in the quarter was mainly due to strong loan growth in retail banking in the period. As of September 30, 2004 total loans, excluding interbank and past due loans, increased 2.0% compared to June 30, 2004. Loans in retail banking increased 6.1% in this period. This was led by a 6.9% growth in lending to individuals. Lending to SME s increased 4.5% between June 30 and September 30, 2004. As a result, the Bank s market share rose 100 basis points to 26.5% in consumer lending, 80 basis points to 23.7% in residential mortgage loans and 60 basis points to 20.5% in commercial loans between June and September of 2004.

Core deposits also expanded at a rapid pace in the quarter. The balance of total customer funds increased 9.1% between 2Q and 3Q 2004 and 21.7% in twelve months. Time deposits increased 13.0% between June and September 2004 and 10.5% in twelve months. Non-interest bearing demand deposits grew 3.0% and 26.3% in the same periods. Assets under management also showed strong growth in the quarter, increasing 9.2% compared to the end of 2Q 2004 and 54.1% in twelve months. As a result of the improved asset and funding mix and higher inflation rates, the Bank s net interest margin expanded 30 basis points to 4.5% in 3Q 2004 compared to 4.2% in 3Q 2003.

The Bank s net fee income decreased 4.7% compared to 3Q 2003, although it recorded a 6.9% increase when compared to 3Q03. The Bank has adopted a promotional policy regarding checking account and credit card maintenance fees in order to increase the client base, product usage and cross-selling ratios. As a result in 3Q 2004 checking & overdraft maintenance fees decreased 20.7% compared to 3Q 2003. However, other usage related fees reflected strong growth: 56.5% increase in fees from mutual funds, 18.3% rise in fees from sale of insurance products and a 15.6% increase on ATM usage fees.

It is important to point out that the Bank s customer base has continued to steadily rise in 2004. The total amount of checking account increased 3.5% between 3Q 2004 and 2003 and 3.8% (15% on an annualized basis) between the 2Q and 3Q of 2004. As a result total, fees increased 6.9% between 2Q and 3Q 2004 with checking account fees rising 5.2% and credit card fees increasing 7.1% in this period.

Asset quality improved in the quarter. Past due loans at September 30, 2004 decreased 7.2% compared to June 30, 2004 and 27.0% compared to September 30, 2003. As a result, the coverage ratio of past due loans (reserves / past due loans) improved to 123.7% from 94.3% in 3Q03 and the NPL ratio improved to 1.58% (2.38% in 3Q03).

- 1 Safe harbor statement under the Private Securities Litigation Reform Act of 1995: All forward-looking statements made by Banco Santander Santiago involve material risks and uncertainties and are subject to change based on various important factors which may be beyond the Bank s control. Accordingly, the Bank s future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, those described in the Bank s filings with the Securities and Exchange Commission. The Bank does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized.
- 2 The Peso/US dollar exchange rate as of September 30, 2004 was Ch\$606.96 per dollar. September 2003 figures are in constant Chilean pesos as of September 30, 2004 and have been adjusted by the price level restatement factor of 1.0159. June 30, 2004 figures are in constant Chilean pesos of September 30, 2004 and have been adjusted by the price level restatement factor of 1.0105.

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Loan loss recoveries increased 135.3% compared to 3Q 2003. In the quarter the Bank concluded an important recovery process with a large client in the real estate sector. This resulted in Ch\$6,794 million in loan loss recoveries. This recovery process also involved the sale of another substandard loan to the same client which signified a gain of Ch\$10,232 million recognized as market related income. In the same period, the Bank recognized other extraordinary charges such as a Ch\$9,798 million extraordinary charge-off of repossessed assets and other non-credit related provisions included in non-operating income.

The Bank in the quarter also recognized extraordinary operating expenses totaling Ch\$2,732 million. These costs are directly linked to investments being made in various projects being carried out in order to expand the Bank's retail banking business. Operating expenses increased 5.6% in 3Q 2004 compared to 3Q 2003. In August, the Bank's consumer division Santander Banefe, introduced a new corporate image and slogan and initiated a strong marketing campaign. Banefe also opened its 11<sup>th</sup> new mini-branch this year. Despite this rise in costs, the Bank's efficiency ratio reached 39.7% in 3Q 2004 compared to 45.1% in the same quarter of 2003.

In the nine-month period ended September 30, 2004 net income totaled Ch\$144,859 million (Ch\$0.77 per share and US\$1.32/ADR), increasing 1.0% when compared to the same period of 2003. This rise in net income has been driven by a 10.6% increase in net operating income. The Bank's ROE increased to 21.8% in 2004 compared to 21.4% in 2003. The efficiency ratio (cost/income) improved to 43.1% compared to 43.9%.

|                                     | Quarter       |               |               | Change %        |              |
|-------------------------------------|---------------|---------------|---------------|-----------------|--------------|
|                                     |               |               |               | 3Q / 2Q         |              |
|                                     | 3Q 2004       | 2Q 2004       | 3Q 2003       | 3Q<br>2004/2003 | 2004         |
| <b>Banco Santander Santiago</b>     |               |               |               |                 |              |
| (Ch\$ million September 30, 2004)   |               |               |               |                 |              |
| Net financial income                | 119,521       | 124,164       | 106,945       | 11.8%           | (3.7)%       |
| Total provisions, net of recoveries | (17,822)      | (21,077)      | (13,785)      | 29.3%           | (15.4)%      |
| Fees and income from services       | 30,390        | 28,418        | 31,883        | (4.7)%          | 6.9%         |
| Operating expenses                  | (67,810)      | (68,019)      | (64,241)      | 5.6%            | (0.3)%       |
| Income before income taxes          | 68,019        | 48,471        | 60,980        | 11.5%           | 40.3%        |
| <b>Net income</b>                   | <b>53,515</b> | <b>40,487</b> | <b>50,471</b> | <b>6.0%</b>     | <b>32.2%</b> |
| Net income/share (Ch\$)             | 0.28          | 0.21          | 0.27          | 6.0%            | 32.2%        |
| Net income/ADR (US\$) <sup>1</sup>  | 0.49          | 0.35          | 0.41          | 19.5%           | 40.0%        |
| Total loans                         | 8,647,468     | 8,487,496     | 7,843,632     | 10.2%           | 1.9%         |
| Customer funds                      | 7,922,006     | 7,258,236     | 6,511,159     | 21.7%           | 9.1%         |
| Customer deposits                   | 6,378,522     | 5,844,973     | 5,509,445     | 15.8%           | 9.1%         |
| Mutual funds                        | 1,543,484     | 1,413,263     | 1,001,7145    | 54.1%           | 9.2%         |
| Shareholders' equity                | 972,904       | 920,369       | 975,078       | (0.2)%          | 5.7%         |
| Net financial margin                | 4.5%          | 4.8%          | 4.2%          |                 |              |
| Efficiency ratio                    | 39.7%         | 46.9%         | 45.1%         |                 |              |
| ROE <sup>2</sup>                    | 26.0%         | 18.5%         | 24.3%         |                 |              |
| PDLs / Total loans                  | 1.58%         | 1.73%         | 2.38%         |                 |              |
| Coverage ratio of PDLs              | 123.7%        | 110.7%        | 94.3%         |                 |              |
| BIS ratio                           | 13.1%         | 13.6%         | 15.3%         |                 |              |
| Branches                            | 351           | 346           | 346           |                 |              |
| ATMs                                | 1,050         | 1,050         | 1,098         |                 |              |
| Employees                           | 7,675         | 7,572         | 7,684         |                 |              |

1. The change in earnings per ADR may differ from the change in earnings per share due to the exchange rate.
2. Annualized Earnings / Average Capital & Reserves.



**Table of Contents****INTEREST EARNING ASSETS***Strong growth in higher yielding segments and products***Interest Earning Assets**

|  | Quarter ended,    |                   |                  | % Change     |             |
|--|-------------------|-------------------|------------------|--------------|-------------|
|  | Sept. 30,         | June 30,          | Sept. 30,        | Sept.        | Sept. /     |
|  | 2004              | 2004              | 2003             | 2004/2003    | June 2004   |
| (Ch\$ million September 30, 2004)          |                   |                   |                  |              |             |
| Commercial loans                           | 3,004,167         | 2,867,085         | 2,701,415        | 11.2%***     | 4.8%        |
| Consumer loans                             | 1,086,588         | 1,024,578         | 756,880          | 43.6%***     | 6.1%        |
| Residential mortgage loans*                | 1,701,007         | 1,552,402         | 1,390,737        | 22.3%        | 9.6%        |
| Foreign trade loans                        | 581,602           | 614,767           | 513,308          | 13.3%        | -5.4%       |
| Leasing                                    | 499,433           | 484,149           | 443,199          | 12.7%        | 3.2%        |
| Other outstanding loans **                 | 535,338           | 628,702           | 1,019,299        | -47.5%       | -14.9%      |
| Contingent loans                           | 1,014,843         | 1,087,222         | 730,180          | 39.0%        | -6.7%       |
| <b>Total loans excl. interbank and PDL</b> | <b>8,422,978</b>  | <b>8,258,904</b>  | <b>7,555,018</b> | <b>11.5%</b> | <b>2.0%</b> |
| Total financial investments                | 1,685,322         | 1,747,220         | 1,881,773        | -10.4%       | -3.5%       |
| Past due loans                             | 136,485           | 147,114           | 187,017          | -27.0%       | -7.2%       |
| Interbank loans                            | 88,005            | 81,478            | 101,603          | -13.4%       | 8.0%        |
| <b>Total interest-earning assets</b>       | <b>10,332,790</b> | <b>10,234,716</b> | <b>9,725,408</b> | <b>6.2%</b>  | <b>1.0%</b> |

\* Includes residential mortgage loans backed by mortgage bonds (letras hipotecarias para la vivienda) and residential mortgage loans not funded with mortgage bonds (mutuos hipotecarios para la vivienda).

\*\* Includes non-residential mortgage loans backed by a mortgage bond (letras hipotecarias para fines generales) and other loans. As of January 2004 excludes lines of credit.

\*\*\* As of January 2004 the Superintendency of Banks (SBIF) reclassified lines of credit from other loans to consumer or commercial loans depending on their origin. The growth rates of the consumer loans and commercial loans adjusting for this change were the following:

| Adjusted growth rates             | Loans<br>excluding lines<br>of credit | % Change               |
|-----------------------------------|---------------------------------------|------------------------|
|                                   |                                       | September<br>2004/2003 |
| (Ch\$ million September 30, 2004) |                                       |                        |
| Commercial loans                  | 2,889,289                             | 7.0%                   |
| Consumer loans                    | 921,771                               | 21.8%                  |

*Loans continued to grow in 3Q 2004*

Loan activity shows an increase in most products and business segments. As of September 30, 2004 total loans, excluding interbank and past due loans, increased 2.0% compared to June 30, 2004. Loan growth was focused in retail banking, with consumer loans and residential mortgage



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loans increasing 6.1% and 9.6% compared to the end of 2Q 2004, respectively. In this same period, commercial loans rose 4.8% and leasing operations grew 3.2% driven mainly by loans granted to high yielding small and mid-sized companies. This rise in loans was partially offset by a translation loss produced by the appreciation of the Chilean pesos against the US dollar. This is reflected in the decrease of foreign trade, contingent and other loans, which include the bulk of the Bank's foreign currency operations. This translation loss totaled Ch\$84,655 million in the quarter. Excluding this effect loan growth reached 3.0% between 2Q and 3Q 2004. As a result the Bank's total loans market share remained stable between June and September 2004, but loan market share rose 100 basis points in consumer lending to 26.5%, 80 basis points in residential mortgage loans to 23.7% and 60 basis points in commercial loans to 20.5%.

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| Loan product               | Market share | Market share | % change bp.   |
|----------------------------|--------------|--------------|----------------|
|                            | Sept. 2004   | June 2004    | Sept-June 2004 |
| <b>Total loans*</b>        | <b>23.5%</b> | <b>23.6%</b> | <b>- 10</b>    |
| Commercial loans           | 20.5%        | 19.9%        | 60             |
| Consumer loans             | 26.5%        | 25.5%        | 100            |
| Foreign trade operations   | 28.4%        | 30.2%        | - 180          |
| Residential mortgage loans | 23.7%        | 22.9%        | 80             |

\* Excluding interbank loans

**Retail banking reported record loan growth figures since the merger**

| Loans by business segment         | Sept. 30,        | June 30,         |             |
|-----------------------------------|------------------|------------------|-------------|
| (Ch\$ million September 30, 2004) | 2004             | 2004             | % Change    |
| Middle/upper income               | 2,918,650        | 2,722,393        | 7.2%        |
| Banefe                            | 377,074          | 359,400          | 4.9%        |
| <b>Total individuals</b>          | <b>3,295,724</b> | <b>3,081,793</b> | <b>6.9%</b> |
| SMEs                              | 1,718,216        | 1,644,981        | 4.5%        |
| <b>Total retail</b>               | <b>5,013,940</b> | <b>4,726,774</b> | <b>6.1%</b> |

Loans in retail banking increased 6.1% between June 30 and September 30, 2004. This was led by a 6.9% growth in lending to individuals. The low interest rate environment and higher economic growth has pushed the demand for consumer credit and residential mortgage loans. Residential mortgage lending among mid and upper income segments grew 10.0% between June 30 and September 30, 2004. High yielding consumer lending also continued to expand at a rapid pace, increasing 7.1% between June 30 and September 30, 2004. Loan growth in Santander Banefe, the bank's lending unit to middle/lower income individuals gained pace in the last three months, increasing 4.9% between the 2Q and 3Q 2004. In the quarter the Bank re-launched the Banefe brand, launched an aggressive marketing campaign and completed the branch opening process with 11 branches opened this year.

**Lending to SME's increased 4.5% between June 30 and September 30, 2004**

Consumer lending to SME's led growth increasing 10.7% in this period. Leasing operations expanded 8.1% and factoring operations, although still an emerging product, increased 28.7% in this period. The higher growth rate of the economy and lower rates has led to a larger demand in this business segment. The Bank is also placing a larger emphasis on expanding its presence among SMEs due to the low penetration and attractive profitability levels of this segment.

**Corporate banking**

| <b>Loans by business segment</b>  | <b>Sept. 30,</b> | <b>June 30,</b>  |                 |
|-----------------------------------|------------------|------------------|-----------------|
| (Ch\$ million September 30, 2004) | <b>2004</b>      | <b>2004</b>      | <b>% Change</b> |
| <b>Corporate banking</b>          | <b>3,494,832</b> | <b>3,622,834</b> | <b>(3.5)%</b>   |

Total loans in the corporate banking segment decreased 3.5% between June 30 and September 30, 2004. This decrease was mainly due to the translation loss produced by the appreciation of the peso against the dollar of loans denominated in foreign currencies. The Bank hedges its foreign currency risk.

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and therefore, this translation loss does not have any significant effect over net income. Commercial loan growth in this segment was flat and leasing and factoring operations grew 4.3% and 11.2%, respectively in this period.

**CUSTOMER FUNDS**

*Total customer funds increased 9.1% between 2Q and 3Q 2004*

**Funding**

|                                      | Quarter ended,   |                  |                  | Change %     |             |
|--------------------------------------|------------------|------------------|------------------|--------------|-------------|
|                                      | Sept. 30,        | June 30,         | Sept. 30,        | Sept.        | Sept. /     |
| (Ch\$ million September 30, 2004)    | 2004             | 2004             | 2003             | 2004/2003    | June 2004   |
| Non-interest bearing demand deposits | 2,333,709        | 2,266,160        | 1,847,665        | 26.3%        | 3.0%        |
| Time deposits and savings accounts   | 4,044,813        | 3,578,813        | 3,661,780        | 10.5%        | 13.0%       |
| <b>Total customer deposits</b>       | <b>6,378,522</b> | <b>5,844,973</b> | <b>5,509,445</b> | <b>15.8%</b> | <b>9.1%</b> |
| Mutual funds                         | 1,543,484        | 1,413,263        | 1,001,7145       | 54.1%        | 9.2%        |
| <b>Total customer funds</b>          | <b>7,922,006</b> | <b>7,258,236</b> | <b>6,511,159</b> | <b>21.7%</b> | <b>9.1%</b> |

The Bank has increased its deposit base in order to fund the rapid growth of the loan portfolio. Time deposits increased 13.0%, led by growth of time deposits in the large corporate segment, reflecting the high level of liquidity among these clients. Non-interest bearing demand deposits grew 3.0% in this period and 26.3% in 12 months. The growth of demand deposits between the 2Q and 3Q of 2004 was led by a 6.6% increase in these deposits among retail clients. Apart from focusing on lending, the Bank has concentrated on increasing its checking account base among retail clients, which is a more stable and cheaper source of funding.

Assets under management also showed strong growth in the quarter, increasing 9.2% compared to the end of 2Q 2004 and 54.1% in twelve months. The Bank continues to proactively encourage clients to invest in mutual funds instead of short-term deposits as mutual funds offer better yields, generate fee income and replace more expensive funding from the balance sheet. The rise of the stock market in the low interest rate environment has also fueled an industry-wide expansion of the mutual fund business.

The Bank's market share of demand deposits expanded 90 basis points to 25.2% and in time deposits market share increased 170 basis points to 19.3% between June and September 2004. Market share of assets under management increased 20 basis points to 21.4% in the same period.

| Market share   | Market share | Market share | % change bp.   |
|----------------|--------------|--------------|----------------|
| Customer funds | Sept. 2004   | June 2004    | Sept-June 2004 |

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|                 |       |       |      |
|-----------------|-------|-------|------|
| Demand deposits | 25.2% | 24.3% | +90  |
| Time deposits   | 19.3% | 17.6% | +170 |
| Mutual funds    | 21.4% | 21.2% | +20  |

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**Table of Contents****NET FINANCIAL INCOME**

*Net interest margin expands 30 basis points to 4.5% compared to 3Q 2003*

**Net Financial Income**

|  | Quarter        |                |                | Change %     |               |
|--|----------------|----------------|----------------|--------------|---------------|
|  |                |                |                | 3Q           | 3Q /          |
|  | 3Q 2004        | 2Q 2004        | 3Q 2003        | 2004/2003    | 2Q            |
| (Ch\$ million September 30, 2004)  |                |                |                |              | 2004          |
| Net interest income  | 104,199        | 130,415        | 72,349         | 44.0%        | (20.1)%       |
| Foreign exchange transactions <sup>3</sup>                               | 15,322         | (6,251)        | 34,596         | (55.7)%      | (345.1)%      |
| <b>Net financial income</b>  | <b>119,521</b> | <b>124,164</b> | <b>106,945</b> | <b>11.8%</b> | <b>(3.7)%</b> |
| Average interest-earning assets  | 10,545,346     | 10,321,843     | 10,194,699     | 3.4%         | 2.2%          |
| <b>Net interest margin*</b>  | <b>4.5%</b>    | <b>4.8%</b>    | <b>4.2%</b>    |              |               |
| Avg. equity + non-interest bearing demand deposits / Avg. earning assets | 21.3%          | 23.4%          | 20.0%          |              |               |
| Quarterly inflation rate**   | 1.03%          | 1.15%          | (0.08)%        |              |               |
| Avg. Overnight interbank rate  | 1.80%          | 1.75%          | 2.74%          |              |               |

\* Annualized.

\*\* Inflation measured as the variation of the Unidad de Fomento in the quarter.

Net financial income in 3Q 2004 increased 11.8% compared to 3Q 2003 and average earning assets increased 3.4% in the same period. The net interest margin rose from 4.2% in 3Q 2003 to 4.5% in 3Q 2004. This positive evolution of the net interest margin was mainly due to:

**Improved asset mix.** The Bank has been steadily improving its asset mix in order to increase margins. Total loans, excluding interbank and past due loans, increased 11.5% in 12 months, while consumer loans increased 21.8% in the same period.

**Better funding mix.** The improvement of the Bank's funding mix has supported margins in the low interest rate environment. The ratio of average non-interest bearing demand deposits and equity to average interest earning assets improved to 21.3% in 3Q 2004 compared to 20.0% in 3Q 2003. Non-interest bearing liabilities have increased 26.3% in 12 months compared to a 15.8% increase of total deposits.

**Higher inflation rate.** The quarterly inflation rate in 3Q 2004 reached 1.03% compared to 0.08% in 3Q 2003. This had a positive effect over margins due to the positive gap between assets and liabilities denominated in Unidades de Fomento (UF, inflation linked currency). The UF gap results from the Bank's investment in liquid, low risk financial investments denominated in UF funded through deposits denominated in nominal pesos.

<sup>3</sup> For analysis purposes results from foreign exchange transactions, which consist mainly of the results of forward contracts that hedge foreign currency positions, has been included in the calculation of the net financial income and net financial margin. Under SBIF

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guidelines these gains/losses are not be considered interest revenue, but are included as gains/losses from foreign exchange transactions and, accordingly, registered in a different line of the income statement. This distorts net interest income and foreign exchange transaction gains especially in periods of high volatility of the exchange rate. The results of these hedging positions have been added to net financial income to give a clearer indication of the Bank's actual net interest margin.

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These positive factors were partially offset by a significant lower interest rate environment. In 3Q 2003 the average overnight short term rate reached 2.74% compared to 1.80% in 3Q 2004. This tightened the spread earned over the re-investment of non-interest bearing liabilities and capital between these two periods. During 3Q 2004 the interbank rate set by the Central Bank was raised 25 basis points to 2.00%.

Net interest income in 3Q 2004 decreased 3.7% compared to 2Q 2004. This was mainly due to the different inflation rates in the two quarters and the increase in funding costs as the ratio of time deposits over total funding rose in the quarter. This was partially offset by the 2.2% increase in average earning assets between these two periods and the better asset mix.

**PROVISION FOR LOAN LOSSES**

*The coverage ratio rises to 123.7%*

**Provision for loan losses**

| (Ch\$ million September 30, 2004)          | Quarter         |                 |                 | Change%        |                |
|--|-----------------|-----------------|-----------------|----------------|----------------|
|  |                 |                 |                 | 3Q             | 3Q / 2Q        |
|  | 3Q 2004         | 2Q 2004         | 3Q 2003         | 2004/2003      | 2004           |
| Provisions                                 | (9,830)         | (2,619)         | 1,604           | (712.8)%       | 275.3%         |
| Charge-offs                                | (26,410)        | (28,763)        | (23,220)        | 13.7%          | (8.2)%         |
| <b>Total provision charge</b>              | <b>(36,240)</b> | <b>(31,382)</b> | <b>(21,616)</b> | <b>67.7%</b>   | <b>15.5%</b>   |
| Loan loss recoveries*                      | 18,431          | 10,305          | 7,832           | 135.3%         | 78.9%          |
| <b>Total provisions, net of recoveries</b> | <b>(17,822)</b> | <b>(21,077)</b> | <b>(13,785)</b> | <b>29.3%</b>   | <b>(15.4)%</b> |
| Total loans                                | 8,647,468       | 8,487,496       | 7,843,632       | 10.2%          | 1.9%           |
| Total reserves for loan losses             | 168,856         | 162,888         | 176,400         | (4.3)%         | 3.7%           |
| <b>Past due loans**</b>                    | <b>136,485</b>  | <b>147,114</b>  | <b>187,017</b>  | <b>(27.0)%</b> | <b>(7.2)%</b>  |
| Net charge-off ratio***                    | 0.82%           | 0.99%           | 0.70%           |                |                |
| PDL/Total loans                            | 1.58%           | 1.73%           | 2.38%           |                |                |
| Reserves / loans                           | 1.95%           | 1.92%           | 2.25%           |                |                |
| Required reserves / loans****              | 1.91%           | 1.88%           | 2.25%           |                |                |
| RLL/Past due loans                         | 123.7%          | 110.7%          | 94.3%           |                |                |

\* In the first quarter of 2004 and in line with guidelines established by the SBIF, the Bank reclassified loan loss recoveries from non-operating income to loan loss provisions in the income statement. The table above standardized this change for previous quarters in order to make the figures comparable.

\*\* Past due loans: installments or credit lines more than 90 days overdue.

\*\*\* Net charge-off ratio = Total provisions, net of loan loss recoveries annualized divided by total loans.

\*\*\*\* Required reserve / loans ratio replaced the risk index.

*Asset quality improved in the quarter*



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Past due loans at September 30, 2004 decreased 7.2% compared to June 30, 2004 and 27.0% compared to September 30, 2003. As a result of this decrease in past due loans the coverage ratio (reserves / past due loans) improved to 123.7% compared to 110.7% as of June 30, 2004 and 94.3% as of September 30, 2003. The required reserve over loan ratio as defined by the SBIF, which measures the expected loss of the loan portfolio, decreased from 2.25% in 3Q 2003 to 1.91% in 3Q 2004. This also compared favorably to the indicator for the Chilean banking system that reached 2.06% as of August 2004, the latest figure available.

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Total provisions, net of loan loss recoveries, increased 29.3% compared to 3Q 2003. This rise was due to the low level of provisions recorded in 3Q 2003 following the conclusion of the credit review of former Bank of Santiago's loan portfolio performed in the 1H of 2003. The rise in net provisions in this period was also due to the increase in total loans, especially consumer loans, which grew 21.8% YoY. These loans obtain a higher spread, but also have a higher charge-off level. The increase in charge-offs was also a result of the implementation of the new provisioning guidelines established by the Bank and the SBIF at the beginning of this year. One of the more important changes was the reclassification of all lines of credit as either consumer or commercial loans depending on their origin. Therefore, the provisioning standard for consumer loans was applied to lines of credit previously classified as other loans. This signified an additional Ch\$828 million in charge-offs in the quarter compared to 3Q 2003.

The increase in provisions and charge-offs was offset by the 135.3% rise in loan loss recoveries. In the quarter the Bank recognized Ch\$6,794 million from a large recovery in the real estate sector. The rise in loan loss recoveries also reflects the reorganization of the collections department in 4Q 2003 and the improving economic conditions.

**FEE INCOME**

*The Bank is placing a strong focus to increase usage of fee intensive products*

| Fee income                        | Quarter       |               |               | Change %        |                 |
|-----------------------------------|---------------|---------------|---------------|-----------------|-----------------|
|                                   | 3Q 2004       | 2Q 2004       | 3Q 2003       | 3Q<br>2004/2003 | 3Q / 2Q<br>2004 |
| (Ch\$ million September 30, 2004) |               |               |               |                 |                 |
| Fee income                        | 37,310        | 34,847        | 38,148        | (2.2)%          | 7.1%            |
| Fee expenses                      | (6,920)       | (6,429)       | (6,265)       | 10.5%           | 7.6%            |
| <b>Total fee income, net</b>      | <b>30,390</b> | <b>28,418</b> | <b>31,883</b> | <b>(4.7)%</b>   | <b>6.9%</b>     |

The Bank's net fee income decreased 4.7% compared to 3Q 2003. The Bank has adopted a promotional policy regarding checking account and credit card maintenance fees as an incentive to increase the client base, product usage and cross-selling ratios. As a result in 3Q 2004 checking & overdraft maintenance fees decreased 20.7% compared to 3Q 2003. It is important to point out that as a result of this promotional policy the Bank's customer base has begun to rebound following the conclusion of the merger process. The total amount of checking accounts has risen 3.5% between 3Q 2004 and 2003 and 3.8% (15% on an annualized basis) between the 2Q and 3Q of 2004. As a result, checking account fees have risen 5.2% and credit card fees rose 7.1% in the 3Q compared to the 2Q of 2004.

**Table of Contents****Evolution of Checking Accounts in Retail Banking**

The decrease in fees between 3Q 2004 and 2003 was offset by a significant sale activity of fee income oriented products: 56.5% increase in fees from mutual funds/asset management, 18.3% rise in fees from sale of insurance products and 15.6% increase of ATM usage fees. The rise in mutual fund fees is directly related to the 54.1% increase in funds managed in the last 12 months. The launching of new products and innovative marketing campaigns has positively impacted the sale of various insurance products. More than 80% of our clients do not have a mutual fund or insurance product.

**OPERATING EXPENSES AND EFFICIENCY***Investing to expand presence in retail banking***Operating Expenses**

|  | Quarter         |                 |                 | Change %    |               |
|--|-----------------|-----------------|-----------------|-------------|---------------|
|  |                 |                 |                 | 3Q          | 3Q / 2Q       |
|  | 3Q 2004         | 2Q 2004         | 3Q 2003         | 2004/2003   | 2004          |
| (Ch\$ million September 30, 2004)                          |                 |                 |                 |             |               |
| Personnel expenses   | (32,918)        | (33,035)        | (33,374)        | (1.4)%      | (0.4)%        |
| Administrative expenses                                    | (25,603)        | (24,595)        | (20,295)        | 26.2%       | 4.1%          |
| Depreciation and amortization                              | (9,289)         | (10,389)        | (10,572)        | (12.1)%     | (10.6)%       |
| <b>Operating expenses</b>                                  | <b>(67,810)</b> | <b>(68,019)</b> | <b>(64,241)</b> | <b>5.6%</b> | <b>(0.3)%</b> |
| <b>Efficiency ratio*</b>                                   | <b>39.7%</b>    | <b>46.9%</b>    | <b>45.1%</b>    |             |               |
| Efficiency ratio excluding amortization and depreciation** | 34.3%           | 39.7%           | 37.7%           |             |               |

\* Operating expenses / operating income. Operating income = Net interest income + Net fee income + other operating income, net.

\*\* Efficiency ratio excluding amortization and depreciation = (Personnel + Administrative expense) / (Net interest income + Net fee income + Other operating income, net).

The Bank's efficiency ratio reached 39.7% in 3Q 2004 compared to 45.1% in the same quarter of 2003. Excluding amortization and depreciation expenses, the efficiency ratio reached a record low level of 34.3% compared to 37.7% in the same periods. Operating expenses increased 5.6% in 3Q 2004 compared to 3Q 2003. This rise was mainly due to investments being carried out to expand the Bank's retail banking business. The main projects include:

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Opening of 11 mini-branches for our consumer division Banefe (4 opened in 3Q 2004 and all 11 as of September 2004) and re-launching the Santander Banefe brand.

Opening of up to 8 branches in Bank to reinforce retail banking activity.

Credit card project: strengthening of credit card business to increase usage, penetration levels and market share.

Cross-selling project: hiring of new account executives in order to improve the client per account officers ratio, reduce churn and increase cross selling.

Reengineering of the mortgage department: hiring of additional personnel and improving back office functions.

In 3Q 2004 total operating costs included Ch\$2,732 million in administrative expenses directly related to these projects. The rise in administrative expense, excluding this effect was mainly due to the outsourcing of part of the Bank's computer systems. As a result the Bank transformed fixed personnel costs into cheaper variable costs that are now recognized in administrative expenses. Excluding these effects administrative expenses grew approximately 8.5% and personnel expense 1.5% compared to 3Q 2003. These increases are in line with the growth of business activity in the quarter.

**OTHER OPERATING INCOME**

*The Bank recognizes Ch\$10,232 million from sale of substandard loan in real estate sector.*

**Other operating income\***

| (Ch\$ million September 30, 2004)                      | Quarter       |              |              | Change %      |                 |
|--|---------------|--------------|--------------|---------------|-----------------|
|  | 3Q 2004       | 2Q 2004      | 3Q 2003      | 3Q            |                 |
|  |               |              |              | 2004/2003     | 2004            |
| Net gain from trading and mark-to-market of securities | 25,707        | (2,092)      | 6,482        | 296.6%        | (1,328.8)%      |
| Other operating losses                                 | (4,876)       | (5,479)      | (2,885)      | 69.0%         | (11.0)%         |
| <b>Total</b>   | <b>20,831</b> | <b>7,571</b> | <b>3,597</b> | <b>479.1%</b> | <b>(375.1)%</b> |

\* The gains (loss) from foreign exchange transactions are included in the analysis of net financial income (See Net Financial Income)

The net gain from trading and mark-to-market of securities totaled Ch\$25,707 million in 3Q 2004 compared to Ch\$6,482 million in 3Q 2003. In the quarter the Bank concluded an important recovery process with a large client in the real estate sector. This signified the recognition of a one-time gain of Ch\$10,232 million from the sale of a substandard loan recognized as market related income. These gains were partially offset by Ch\$8,427 million in extraordinary charge-off of repossessed assets and other non-credit related provisions (See Non-operating income).

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The 69.0% increase in other operating losses in 3Q 2004 compared to 3Q 2003 was directly related to an increase in sales force expense. The Bank's sales force remuneration is mainly variable and fluctuates with the growth of commercial activity in the retail segment.

**Table of Contents****OTHER INCOME/EXPENSES, PRICE LEVEL RESTATEMENT AND INCOME TAX****Other Income and Expenses**

| (Ch\$ million September 30, 2004)                     | Quarter         |            |                | Change %      |                   |
|---|-----------------|------------|----------------|---------------|-------------------|
|   | 3Q 2004         | 2Q 2004    | 3Q 2003        | 3Q            | 3Q / 2Q           |
|   |                 |            |                | 2004/2003     | 2004              |
| Non-operating income, net                             | (12,255)        | 79         | (2,875)        | 326.3%        | (1,5612.7)%       |
| Income attributable to investments in other companies | 377             | 261        | 93             | 305.4%        | 44.4%             |
| Losses attributable to minority interest              | (80)            | (60)       | (30)           | 166.7%        | 33.3%             |
| <b>Total other income, net*</b>                       | <b>(11,958)</b> | <b>280</b> | <b>(2,812)</b> | <b>325.2%</b> | <b>(4,370.7)%</b> |
| Price level restatement                               | (5,133)         | (7,724)    | (607)          | 745.6%        | (33.5)%           |
| Income tax  | (14,504)        | (7,984)    | (10,509)       | 38.0%         | 81.7%             |

\* In the 1Q 2004, and in line with guidelines established by the SBIF, the Bank reclassified loan loss recoveries from non-operating income to loan loss provisions in the income statement. The table above standardized this change for previous quarters in order to make the figures comparable

In 3Q 2004 other income, net totaled a loss of Ch\$11,958 million compared to a loss of Ch\$2,812 million in 3Q 2003. This higher result was mainly due to a higher level of charge-off of repossessed assets and an increase in non-credit related provisions in the periods being compared. In the quarter the bank recognized a Ch\$7,289 million one-time charge-off of repossessed assets. This in line with the Bank's conservative and proactive policies regarding repossessed assets. The Bank also recognized Ch\$2,500 million in extraordinary non-credit related provisions in the quarter.

The loss from price level restatement totaled Ch\$5,133 million in 3Q 2004 compared to a loss of Ch\$607 million in 3Q 2003. In 3Q 2004 the inflation rate measured by the variation of the UF was 1.03% compared to 0.08% in the same quarter of 2003. The Bank must adjust its capital, fixed assets and other assets for the variations in price levels. Since the Bank's capital is larger than the sum of fixed and other assets, the higher the inflation rate, the larger the loss from price level restatement.

**SHAREHOLDERS EQUITY AND REGULATORY CAPITAL**

*ROE in the quarter reaches 26.0% with a BIS ratio of 13.1%*

**Shareholders equity**

| (Ch\$ million September 30, 2004) | Quarter ended  |               |                | Change %  |              |
|-----------------------------------|----------------|---------------|----------------|-----------|--------------|
|                                   | Sept. 30, 2004 | June 30, 2004 | Sept. 30, 2003 | Sept.     | Sept. / June |
|                                   |                |               |                | 2004/2003 | 2004         |
|                                   |                |               |                |           |              |

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|                                  |                   |                   |                   |                   |                   |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Capital and Reserves             | 828,045           | 828,067           | 831,704           | (0.4)%            | 0.0%              |
| Net Income                       | 144,859           | 92,302            | 143,374           | 1.0%              | 56.9%             |
|                                  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Total shareholders equity</b> | <b>972,904</b>    | <b>920,369</b>    | <b>975,078</b>    | <b>(0.2)%</b>     | <b>5.7%</b>       |
|                                  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

As of September 30, 2004, shareholders equity totaled Ch\$972,904 million. The Bank's ROE in 3Q 2004, measured as net income over average capital and reserves in the period reached 26.0%. The Bank's BIS ratio as of September 30, 2004 was 13.1%. In the same period the Tier I ratio reached a solid level of 9.9%.

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| Capital Adequacy                  | Sept. 30,    |
|-----------------------------------|--------------|
| (Ch\$ million September 30, 2004) | 2004         |
| Tier I                            | 828,045      |
| Tier II                           | 264,021      |
| Regulatory capital                | 1,092,066    |
| Risk weighted assets              | 8,346,003    |
| <b>BIS ratio</b>                  | <b>13.1%</b> |

**INSTITUTIONAL BACKGROUND**

As per latest public records published by the Superintendency of Banks (SBIF) for September 2004, Banco Santander Santiago was the largest bank in Chile in terms of loans and deposits. The Bank also has the largest distribution network with 351 branches and 1,050 ATMs. The Bank has the highest credit ratings among all Latin American companies with an A rating from Standard and Poor's, A- by Fitch and a Baa1 rating from Moody's, which are the same ratings assigned to the Republic of Chile. The stock is traded on the New York Stock Exchange (NYSE: SAN) and the Santiago Stock Exchange (SSE: Bsantander). The Bank's main shareholder is Grupo Santander, which directly and indirectly owns 83.94% of Banco Santander Santiago.

**Grupo Santander**

Grupo Santander (SAN.MC, STD.N) is the largest financial group in Spain and Latin America, and the second largest bank in the Euro Zone by market capitalization as of December 31<sup>st</sup>, 2003. Founded in 1857, it has forged important business initiatives, including a 15-year old alliance with The Royal Bank of Scotland, ownership of the third largest banking group in Portugal and a leading consumer finance franchise in Germany, Italy and seven other European countries.

Grupo Santander maintains a leading position in Latin America, with 4,052 offices in ten countries, serving more than 12 million individual clients and approximately half a million small and medium sized companies, managing US\$115 billion in business (on & off-balance sheet). In 2003, Santander recorded \$1.49 billion in net attributable income in Latin America, a 14.3% increase.



**Table of Contents****BANCO SANTANDER - CHILE, AND SUBSIDIARIES****UNAUDITED CONSOLIDATED BALANCE SHEETS**

(Adjusted for general price level changes and expressed in millions of constant

Ch\$ of Sept 30, 2004 )

|  | <b>30-Sep<br/>2004</b> | <b>30-Sep<br/>2004</b> | <b>30-Jun<br/>2004</b> | <b>30-Sep<br/>2003</b> | <b>% Change<br/>Sept 2004 / 2003</b> | <b>% Change<br/>Sept. /June 2004</b> |
|--|------------------------|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
|  | US\$ thousands         | Ch\$<br>millions       | Ch\$<br>millions       | Ch\$<br>millions       |                                      |                                      |
| <b>ASSETS</b>  |                        |                        |                        |                        |                                      |                                      |
| <b>Cash and due from banks</b>                       |                        |                        |                        |                        |                                      |                                      |
| Noninterest bearing                                  | 1,168,149              | 709,020                | 592,975                | 719,680                | -1.5%                                | 19.6%                                |
| Interbank deposits-interest bearing                  | 441,403                | 267,914                | 83,724                 | 191,599                | 39.8%                                | 220.0%                               |
| <b>Total cash and due from banks</b>                 | <b>1,609,553</b>       | <b>976,934</b>         | <b>676,699</b>         | <b>911,279</b>         | <b>7.2%</b>                          | <b>44.4%</b>                         |
| <b>Financial investments</b>                         |                        |                        |                        |                        |                                      |                                      |
| Government securities                                | 1,059,615              | 643,144                | 839,832                | 898,909                | -28.5%                               | -23.4%                               |
| Investments purchased under agreements to resell     | 66,172                 | 40,164                 | 40,525                 | 0                      |                                      | -0.9%                                |
| Other financial investments                          | 881,610                | 535,102                | 462,237                | 515,702                | 3.8%                                 | 15.8%                                |
| Investment collateral under agreements to repurchase | 769,263                | 466,912                | 404,626                | 468,396                | -0.3%                                | 15.4%                                |
| <b>Total financial investments</b>                   | <b>2,776,660</b>       | <b>1,685,322</b>       | <b>1,747,220</b>       | <b>1,883,007</b>       | <b>-10.5%</b>                        | <b>-3.5%</b>                         |
| <b>Loans, net</b>                                    |                        |                        |                        |                        |                                      |                                      |
| Commercial loans                                     | 4,949,530              | 3,004,167              | 2,867,085              | 2,701,415              | 11.2%                                | 4.8%                                 |
| Consumer loans                                       | 1,790,214              | 1,086,588              | 1,024,578              | 756,880                | 43.6%                                | 6.1%                                 |
| Mortgage loans (Financed with mortgage bonds)        | 1,814,111              | 1,101,093              | 1,316,885              | 1,557,111              | -29.3%                               | -16.4%                               |
| Foreign trade loans                                  | 958,221                | 581,602                | 614,767                | 513,308                | 13.3%                                | -5.4%                                |
| Interbank loans                                      | 144,993                | 88,005                 | 81,478                 | 101,603                | -13.4%                               | 8.0%                                 |
| Leasing  | 822,843                | 499,433                | 484,149                | 443,199                | 12.7%                                | 3.2%                                 |
| Other outstanding loans                              | 1,870,390              | 1,135,252              | 864,218                | 852,925                | 33.1%                                | 31.4%                                |
| Past due loans                                       | 224,867                | 136,485                | 147,114                | 187,017                | -27.0%                               | -7.2%                                |
| Contingent loans                                     | 1,672,010              | 1,014,843              | 1,087,222              | 730,180                | 39.0%                                | -6.7%                                |
| Reserve for loan losses                              | (278,200)              | (168,856)              | (162,888)              | (176,400)              | -4.3%                                | 3.7%                                 |
| <b>Total loans, net</b>                              | <b>13,968,979</b>      | <b>8,478,612</b>       | <b>8,324,608</b>       | <b>7,667,238</b>       | <b>10.6%</b>                         | <b>1.8%</b>                          |
| <b>Other assets</b>                                  |                        |                        |                        |                        |                                      |                                      |

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|                                |                   |                   |                   |                   |               |              |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|---------------|--------------|
| Bank premises and equipment    | 342,420           | 207,835           | 206,972           | 211,275           | -1.6%         | 0.4%         |
| Foreclosed assets              | 54,346            | 32,986            | 37,112            | 43,544            | -24.2%        | -11.1%       |
| Investments in other companies | 7,851             | 4,765             | 4,315             | 4,909             | -2.9%         | 10.4%        |
| Assets to be leased            | 15,592            | 9,464             | 12,243            | 15,231            | -37.9%        | -22.7%       |
| Other                          | 772,608           | 468,942           | 487,245           | 724,902           | -35.3%        | -3.8%        |
|                                | <u>1,192,817</u>  | <u>723,992</u>    | <u>747,887</u>    | <u>999,861</u>    | <u>-27.6%</u> | <u>-3.2%</u> |
| <b>TOTAL ASSETS</b>            | <u>19,548,010</u> | <u>11,864,860</u> | <u>11,496,414</u> | <u>11,461,385</u> | <u>3.5%</u>   | <u>3.2%</u>  |

**Table of Contents****BANCO SANTANDER - CHILE, AND SUBSIDIARIES****UNAUDITED CONSOLIDATED BALANCE SHEETS**

(Adjusted for general price level changes and expressed in millions of constant

Ch\$ of Sept 30, 2004 )

|   | 30-Sep<br>2004 | 30-Sep<br>2004   | 30-Jun<br>2004   | 30-Sep<br>2003   | % Change<br>Sept 2004 / 2003 | % Change<br>Sept. /June 2004 |
|---|----------------|------------------|------------------|------------------|------------------------------|------------------------------|
|   | US\$ thousands | Ch\$<br>millions | Ch\$<br>millions | Ch\$<br>millions |                              |                              |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>      |                |                  |                  |                  |                              |                              |
| <b>Deposits</b>                                 |                |                  |                  |                  |                              |                              |
| Current accounts                                | 1,972,483      | 1,197,218        | 1,252,730        | 1,071,008        | 11.8%                        | -4.4%                        |
| Bankers drafts and other deposits               | 1,872,431      | 1,136,491        | 1,013,430        | 776,657          | 46.3%                        | 12.1%                        |
| Total non-interest bearing deposits             | 3,844,914      | 2,333,709        | 2,266,160        | 1,847,665        | 26.3%                        | 3.0%                         |
| Savings accounts and time deposits              | 6,664,052      | 4,044,813        | 3,578,813        | 3,661,780        | 10.5%                        | 13.0%                        |
| Total deposits                                  | 10,508,966     | 6,378,522        | 5,844,973        | 5,509,445        | 15.8%                        | 9.1%                         |
| <b>Other interest bearing liabilities</b>       |                |                  |                  |                  |                              |                              |
| Banco Central de Chile borrowings               |                |                  |                  |                  |                              |                              |
| Credit lines for renegotiation of loans         | 16,756         | 10,170           | 10,842           | 13,603           | -25.2%                       | -6.2%                        |
| Other Banco Central borrowings                  | 13,241         | 8,037            | 8,910            | 11,535           | -30.3%                       | -9.8%                        |
| Total Banco Central borrowings                  | 29,997         | 18,207           | 19,752           | 25,138           | -27.6%                       | -7.8%                        |
| Investments sold under agreements to repurchase | 905,626        | 549,679          | 532,247          | 626,238          | -12.2%                       | 3.3%                         |
| Mortgage finance bonds                          | 1,905,256      | 1,156,414        | 1,235,614        | 1,575,748        | -26.6%                       | -6.4%                        |
| <b>Other borrowings</b>                         |                |                  |                  |                  |                              |                              |
| Bonds   | 223,682        | 135,766          | 138,690          | 311,650          | -56.4%                       | -2.1%                        |
| Subordinated bonds                              | 639,508        | 388,156          | 409,356          | 427,107          | -9.1%                        | -5.2%                        |
| Borrowings from domestic financial institutions | 74,051         | 44,946           | 83,919           | 88,867           | -49.4%                       | -46.4%                       |
| Foreign borrowings                              | 1,243,619      | 754,827          | 681,593          | 676,975          | 11.5%                        | 10.7%                        |
| Other obligations                               | 94,435         | 57,318           | 67,437           | 56,723           | 1.0%                         | -15.0%                       |

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|  |                   |                   |                   |                   |             |             |
|--|-------------------|-------------------|-------------------|-------------------|-------------|-------------|
| Total other borrowings                           | 2,275,295         | 1,381,013         | 1,380,995         | 1,561,322         | -11.5%      | 0.0%        |
| Total other interest bearing liabilities         | 5,116,174         | 3,105,313         | 3,168,608         | 3,788,446         | -18.0%      | -2.0%       |
| <b>Other liabilities</b>                         |                   |                   |                   |                   |             |             |
| Contingent liabilities                           | 1,670,886         | 1,014,161         | 1,087,149         | 730,066           | 38.9%       | -6.7%       |
| Other  | 646,865           | 392,621           | 474,055           | 457,434           | -14.2%      | -17.2%      |
| Minority interest                                | 2,206             | 1,339             | 1,260             | 916               | 46.2%       | 6.3%        |
| Total other liabilities                          | 2,319,957         | 1,408,121         | 1,562,464         | 1,188,416         | 18.5%       | -9.9%       |
| <b>Shareholders equity</b>                       |                   |                   |                   |                   |             |             |
| Capital and reserves                             | 1,364,250         | 828,045           | 828,067           | 831,704           | -0.4%       | 0.0%        |
| Income for the year                              | 238,663           | 144,859           | 92,302            | 143,374           | 1.0%        | 56.9%       |
| Total shareholders equity                        | 1,602,913         | 972,904           | 920,369           | 975,078           | -0.2%       | 5.7%        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b> | <b>19,548,010</b> | <b>11,864,860</b> | <b>11,496,414</b> | <b>11,461,385</b> | <b>3.5%</b> | <b>3.2%</b> |

**Table of Contents****BANCO SANTANDER CHILE****QUARTERLY INCOME STATEMENTS**

Constant Chilean pesos of September 30, 2004

|   | <u>IIIQ 2004</u>      | <u>IIIQ 2004</u>     | <u>IIQ 2004</u>      | <u>IIIQ 2003</u>     | <u>% Change</u>       | <u>% Change</u>        |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|------------------------|
|   | <u>US\$ thousands</u> | <u>Ch\$ millions</u> | <u>Ch\$ millions</u> | <u>Ch\$ millions</u> | <u>IIIQ 2004/2003</u> | <u>IIIQ / IIQ 2004</u> |
| <b>Interest income and expense</b>                    |                       |                      |                      |                      |                       |                        |
| Interest income                                       | 313,059               | 190,014              | 232,382              | 137,149              | 38.5%                 | -18.2%                 |
| Interest expense                                      | (141,385)             | (85,815)             | (101,967)            | (64,800)             | 32.4%                 | -15.8%                 |
| Net interest income                                   | 171,674               | 104,199              | 130,415              | 72,349               | 44.0%                 | -20.1%                 |
| <b>Provision for loan losses</b>                      | <b>(29,363)</b>       | <b>(17,822)</b>      | <b>(21,077)</b>      | <b>(13,785)</b>      | <b>29.3%</b>          | <b>-15.4%</b>          |
| <b>Fees and income from services</b>                  |                       |                      |                      |                      |                       |                        |
| Fees and other services income                        | 61,470                | 37,310               | 34,847               | 38,148               | -2.2%                 | 7.1%                   |
| Other services expense                                | (11,401)              | (6,920)              | (6,429)              | (6,265)              | 10.5%                 | 7.6%                   |
| Total fees and income from services, net              | 50,069                | 30,390               | 28,418               | 31,883               | -4.7%                 | 6.9%                   |
| <b>Other operating income, net</b>                    |                       |                      |                      |                      |                       |                        |
| Net gain (loss) from trading and brokerage            | 42,354                | 25,707               | (2,092)              | 6,482                | 296.6%                | -1328.8%               |
| Foreign exchange transactions, net                    | 25,244                | 15,322               | (6,251)              | 34,596               | -55.7%                | -345.1%                |
| Other, net  | (8,033)               | (4,876)              | (5,479)              | (2,885)              | 69.0%                 | -11.0%                 |
| Total other operating income, net                     | 59,565                | 36,153               | (13,822)             | 38,193               | -5.3%                 | -361.6%                |
| <b>Other income and expenses</b>                      |                       |                      |                      |                      |                       |                        |
| Nonoperating income, net                              | (20,191)              | (12,255)             | 79                   | (2,875)              | 326.3%                | -15612.7%              |
| Income attributable to investments in other companies | 621                   | 377                  | 261                  | 93                   | 305.4%                | 44.4%                  |
| Losses attributable to minority interest              | (132)                 | (80)                 | (60)                 | (30)                 | 166.7%                | 33.3%                  |
| Total other income and expenses                       | (19,702)              | (11,958)             | 280                  | (2,812)              | 325.2%                | -4370.7%               |
| <b>Operating expenses</b>                             |                       |                      |                      |                      |                       |                        |
| Personnel salaries and expenses                       | (54,234)              | (32,918)             | (33,035)             | (33,374)             | -1.4%                 | -0.4%                  |
| Administrative and other expenses                     | (42,182)              | (25,603)             | (24,595)             | (20,295)             | 26.2%                 | 4.1%                   |
| Depreciation and amortization                         | (15,304)              | (9,289)              | (10,389)             | (10,572)             | -12.1%                | -10.6%                 |
| Total operating expenses                              | (111,720)             | (67,810)             | (68,019)             | (64,241)             | 5.6%                  | -0.3%                  |

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|   |          |          |         |          |        |        |
|---|----------|----------|---------|----------|--------|--------|
| <b>Gain (loss) from price-level restatement</b> | (8,457)  | (5,133)  | (7,724) | (607)    | 745.6% | -33.5% |
| <b>Income before income taxes</b>               | 112,066  | 68,019   | 48,471  | 60,980   | 11.5%  | 40.3%  |
| <b>Income taxes</b>                             | (23,896) | (14,504) | (7,984) | (10,509) | 38.0%  | 81.7%  |
| <b>Net income</b>                               | 88,169   | 53,515   | 40,487  | 50,471   | 6.0%   | 32.2%  |

Table of Contents**BANCO SANTANDER CHILE****YTD INCOME STATEMENTS**

Constant Chilean pesos of September 30, 2004

|   | Nine month period ended September 30, |               |               | % Change<br>IH 2004/2003 |
|---|---------------------------------------|---------------|---------------|--------------------------|
|   | 2004                                  | 2004          | 2003          |                          |
|   | US\$ thousands                        | Ch\$ millions | Ch\$ millions |                          |
| <b>Interest income and expense</b>                    |                                       |               |               |                          |
| Interest income                                       | 986,100                               | 598,523       | 548,107       | 9.2%                     |
| Interest expense                                      | (403,139)                             | (244,689)     | (264,872)     | -7.6%                    |
| Net interest income                                   | 582,961                               | 353,834       | 283,235       | 24.9%                    |
| <b>Provision for loan losses</b>                      | (87,119)                              | (52,878)      | (58,693)      | -9.9%                    |
| <b>Fees and income from services</b>                  |                                       |               |               |                          |
| Fees and other services income                        | 173,703                               | 105,431       | 106,547       | -1.0%                    |
| Other services expense                                | (32,070)                              | (19,465)      | (18,906)      | 3.0%                     |
| Total fees and income from services, net              | 141,633                               | 85,966        | 87,641        | -1.9%                    |
| <b>Other operating income, net</b>                    |                                       |               |               |                          |
| Net gain (loss) from trading and brokerage            | 65,444                                | 39,722        | 16,013        | 148.1%                   |
| Foreign exchange transactions, net                    | (9,847)                               | (5,977)       | 65,583        | -109.1%                  |
| Other, net  | (26,191)                              | (15,897)      | (13,186)      | 20.6%                    |
| Total other operating income, net                     | 29,406                                | 17,848        | 68,410        | -73.9%                   |
| <b>Other income and expenses</b>                      |                                       |               |               |                          |
| Nonoperating income, net                              | (33,735)                              | (20,476)      | (5,637)       | 263.2%                   |
| Income attributable to investments in other companies | 1,079                                 | 655           | 740           | -11.5%                   |
| Losses attributable to minority interest              | (311)                                 | (189)         | (115)         | 64.3%                    |
| Total other income and expenses                       | (32,967)                              | (20,010)      | (5,012)       | 299.2%                   |
| <b>Operating expenses</b>                             |                                       |               |               |                          |
| Personnel salaries and expenses                       | (158,370)                             | (96,124)      | (97,474)      | -1.4%                    |
| Administrative and other expenses                     | (118,433)                             | (71,884)      | (65,475)      | 9.8%                     |
| Depreciation and amortization                         | (47,898)                              | (29,072)      | (29,914)      | -2.8%                    |
| Total operating expenses                              | (324,701)                             | (197,080)     | (192,863)     | 2.2%                     |

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|   |          |          |          |       |
|---|----------|----------|----------|-------|
| <b>Gain (loss) from price-level restatement</b> | (15,037) | (9,127)  | (9,059)  | 0.8%  |
| <b>Income before income taxes</b>               | 294,176  | 178,553  | 173,659  | 2.8%  |
| <b>Income taxes</b>                             | (55,513) | (33,694) | (30,285) | 11.3% |
| <b>Net income</b>                               | 238,663  | 144,859  | 143,374  | 1.0%  |



**Table of Contents****Financial Ratios**

|   | 1Q02      | 2Q02      | 3Q02      | 4Q02      | 1Q03      | 2Q03      | 3Q03      | 4Q03      | 1Q04      | 2Q04      | 3Q 04     |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Profitability</b>                    |           |           |           |           |           |           |           |           |           |           |           |
| Net interest margin*                    | 4.1%      | 4.6%      | 4.4%      | 4.9%      | 4.3%      | 5.0%      | 4.2%      | 4.7%      | 4.3%      | 4.8%      | 4.5%      |
| Net fees / operating expenses           | 35.9%     | 34.2%     | 35.9%     | 34.9%     | 41.3%     | 45.4%     | 49.6%     | 42.3%     | 43.2%     | 41.8%     | 44.8%     |
| ROE                                     | 24.6%     | 33.1%     | 16.8%     | 0.0%      | 17.0%     | 23.6%     | 24.3%     | 32.2%     | 20.1%     | 18.5%     | 26.0%     |
| <b>Capital ratio</b>                    |           |           |           |           |           |           |           |           |           |           |           |
| RIS                                     | 12.9%     | 12.8%     | 13.9%     | 14.3%     | 16.6%     | 15.0%     | 15.3%     | 14.6%     | 16.7%     | 13.6%     | 13.1%     |
| <b>Earnings per share</b>               |           |           |           |           |           |           |           |           |           |           |           |
| Net income (Nominal Ch\$mn)             | 58,498    | 64,839    | 33,375    | 37,803    | 40,497    | 50,948    | 49,678    | 65,852    | 51,277    | 40,067    | 53,515    |
| Net income per share (Nominal Ch\$)     | 0.31      | 0.34      | 0.18      | 0.20      | 0.21      | 0.27      | 0.26      | 0.35      | 0.27      | 0.21      | 0.28      |
| Net income per ADS (US\$)               | 0.49      | 0.51      | 0.25      | 0.0       | 0.31      | 0.40      | 0.41      | 0.61      | 0.45      | 0.35      | 0.49      |
| Shares outstanding million              | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 | 188,446.1 |
| <b>Credit Quality</b>                   |           |           |           |           |           |           |           |           |           |           |           |
| Past due loans/total loans              | 1.40%     | 1.35%     | 1.74%     | 2.12%     | 2.30%     | 2.35%     | 2.38%     | 2.23%     | 1.98%     | 1.73%     | 1.58%     |
| Reserves for loan losses/past due loans | 139.6%    | 129.9%    | 108.6%    | 100.5%    | 93.3%     | 94.5%     | 94.3%     | 99.1%     | 104.8%    | 110.7%    | 123.7%    |
| <b>Efficiency</b>                       |           |           |           |           |           |           |           |           |           |           |           |
| Operating expenses/operating income     | 44.7%     | 43.7%     | 52.9%     | 48.2%     | 45.8%     | 41.1%     | 45.1%     | 42.4%     | 43.2%     | 46.9%     | 39.7%     |
| <b>Market Information (period-end)</b>  |           |           |           |           |           |           |           |           |           |           |           |
| Stock price                             | 12.8      | 11.6      | 12.8      | 12.8      | 12.9      | 13.7      | 14.7      | 13.6      | 15.9      | 16.2      | 16.3      |
| ADR price                               | 20.10     | 17.35     | 17.7      | 18.63     | 18.33     | 20.41     | 23        | 23.8      | 26.9      | 26.7      | 27.94     |
| Market capitalization (US\$mn)          | 3,646     | 3,147     | 3,210     | 3,379     | 3,325     | 3,702     | 4,172     | 4,313     | 4,879     | 4,843     | 5,068     |
| <b>Other Data</b>                       |           |           |           |           |           |           |           |           |           |           |           |
| Exchange rate (Ch/US\$) (period-end)    | 664.44    | 697.69    | 747.62    | 712.38    | 727.36    | 697.23    | 665.13    | 599.42    | 623.21    | 636.59    | 606.96    |

\* Net interest margin including results of foreign exchange transactions

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SIGNATURES

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.

November 5, 2004

BANCO SANTANDER-CHILE

*/s/ Gonzalo Romero A.*

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Name: Gonzalo Romero A.

Title: General Counsel