

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2005

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission file number 1-14554

BANCO SANTANDER-CHILE
(d/b/a Banco Santander Santiago and Santander Santiago)
(Exact name of Registrant as specified in its charter)

SANTANDER-CHILE BANK
(d/b/a Santander Santiago Bank and Santander Santiago)
(Translation of Registrant's name into English)

Chile
(Jurisdiction of incorporation or organization)

Bandera 140
Santiago, Chile
Telephone: 011-562 320-2000
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing the right to receive 1,039 shares of Common stock without par value	New York Stock Exchange
Shares of Common Stock, without par value *	New York Stock Exchange

* Santander-Chile's shares of common stock are not listed for trading, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
7.375% Subordinated Notes due 2012

The number of outstanding shares of each class of common stock of Banco Santander-Chile at December 31, 2005 was:
188,446,126,794 Shares of Common Stock, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report on Form 20-F that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this annual report and include statements regarding our intent, belief or current expectations regarding:

- asset growth and alternative sources of funding
- growth of our fee-based business
- financing plans
- impact of competition
- impact of regulation
- exposure to market risks:
 - interest rate risk
 - foreign exchange risk
 - equity price risk
- projected capital expenditures
- liquidity
- trends affecting:
 - our financial condition
 - our results of operation

The sections of this Annual Report which contain forward-looking statements include, without limitation, “Item 3: Key Information—Risk Factors,” “Item 4: Information on the Company—Strategy,” “Item 5: Operating and Financial Review and Prospects—,” “Item 8: Financial Information—Legal Proceedings,” and “Item 11: Quantitative and Qualitative Disclosures About Market Risk—.” Our forward-looking statements also may be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “could,” “may,” “seeks,” “aim,” “combined,” “estimates,” “probability,” “risk,” “VaR,” “target,” “goal,” “objective,” “future” or similar expressions.

You should understand that the following important factors, in addition to those discussed elsewhere in this annual report and in the documents which are incorporated by reference, could affect our future results and could cause those results or other outcomes to differ materially from those expressed in our forward-looking statements:

- changes in capital markets in general that may affect policies or attitudes towards lending to Chile or Chilean companies
- changes in economic conditions
- the monetary and interest rate policies of the Central Bank
- inflation
- deflation

- unemployment
- unanticipated turbulence in interest rates
- movements in foreign exchange rates
- movements in equity prices or other rates or prices
- changes in Chilean and foreign laws and regulations
- changes in taxes
- competition, changes in competition and pricing environments
- natural disasters
- our inability to hedge certain risks economically
- the adequacy of loss allowances
- technological changes
- changes in consumer spending and saving habits
- increased costs
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms
- changes in, or failure to comply with, banking regulations
- our ability to successfully market and sell additional services to our existing customers
- disruptions in client service
- successful implementation of new technologies
- loss of market share
- an inaccurate or ineffective client segmentation model

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public auditors have neither examined nor compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. The forward-looking statements contained in this document speak only as of the date of this Annual Report, and we do not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CERTAIN TERMS AND CONVENTIONS

As used in this Annual Report, “Santander-Chile”, “the Bank”, “we,” “our” and “us” mean Banco Santander-Chile and its consolidated subsidiaries, the bank resulting from the merger of Santiago and Old Santander-Chile.

When we refer to “Santiago” in this Annual Report, we refer to Banco Santiago and its consolidated subsidiaries prior to its merger with Old Santander-Chile. When we refer to “Old Santander-Chile” in this Annual Report, we refer to the former Banco Santander-Chile and its consolidated subsidiaries, which ceased to exist upon its merger into Santiago, effected on August 1, 2002.

As used in this Annual Report, the term “billion” means one thousand million (1,000,000,000).

In this Annual Report, references to “\$”, “US\$”, “U.S.\$”, “U.S. dollars” and “dollars” are to United States dollars, references to “Chilean pesos,” “pesos” or “Ch\$” are to Chilean pesos and references to “UF” are to *Unidades de Fomento*. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the *Instituto Nacional de Estadísticas* (the Chilean National Institute of Statistics). See “Item 5: Operating and Financial Review and Prospects” and Note 1(c) to the Audited Consolidated Financial Statements.

In this Annual Report, references to the Audit Committee are to the Bank’s *Comité de Directores y Auditoría*. This committee is the successor of the Directors Committee created under Law 19,705 in 2000 and the Audit Committee created by the Board of Directors of Banco Santiago in 1995. On September 22, 2004, the Superintendency of Banks authorized that the functions of the Audit Committee be performed by the Directors Committee. On October 19, 2004, the Board of Directors of Banco Santander Chile, by resolution No. 357, approved the merger of both committees and the transfer of all functions of both committees to the *Comité de Directores y Auditoría*, which was created on the same date.

In this Annual Report, references to “BIS” are to the Bank for International Settlement, and references to “BIS ratio” are to the capital adequacy ratio as calculated in accordance with the Basel Capital Accord.

PRESENTATION OF FINANCIAL INFORMATION

Currency and Accounting Principles

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its Audited Consolidated Financial Statements in conformity with generally accepted accounting principles in Chile and the rules of the *Superintendencia de Bancos e Instituciones Financieras* (the Superintendency of Banks and Financial Institutions, which is referred to herein as the “Superintendency of Banks”), which together differ in certain significant respects from generally accepted accounting principles in the United States (“U.S. GAAP”). References to “Chilean GAAP” in this Annual Report are to accounting principles generally accepted in Chile, as supplemented by the applicable rules of the Superintendency of Banks. See *Note 27 to the Audited Consolidated Financial Statements* of Santander-Chile as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 contained elsewhere in this Annual Report (together with the notes thereto, the “Audited Consolidated Financial Statements”) for a description of the principal differences between Chilean GAAP and U.S. GAAP, as they relate to Santander-Chile, and a reconciliation to U.S. GAAP of net income and shareholders’ equity. Pursuant to Chilean GAAP, amounts expressed in the Audited Consolidated Financial Statements and all other amounts included elsewhere throughout this Annual Report for all periods expressed in Chilean pesos are expressed in constant Chilean pesos as of December 31, 2005. See *Note 1(c) to the Audited Consolidated Financial Statements*.

Loans

Unless otherwise specified, all references herein (except in the Audited Consolidated Financial Statements) to loans are to loans and financial leases before deduction for loan loss allowance, and, except as otherwise specified, all market share data presented herein are based on information published periodically by the Superintendency of Banks. Non-performing loans include loans for which either principal or interest is overdue, and which do not accrue interest. Restructured loans for which no payments are overdue are not ordinarily classified as non-performing loans. Past due loans include, with respect to any loan, only the portion of principal and interest that is 90 or more days overdue, and do not include the installments of such loan that are not overdue or that are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days after initiation of such proceedings. This practice differs from that normally followed in the United States, where the amount classified as past due would include the entire amount of principal and interest on any and all loans which have any portion overdue. See “*Item 5D: Asset and Liability Management—Selected Statistical Information—Loan Portfolio—Classification of Loan Portfolio—Classification of Loan Portfolio Based on the Borrower’s Payment Performance.*”

According to the regulations established by the Superintendency of Banks, Santander-Chile is required to charge off commercial loans no later than 24 months after being classified as past due, if unsecured, and if secured, no later than 36 months after being classified as past due. When an installment of a past due corporate loan (whether secured or unsecured) is charged off, Santander-Chile must charge off all installments which are overdue. However, this does not preclude Santander-Chile from charging off the entire amount of the loan, if it deems such action to be necessary. Once any amount of a loan is charged off, each subsequent installment must be charged off as it becomes overdue. In the case of past due consumer loans, after the first installment becomes three months past due, Santander-Chile must charge off the entire remaining part of the loan. Santander-Chile may charge off any loan (whether corporate or consumer) before the first installment becomes overdue, but only in accordance with special procedures established by the Superintendency of Banks and must charge off an overdue loan (whether corporate or consumer) before that time according to the terms set forth above in certain circumstances.

Outstanding loans and the related percentages of Santander-Chile’s loan portfolio made up of corporate and consumer loans in the section entitled “*Item 4B: Business Overview*” are

categorized based on the nature of the borrower. Outstanding loans and related percentages of the loan portfolio of Santander-Chile made up of corporate and consumer loans in the section entitled “*Item 5D: Asset and Liability Management—Selected Statistical Information*” are categorized in accordance with the reporting requirements of the Superintendency of Banks, which are based on the type and term of loans.

Effect of Rounding

Certain figures included in this Annual Report and in the Audited Consolidated Financial Statements have been rounded for ease of presentation. Percentage figures included in this Annual Report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this Annual Report may vary from those obtained by performing the same calculations using the figures in the Audited Consolidated Financial Statements. Certain other amounts that appear in this Annual Report may not sum due to rounding.

Economic and Market Data

In this Annual Report, unless otherwise indicated, all macro-economic data related to the Chilean economy is based on information published by the *Banco Central de Chile* (the Chilean Central Bank) (the “Central Bank”), and all market share and other data related to the Chilean financial system is based on information published by the Superintendency of Banks and our analysis of such information. Information regarding the consolidated risk index of the Chilean financial system as a whole is not available.

Exchange Rates

This Annual Report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in preparing the audited consolidated financial statements, could be converted into U.S. dollars at the rate indicated or were converted at all. Unless otherwise indicated, such U.S. dollar amounts, in the case of information concerning Santiago and Old Santander-Chile, have been translated from Chilean pesos based on the observed exchange rate reported by the Central Bank on December 31, 2005, which was Ch\$514.21 per US\$1.00. The observed exchange rate reported by the Central Bank on December 31, 2005 is based upon the actual exchange rate of December 30, 2005 and is the exchange rate specified by the Superintendency of Banks for use by Chilean banks in the preparation of their financial statements for the periods ended December 31, 2005. The observed exchange rate on March 31, 2006 was Ch\$527.70 per US\$1.00, reflecting an accumulated depreciation of 2.62% from December 31, 2005. The Federal Reserve Bank of New York does not report a noon buying rate for the Chilean peso. For more information on the observed exchange rate see “*Item 3: Exchange Rates.*”

Merger – Accounting Treatment

On August 1, 2002, Old Santander-Chile merged into Santiago. Immediately thereafter, Santiago changed its name to “Banco Santander Chile.” The merger was accounted for under Chilean GAAP in a manner commonly referred to as a “pooling of interests” on a prospective basis from January 1, 2002. Under Chilean GAAP, any financial statements we issue as of or for periods ending August 1, 2002 or thereafter reflect the combined operations of Santiago and Old Santander-Chile from January 1, 2002. Our historical financial statements under Chilean GAAP as of and for periods ended prior to August 1, 2002 have not been and will not be restated to reflect the merger. As such, for Chilean GAAP purposes, our historical financial statements as of and for the years ended December 31, 2001 are those of Santiago which is deemed to be the predecessor entity of Santander-Chile.

Under US GAAP, the merger was accounted for as a merger of entities under common control, as Banco Santander Central Hispano S.A. (“Banco Santander Central Hispano”) controlled both Santiago and Old Santander-Chile beginning May 3, 1999. US GAAP requires that we record the transaction in a manner similar to a pooling of interests based on the carrying values for Santiago and Old Santander-Chile included in the accounting records of the common parent, Banco Santander Central Hispano. However, to the extent that in connection with the merger Santiago issued Santiago shares or paid cash (in the case of fractional shares) for Old Santander-Chile shares held by parties other than Banco Santander Central Hispano and its affiliates, the transaction has been accounted for using the purchase method based on fair values. As a consequence of the merger, Santiago and Old Santander-Chile were required to restate their US GAAP historical financial statements previously issued for all periods during which common control existed. See “Item 8A: Consolidated Statements and Other Financial Information.”

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents historical financial information about us as of the dates and for each of the periods indicated. The following table should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements appearing elsewhere in this Annual Report. Our Audited Consolidated Financial Statements are prepared in accordance with Chilean GAAP, which differs in certain significant respects from U.S. GAAP. Note 27 to our Audited Consolidated Financial Statements provides a description of the material differences between Chilean GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of net income for the years ended December 31, 2003, 2004 and 2005 and shareholders' equity at December 31, 2004 and 2005.

Under Chilean GAAP, the merger between Santiago and Old Santander-Chile was accounted for as a "pooling of interest" on a prospective basis. As such, the historical financial statements for periods prior to the merger were not restated under Chilean GAAP. Under U.S. GAAP, the merger between the two banks, which have been under the common control of Banco Santander Central Hispano since May 3, 1999, is accounted for in a manner similar to a pooling of interest under U.S. GAAP. As a consequence of the merger, we were required to restate our previously issued U.S. GAAP historical financial information to retroactively present the financial results for the merged bank as if Santiago and Old Santander-Chile had been combined throughout the periods during which common control existed. *See Note 27(a) to our Audited Consolidated Financial Statements.*

As of and for the Year Ended December 31,

	2001	2002	2003	2004	2005	2005
	(in millions of constant Ch\$ as of December 31, 2005)(1)					(in thousands of U.S.\$)(1)(2)
CONSOLIDATED INCOME						
STATEMENT DATA						
Chilean GAAP:						
Interest revenue	639,738	1,105,866	651,540	812,032	985,669	1,916,860
Interest expense	(360,962)	(549,012)	(330,119)	(326,743)	(439,790)	(855,273)
Net interest revenue	278,776	556,854	321,421	485,289	545,879	1,061,587
Allowances for loan losses	(38,886)	(70,831)	(71,592)	(83,677)	(63,532)	(123,554)
Total fees and income from services, net	53,357	109,497	118,762	126,013	138,366	269,085
Other operating income, net	13,808	(14,815)	169,373	20,555	(12,514)	(24,336)
Other income and expenses, net	11,013	(34,259)	2,132	(4,206)	(21,468)	(41,749)
Operating expenses	(169,970)	(307,487)	(265,749)	(277,989)	(279,053)	(542,683)
Loss from price-level restatement	(8,408)	(13,962)	(8,179)	(12,417)	(18,140)	(35,227)
Income before income taxes	127,177	198,054	266,169	253,570	289,538	563,073
Income (taxes) benefit	3,908	(29,409)	(46,382)	(47,578)	(49,828)	(96,902)
Net income	131,084	168,645	219,786	205,991	239,710	466,171
Net income per share	1.33	0.89	1.17	1.09	1.27	0.00247
Net income per American Depositary Share(3)	1,376.64	929.83	1,211.82	1,135.71	1,321.61	2.57
Dividends per share(4)	1.03	1.33	0.89	1.17	1.09	0.00212
Dividends per ADS(4)	1,068.90	1,376.64	929.83	1,211.82	1,135.71	2.21
Weighted-average shares outstanding (in millions)	98,934.2	188,446.1	188,446.1	188,446.1	188,446.1	-
U.S. GAAP:						
Net interest income (5)	513,803	552,831	299,796	464,832	553,121	1,075,671
Provision for loan losses	(76,785)	(70,912)	(91,093)	(67,493)	(64,561)	(125,554)
Amortization of goodwill	43,040	-	-	-	-	-
Net income	170,949	148,071	189,778	206,130	226,042	439,591
Net income per Share(6)	0.91	0.79	1.01	1.10	1.20	0.00233

As of and for the Year Ended December 31,

	2001	2002	2003	2004	2005	2005
	(in millions of constant Ch\$ as of December 31, 2005)(1)					(in thousands of U.S.\$)(1)(2)
CONSOLIDATED						
INCOME						
STATEMENT						
DATA						
Net income per ADS (6)	942.55	816.41	1,046.34	1,136.50	1,246.26	2.42
Weighted-average shares outstanding (in millions) US GAAP	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1	-
Weighted-average ADS outstanding (in millions) US GAAP	181.377	181.377	181.377	181.377	181.377	-
CONSOLIDATED BALANCE SHEET DATAM						
Chilean GAAP:						
Cash and due from banks	613,247	1,048,680	1,044,980	982,576	1,224,962	2,382,221
Investments (7)	1,042,365	2,679,370	2,032,066	2,061,505	1,249,495	2,429,931
Loans, net of allowances	5,458,235	8,253,544	7,911,569	8,752,111	9,996,407	19,440,321
Loan loss allowances	(104,268)	(179,727)	(178,639)	(179,559)	(147,866)	(287,560)
Other assets	348,494	218,599	303,873	433,377	347,923	676,617
Total assets (5)	7,462,341	12,500,190	11,596,376	12,507,481	13,096,821	25,469,791
Deposits	3,837,001	6,522,038	5,868,778	6,991,517	8,075,521	15,704,714
Other interest-bearing liabilities	2,499,893	4,203,590	3,600,611	3,279,243	2,842,461	5,527,824
Shareholders' equity	594,907	1,032,570	1,080,366	1,069,103	1,081,832	2,103,872
U.S. GAAP:						
Total assets	12,856,751	12,152,674	11,220,032	12,256,764	13,837,675	26,910,552
Long-term borrowings	3,999,436	3,314,851	2,545,906	1,870,374	1,427,677	2,776,447
Shareholders' equity (8)	1,513,766	1,917,506	1,920,773	1,911,668	1,898,262	3,691,608
Goodwill	555,624	789,779	789,779	789,779	789,779	1,535,908

Note: n/a = not applicable.

	As of for the Year Ended December 31,				
	2001	2002	2003	2004	2005
CONSOLIDATED RATIOS					
Chilean GAAP:					
Profitability and Performance					
Net interest margin(9)	4.5%	4.8%	3.0%	4.4%	4.7%
Adjusted net interest margin (10)		4.6%	4.5%	4.5%	4.7%
Return on average total assets(11)	1.9%	1.3%	1.8%	1.7%	1.8%
Return on average shareholders' equity(12)	23.2%	16.2%	22.1%	20.2%	24.1%
Capital					
Average shareholders' equity as a percentage of average total assets	8.1%	8.3%	8.1%	8.2%	7.4%
Total liabilities as a multiple of shareholders' equity	11.5	11.1	9.7	11.7	12.1
Credit Quality:					
Substandard loans as a percentage of a total loans(13)	2.2%	3.2%	3.6%	3.7%	2.6%
Allowance for loans losses as percentage of total loans	2.1%	2.1%	2.2%	2.0%	1.5%
Past due loans as a percentage of total loans (14)	1.3%	2.1%	2.2%	1.5%	1.1%
Operating Ratios:					
Operating expenses/operating revenue(15)	49.1%	47.2%	43.6%	44.0%	41.5%
Operating expenses/average total assets	2.4%	2.3%	2.2%	2.2%	2.1%
Ratio of earnings to fixed charges (16)					
Calculation including interest on deposits	1.35	1.36	1.81	1.77	1.65
Calculation excluding interest on deposits	1.68	1.65	2.34	2.26	2.46
U.S. GAAP:					
Profitability and Performance:					
Net interest margin(17)	4.5%	4.7%	2.8%	4.3%	4.8%
Return on average total assets(18)	1.4%	1.2%	1.6%	1.8%	1.7%
Return on average shareholders' equity(19)	11.7%	8.6%	9.9%	10.8%	11.9%
Ratio of earnings to fixed charges					
Calculation including interest on deposits	1.36	1.37	1.83	1.87	1.71
Calculation excluding interest on deposits	1.71	1.67	2.35	2.43	2.51
OTHER DATA					
Inflation Rate(20)	2.6%	2.8%	1.1%	2.4%	3.7%
Devaluation (Revaluation) Rate (Ch\$/U.S.\$) at period end(20)	14.6%	8.6%	(15.9%)	(6.6%)	(8.1%)
Number of employees at period end(21)	4,489	8,314	7,535	7,380	7,482
Number of branches and offices at period end	169	347	345	315	352

Note: n/a = not applicable.

- (1) Except per share data, percentages and ratios, share amounts, employee numbers and branch numbers.
- (2) Amounts stated in U.S. dollars as of and for the year ended December 31, 2005 have been translated from Chilean pesos at the observed exchange rate of Ch\$514.21 = U.S.\$1.00 as of December 31, 2005. See "Item 3: Key Information—Exchange Rates" for more information on the observed exchange rate.
- (3) 1 ADS = 1,039 shares of common stock.
- (4) The dividends per share of common stock and per ADS are determined based on the previous year's net income. The dividend per ADS is calculated on the basis of 1,039 shares per ADS.
- (5) Net interest income and total assets on a U.S. GAAP basis have been determined by applying the relevant U.S. GAAP adjustments to net interest income and total assets presented in accordance with Article 9 of Regulation S-X. See Note 27 to our Consolidated Financial Statements.
- (6) Net income per share in accordance with U.S. GAAP has been calculated on the basis of the weighted-average number of shares outstanding at the end of the period.
- (7) Includes principally Chilean government securities, corporate securities, other financial investments and investment collateral under agreements to repurchase.
- (8) Shareholders' equity as of December 31 of each year.
- (9) Net interest revenue divided by average interest earning assets (as presented in "Item 5: Selected Statistical Information").
- (10) Net interest revenue plus foreign exchange transactions divided by average interest earning assets (as presented in "Item 5: Selected Statistical Information"). Pursuant to Chilean GAAP, Santander-Chile must include as net interest income the gain or loss in book value of dollar indexed interest earning assets and liabilities. At the same time and pursuant to Chilean GAAP, the Bank must report the results of forward contracts, which hedge foreign currency, as foreign currency transactions in the income statement. The accounting asymmetry produced by incorporating the changes in book value of dollar indexed assets and liabilities as net interest revenue and the financial results of forward contracts as financial exchange transactions results in a presentation that is not reflective of our underlying business, especially during periods when the exchange rate is highly volatile and, therefore, for analysis purpose only, we add foreign exchange transactions to net interest revenue. For a reconciliation of this non-GAAP measure, see "Reconciliation of non-GAAP measures" in Item 5.
- (11) Net income divided by average total assets (as presented in "Item 5: Selected Statistical Information").
- (12) Net income divided by average shareholders' equity (as presented in "Item 5: Selected Statistical Information").



- (13) Substandard loans in the old rating system included all loans rated B- or worse. In the new loan risk classification system which took effect in 2004, substandard loans include all consumer and mortgage loans rated B- or worse and for commercial loans all loans rated C1 or worse. *See Item 5D-Asset and Liability Management-Analysis of Substandard Loans and Past Due loans*.
- (14) Past due loans are loans the principal or interest amount of which is 90 days or more overdue, and do not include the installments of such loan that are not overdue or that are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan.
- (15) Operating revenue includes "Net interest revenue," "Total fees and income from services, net" and "Other operating income, net."
- (16) For the purpose of computing the ratios of earnings to fixed charges, earnings consist of earnings before income tax and fixed charges. Fixed charges consist of gross interest expense and the proportion deemed representative of the interest factor of rental expense.
- (17) Net interest margin on a U.S. GAAP basis has been determined by applying the relevant U.S. GAAP adjustments to net interest income presented in accordance with Article 9 of Regulation S-X but calculated on a Chilean GAAP basis. *See 27(y) to our Consolidated Financial Statements*.
- (18) Net income divided by average total assets. Average total assets were calculated as an average of the beginning and ending balance for each year, and total assets on a U.S. GAAP basis has been determined by applying the relevant U.S. GAAP adjustments to total assets presented in accordance with Article 9 of Regulation S-X. *See Note 27 to our Audited Consolidated Financial Statements*.
- (19) Average shareholders' equity was calculated as an average of the beginning and ending balance for each year. Shareholders' equity on a U.S. GAAP basis has been determined by applying the relevant U.S. GAAP adjustments to shareholders' equity presented in accordance with Article 9 of Regulation S-X. *See Note 27(y) to our Audited Consolidated Financial Statements*.
- (20) Based on information published by the Central Bank.
- (21) The number of employees presented in this table for the years 2001 are those of Santiago only, excluding subsidiaries, because consolidated employee information was not available that year.

Exchange Rates

Chile has two currency markets, the *Mercado Cambiario Formal*, or the Formal Exchange Market and the *Mercado Cambiario Informal*, or the Informal Exchange Market. Under Law 18,840, the organic law of the Central Bank, or the Central Bank Act (*Ley Orgánica Constitucional del Banco Central de Chile*), the Central Bank determines which purchases and sales of foreign currencies must be carried out in the Formal Exchange Market. Pursuant to Central Bank regulations which are currently in effect, all payments, remittances or transfers of foreign exchange abroad which are required to be effected through the Formal Exchange Market may be effected with foreign currency procured outside the Formal Exchange Market. The Formal Exchange Market is comprised of the banks and other entities so authorized by the Central Bank. The conversion from pesos to U.S. dollars of all payments and distributions with respect to the ADSs described in this Annual Report must be transacted at the spot market rate in the Formal Exchange Market. Current regulations require that the Central Bank be informed of certain transactions and that they be effected through the Formal Exchange Market.

Purchases and sales of foreign currencies may be legally effected outside the Formal Exchange Market in the Informal Exchange Market. The Informal Exchange Market reflects transactions carried out at informal exchange rates by entities not expressly authorized to operate in the Formal Exchange Market. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the observed exchange rate. On December 31, 2005, the average exchange rate in the Informal Exchange Market was Ch\$512.0 or 0.43% lower than the published observed exchange rate for such date of Ch\$514.21 per U.S.\$1.00.

The following table sets forth the annual low, high, average and period-end observed exchange rate for U.S. dollars for each of the following periods, as reported by the Central Bank. We make no representation that the Chilean peso or the US dollar amounts referred to herein actually represent, could have been or could be converted into US dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all.

Daily Observed Exchange Rate Ch\$ Per U.S.\$(1)

Year	Low(2)	High(2)	Average(3)	Period End
2001	557.13	716.62	634.94	656.20
2002	641.75	756.56	689.24	712.38
2003	593.10	758.21	691.54	599.42
2004	559.21	649.45	609.55	559.83
2005	509.70	592.75	559.86	514.21
Month				
October 2005	526.56	546.92	535.50	543.72
November 2005	518.96	544.87	529.88	518.96
December 2005	509.70	518.63	514.33	514.21
January 2006	512.50	535.36	524.48	524.78
February 2006	516.91	532.35	525.70	517.76
March 2006	516.75	536.16	528.77	527.70

Source: Central Bank.

- (1) Nominal figures.
- (2) Exchange rates are the actual low and high, on a day-by-day basis for each period.
- (3) The average of monthly average rates during the year.

Dividends

Under the current General Banking Law, a Chilean bank may only pay a single dividend per year (i.e., interim dividends are not permitted). Santander-Chile's annual dividend is proposed by its Board of Directors and is approved by the shareholders at the annual ordinary shareholders' meeting held the year following that in which the dividend is proposed. For example, the 2005 dividend must be proposed and approved during the first four months of 2006. Following shareholder approval, the proposed dividend is declared and paid. Historically, the dividend for a particular year has been declared and paid no later than one month following the shareholders meeting. Dividends are paid to shareholders of record on the fifth day preceding the date set for payment of the dividend. The applicable record dated for the payment of dividends to holders of ADSs will, to the extent practicable, be the same.

Under the general Banking Law, subject to certain exceptions, unless otherwise decided by a two-thirds vote of its issued and subscribed shares, a bank must distribute cash dividends in respect of any fiscal year in an amount equal to at least 30% of its net income for that year. Under the Chilean Companies Law, Chilean companies are generally required to distribute at least 30% of their earnings (calculated in accordance with Chilean GAAP) as dividends, but are permitted to distribute less than 30% of their earnings, and may distribute no dividends at all, in any given year if the holders of at least two-thirds of their outstanding shares of common stock so determine. The balances of our distributable net income are generally retained for use in our business (including for the maintenance of any required legal reserves). Although our Board of Directors currently intends to pay regular annual dividends, the amount of dividend payments will depend upon, among other factors, our then current level of earnings, capital and legal reserve requirements, as well as market conditions, and there can be no assurance as to the amount or timing of future dividends.

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of the depositary and will be subject to the Chilean withholding tax currently at the rate of 35% (subject to credits in certain cases as described in "Taxation—Chilean Tax Considerations"). See "Item 10E: Taxation." Owners of the ADSs will not be charged any dividend remittance fees by the depositary with respect to cash or stock dividends.

Under the Foreign Investment Contract (as defined herein), the Depositary, on behalf of ADS holders, is granted access to the Formal Exchange Market to convert cash dividends from Chilean pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile, net of taxes, and no separate registration by ADS holders is required. In the past, Chilean law required that holders of shares of Chilean companies who were not residents of Chile to register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order to have dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. On April 19, 2001, the Central Bank deregulated the Exchange Market eliminating the need to obtain approval from the Central Bank in order to remit dividends, but at the same time this eliminated the possibility of accessing the Formal Exchange Market. These changes do not affect the current Foreign Investment Contract, which was signed prior to April 19, 2001, which grants access to the Formal Exchange Market with prior approval of the Central Bank. See "Item 10D: Exchange Controls."

The following table presents dividends paid by us in nominal terms:

Year	Dividend MCh\$ (1)	Per share Ch\$/share (2)	Per ADR Ch\$/ADR (3)	% over earnings
2002	118,764	1.20	1,247.25	100
2003	157,315	0.83	867.40	100
2004	206,975	1.10	1,141.16	100
2005	198,795	1.05	1,096.06	100

(1) Million of nominal pesos.

(2) Calculated on the basis of 98,934 million shares for 2002 and 188,446 million shares for 2003-2005.

(3) Calculated on the basis of 1,039 shares per ADS.

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

You should carefully consider the following risk factors, as well as all the other information presented in this Annual Report before investing in securities issued by us. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.

We are subject to market risks that are presented both in this subsection and in “*Item 5: Operating and Financial Review and Prospect.*” and “*Item 11: Quantitative and Qualitative Disclosures about Market Risk*”

Risks Associated with Our Business

Increased competition and industry consolidation may adversely affect results of our operations.

The Chilean market for financial services is highly competitive. We compete with other Chilean private sector domestic and foreign banks, with Banco del Estado, a public-sector bank, with department stores and the larger supermarket chains that make consumer loans and sell other financial products to a large portion of the Chilean population. The lower-middle to middle income segments of the Chilean population and the small and medium-sized corporate segments have become the target markets of several banks, and competition in these segments is likely to increase. As a result, net interest margins in these segments are likely to decline. Although we believe that demand for financial products and services from individuals and for small and medium-sized companies will continue to grow during the remainder of the decade, we cannot assure you that net interest margins will be maintained at their current levels.

We also face competition from non-bank and non-finance competitors (principally department stores) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies, with respect to credit products, and from mutual funds, pension funds and insurance companies, with respect to savings products. Currently, banks continue to be the main suppliers of leasing, factoring and mutual funds, and the insurance sales business has seen rapid growth.

The increase in competition within the Chilean banking industry in recent years has led to, among other things, consolidation in the industry. For example, in January 2002, Banco de Chile and Banco de A. Edwards, the third and fifth largest banks in Chile respectively, merged to become the largest Chilean bank at that time. We expect the trends of increased competition and consolidation to continue and result in the formation of new large financial groups. Consolidation, which can result in the creation of larger and stronger competitors, may adversely affect our financial condition and results of operations by decreasing the net interest margins we are able to generate. In addition, Law No. 19,769 allows insurance companies to participate and compete with us in the residential mortgage and credit card businesses.

Banco Santander Central Hispano controls a significant percentage of our share capital and exercises significant influence over board decisions.

Banco Santander Central Hispano controls 84.14% of our outstanding ordinary shares, which gives it the power to elect a majority of our board of directors and to determine the outcome of most matters submitted to a vote of shareholders, including matters that could affect our duration and existence.

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with subsidiaries and affiliates of Banco Santander Central Hispano. Among other transactions, we may, from time to time, have credit lines outstanding with Banco Santander Central Hispano and its affiliated financial institutions around the world. As of December 31, 2005, we had no outstanding loan amounts with Santander Central Hispano. In addition, from time to time, in the normal course of business and on prevailing market terms, we enter into certain transactions with Banco Santander Central Hispano and other related parties for the provision of advisory and advertising services and for the rental of real estate. For additional information concerning our transactions with affiliates and other related parties, see *Note 15 to our Audited Consolidated Financial Statements*. While we believe that such transactions in the past have generally had a beneficial effect on us, no assurances can be given that any such transaction, or combination of transactions, will not have a material adverse effect on us in the future.

Our exposure to individuals and small businesses could lead to higher levels of past due loans and subsequent write-offs.

A substantial number of our customers consists of individuals (approximately 41.5% of the value of the total loan portfolio as of December 31, 2005) and, to a lesser extent, small and medium-sized companies (those with annual sales of less than US\$2.3 million) which comprised approximately 14.4% of the value of the total loan portfolio as of December 31, 2005. As part of our business strategy, we seek to increase lending and other services to small companies and individuals. Small companies and individuals are, however, more likely to be adversely affected by downturns in the Chilean economy than large corporations and high-income individuals. Consequently, in the future we may experience higher levels of past due loans, which could result in higher provisions for loan losses. There can be no assurance that the levels of past due loans and subsequent write-offs will not be materially higher in the future.

Our results of operations are affected by interest rate volatility.

Our results of operations depend to a great extent on our net interest revenue. In 2005, net interest revenue represented 81.3% of our operating revenue. Changes in market interest rates could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities leading to a reduction in our net interest revenue. Interest rates are highly sensitive to many factors beyond our control, including the reserve policies of the Central Bank, deregulation of the financial sector in Chile, domestic and international economic and political conditions and other factors. Any volatility in interest rates could adversely affect our business, our future financial performance and the price of our securities. The following table shows the yields on the Chilean government's 90-day note as reported by the Central Bank of Chile at year-end for the last five years.

Year	Period-end 90 day note (%)
2001	6.51
2002	2.88
2003	2.58
2004	2.32
2005	4.75

Source: Central Bank of Chile

The growth of our loan portfolio may expose us to increased loan losses.

From December 31, 2000 to December 31, 2005, our aggregate loan portfolio (on an unconsolidated combined basis) grew by 35.2% in nominal terms to Ch\$10,139,333 million (US\$19,718 million), while our consumer loan portfolio grew by 92.5% in nominal terms to Ch\$1,189,842 million (US\$2,314 million), excluding lines of credit and calculated in accordance with the loan classification system of the Superintendency of Banks. Because the method of classification of loans used by the Superintendency of Banks for its public information differs in minor respects from that used by us for internal accounting purposes, the foregoing figures may differ from the figures included in our financial statements. The further expansion of our

loan portfolio (particularly in the consumer, small and mid-sized companies and real estate segments) can be expected to expose us to a higher level of loan losses and require us to establish higher levels of provisions for loan losses.

Our loan portfolio may not continue to grow at the same rate.

There can be no assurance that in the future our loan portfolio will continue to grow at the same or similar rates as the historical growth rate previously experienced by Santiago or Old Santander-Chile. Average loan growth has remained significant in the last five years. According to the Superintendency of Banks, from December 31, 2000 to December 31, 2005, the aggregate amount of loans outstanding in the Chilean banking system (on an unconsolidated basis) grew 59.7% in nominal terms to Ch\$44,833,507 million (US\$87,530 million) as of December 31, 2005. A reversal of the rate of growth of the Chilean economy could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses.

Operational problems or errors can have a material adverse impact on our business, financial condition and results of operations.

Santander-Chile, like all large financial institutions, is exposed to many types of operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures and errors by employees. Although Santander-Chile maintains a system of operational controls, there can be no assurance that operational problems or errors will not occur and that their occurrence will not have a material adverse impact on our business, financial condition and results of operations.

Risks Relating to Chile

Our growth and profitability depend on the level of economic activity in Chile.

A substantial amount of our loans are to borrowers doing business in Chile. Accordingly, the recoverability of these loans in particular, our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Chile. Our results of operations and financial condition could be affected by changes in economic or other policies of the Chilean government, which has exercised and continues to exercise a substantial influence over many aspects of the private sector, or other political or economic developments in Chile.

The recent positive growth figures of the Chilean economy can be attributed in part to the rising prices of Chile's main exports, most importantly, copper. The price of copper in 2005 reached record levels, increasing 45.4% in 2005, following a rise of 42.9% in 2004. Exports of copper totaled US\$17.4 billion in 2005 or 44% of total Chilean exports. Other important commodities exported from Chile include paper pulp, fish meal and agricultural products. We cannot assure you that the Chilean economy will continue to grow in the future or that those future developments in or affecting Chile's exports will not materially and adversely affect our business, financial condition or results of operations.

Economic problems encountered by other countries may adversely affect the Chilean economy, our results of operations and the market value of our securities.

The prices of securities issued by Chilean companies, including banks, are to varying degrees influenced by economic and market considerations in other countries. We cannot assure you that the Chilean economy will continue to grow in the future or that future developments in or affecting the Chilean economy, including consequences of economic difficulties in other markets, will not materially and adversely affect our business, financial condition or results of operations.

Although economic conditions are different in each country, investors' reactions to developments in one country may affect the securities of issuers in other countries, including Chile. For instance, the devaluation of the Mexican peso in December 1994 set off an economic crisis in Mexico that negatively affected the market value of securities in many countries throughout Latin America. The crisis in the Asian markets, beginning in July 1997, resulted in sharp devaluation of other Asian currencies and negatively affected markets throughout Asia, as well as in many markets in Latin America, including Chile. Similar adverse consequences resulted from the 1998 crisis in Russia and the devaluation of the Brazilian real in 1999. In part due to the Asian and Russian crises, the Chilean stock market declined significantly in 1998 to levels equivalent to 1994.

We are directly exposed to risks related to the weakness and volatility of the economic and political situation in Latin America, especially in Argentina and Brazil. If Argentina's economic environment significantly deteriorates or does not improve, the economy in Chile, as both a neighboring country and a trading partner, could also be affected and could

experience slower growth than in recent years. The recent cuts in gas exports from Argentina to Chile could also adversely affect economic growth in Chile. Our business could be affected by an economic downturn in Brazil. This could result in the need for us to increase our loan allowances, thus affecting our financial results, our results of operations and the price of our securities. Diplomatic relations with Bolivia and Peru have worsened. As of December 31, 2005, approximately 1.45% of our loans were held abroad and 0.34% of our loans were comprised of loans to companies in Latin American countries. We cannot assure you that crisis and political uncertainty in other Latin American countries will not have an adverse effect on Chile, the price of our securities or our business.

Currency fluctuations could adversely affect our financial condition and results of operations and the value of our securities.

Any future changes in the value of the Chilean peso against the US dollar could affect the dollar value of our securities. The peso has been subject to large devaluations in the past and could be subject to significant fluctuations in the future. Our results of operations may be affected by fluctuations in the exchange rates between the peso and the dollar despite our policy and Chilean regulations relating to the general avoidance of material exchange rate mismatches. In order to avoid material exchange rate mismatches, we enter into forward exchange transactions. As of December 31, 2005, the net position of our foreign currency denominated liabilities and Chilean peso-denominated liabilities that contain repayment terms linked to changes in foreign currency exchange rates exceeded our foreign currency denominated assets and Chilean peso-denominated assets that contain repayment terms linked to changes in foreign currency exchange rates by Ch\$6,269 million (US\$12.2 million). The following table shows the value of the Chilean peso relative to the US dollar as reported by the Central Bank of Chile at year-end for the last five years.

Year	Exchange rate (Ch\$) Year-end	Devaluation (Revaluation) (%)
2001	656.20	14.6%
2002	712.38	8.6%
2003	599.42	(15.9%)
2004	559.83	(6.6%)
2005	514.21	(8.1%)

Source: Central Bank of Chile

We may decide to change our policy regarding exchange rate mismatches. Regulations that limit such mismatches may also be amended or eliminated. Greater exchange rate mismatches will increase our exposure to the devaluation of the peso, and any such devaluation may impair our capacity to service foreign-currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate mismatches, the economic policies of the Chilean government and any future fluctuations of the peso against the dollar could affect our financial condition and results of operations.

Furthermore, Chilean trading in the shares underlying our ADSs will be conducted in pesos. Cash distributions with respect to our shares of common stock are received in Chilean pesos by the depositary which then will convert such amounts to U.S. dollars at the then-prevailing exchange rate for the purpose of making payment in respect of our ADSs. If the value of the Chilean peso falls relative to the U.S. dollar, the dollar value of our ADSs and any distributions to be received from the depositary will be reduced. In addition, the depositary will incur customary current conversion costs (to be borne by the holders of our ADSs) in connection with the conversion and subsequent distribution of dividends or other payments.

Inflation could adversely affect our financial condition and results of operations.

Although Chilean inflation has moderated in recent years, Chile has experienced high levels of inflation in the past. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our results of operations and, indirectly, the value of our securities. The following table shows the annual rate of inflation (as measured by changes in the Chilean consumer price index and as reported by the Chilean National Institute of Statistics during the last five years.)

Year	Inflation (CPI)
2001	2.6
2002	2.8
2003	1.1
2004	2.4
2005	3.7

Source: Chilean National Institute of Statistics

There can be no assurance that our operating results will not be adversely affected by changing levels of inflation, or that Chilean inflation will not change significantly from the current level.

Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations.

We are subject to regulation by the Superintendency of Banks. In addition, we are subject to regulation by the Central Bank with regard to certain matters, including reserve requirements and interest rates and foreign exchange mismatches and market risks. During the Chilean financial crisis of 1982 and 1983, the Central Bank and the Superintendency of Banks strictly controlled the funding, lending and general business matters of the banking industry in Chile.

Pursuant to the *Ley General de Bancos, Decreto con Fuerza de Ley No. 3 de 1997*, or the General Banking Law, all Chilean banks may, subject to the approval of the Superintendency of Banks, engage in certain businesses other than commercial banking depending on the risk associated with such business and the financial strength of the bank. Such additional businesses include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The General Banking Law also applies to the Chilean banking system a modified version of the capital adequacy guidelines issued by the Basle Committee on Banking Regulation and Supervisory Practices and limits the discretion of the Superintendency of Banks to deny new banking licenses. There can be no assurance that regulators will not in the future impose more restrictive limitations on the activities of banks, including us, than those currently in effect. Any such change could have a material adverse effect on our financial condition or results of operations.

Historically, Chilean banks have not paid interest on amounts deposited in checking accounts. However, effective June 1, 2002, the Central Bank allows banks to pay interest on checking accounts. Currently, there are no applicable restrictions on the interest that may be paid on checking accounts. We have begun to pay interest on some checking accounts under certain conditions. If competition or other factors lead us to pay higher interest rates on checking accounts, to relax the conditions under which we pay interest or to increase the number of checking accounts on which we pay interest, any such change could have a material adverse effect on our financial condition or results of operations.

We must maintain higher capital to risk weighted assets than other banks in Chile. The merger of Old Santander-Chile and Santiago required a special regulatory preapproval of the Superintendency of Banks, which was granted on May 16, 2002. The resolution granting this preapproval imposed a mandatory minimum capital to risk-weighted assets ratio of 12% for the merged bank compared to 8% minimum for other banks in Chile. Effective January 1, 2005, the Superintendency of Banks lowered our mandatory effective minimum capital to risk-weighted assets ratio to 11%. Although we have not failed in the past to comply with our capital maintenance obligations, there can be no assurance that we will be able to do so in the future.

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

We prepare our financial statements in accordance with Chilean GAAP, which requires management to make estimates and assumptions with respect to certain matters that are inherently uncertain. The consolidated financial statements include various estimates and assumptions, including but not limited to the adequacy of the allowance for loan losses, estimates of the fair value of certain financial instruments, the selection of useful lives of certain assets and the valuation and recoverability of goodwill and deferred taxes. We evaluate these estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results in future periods could differ from those produced by such estimates and assumptions, and if these differences were significant enough, our reported results of operations would be affected materially.

Accounting, financial reporting and securities disclosure requirements in Chile differ from those in the United States. Accordingly, the information about us available to you will not be the same as the information available to shareholders of a US financial institution. There are also important differences between Chilean and US accounting and financial reporting standards. As a result, Chilean financial statements and reported earnings generally differ from those reported based on US accounting and reporting standards.

As a regulated financial institution, we are required to submit to the Superintendency of Banks unaudited unconsolidated balance sheets and income statements, excluding any note disclosure, prepared in accordance with Chilean GAAP and the rules of the Superintendency of Banks on a monthly basis. Such disclosure differs in a number of significant respects from information generally available in the United States with respect to US financial institutions.

The securities laws of Chile, which govern open or publicly listed companies such as us, have as a principal objective promoting disclosure of all material corporate information to the public. Chilean disclosure requirements, however, differ from those in the United States in some important respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States and in certain respects the Chilean securities markets are not as highly regulated and supervised as the US securities markets.

Our status as a controlled company and a foreign private issuer exempts us from certain of the corporate governance standards of the New York Stock Exchange, limiting the protections afforded to investors.

We are a “controlled company” and a “foreign private issuer” within the meaning of the New York Stock Exchange corporate governance standards. Under the New York Stock Exchange rules, a controlled company is exempt from certain New York Stock Exchange corporate governance requirements. In addition, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain New York Stock Exchange corporate governance requirements, including the requirements that (1) a majority of the board of directors consist of independent directors, (2) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee's purpose and responsibilities, (3) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee's purpose and responsibilities and (4) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken. We currently use these exemptions and, following this offering, intend to continue using these exemptions. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all New York Stock Exchange corporate governance requirements.

Chile imposes controls on foreign investment and repatriation of investments that may affect your investment in, and earnings from, our ADSs.

Equity investments in Chile by persons who are not Chilean residents have generally been subject to various exchange control regulations which restrict the repatriation of the investments and earnings therefrom. In April 2001, the Central Bank eliminated the regulations that affected foreign investors except that investors are still required to provide the Central Bank with information related to equity investments and conduct such operations within Chile’s Formal Exchange Market. The ADSs are subject to a contract, dated May 17, 1994, among the depositary, us and the Central Bank that remains in full force and effect. The ADSs continue to be governed by the provisions of such contract subject to the regulations in existence prior to April 2001. The contract grants the depositary and the holders of the ADSs access to the Formal Exchange Market, which permits the depositary to remit dividends it receives from us to the holders of the ADSs. The contract also permits ADS holders to repatriate the proceeds from the sale of shares of our common stock withdrawn from the ADR facility, or that have been received free of payment as a consequence of spin-offs, mergers, capital increases, wind-ups, share dividends or preemptive rights transfers, enabling them to acquire the foreign currency necessary to repatriate earnings from such investments. Pursuant to Chilean law, the contract cannot be amended unilaterally by the Central Bank, and there are judicial precedents (although not binding with respect to future judicial decisions) indicating that contracts of this type may not be abrogated by future legislative changes or resolutions of the Advisory Council of the Central Bank. Holders of shares of our common stock, except for shares of our common stock withdrawn from the ADS facility or received in the manner described above, are not entitled to the benefits of the contract, may not have access to the Formal Exchange Market, and may have restrictions on their ability to repatriate investments in shares of our common stock and earnings therefrom.

Holders of ADSs are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by holders of ADSs will be paid net of foreign currency exchange fees and expenses of the depositary and will be subject to Chilean withholding tax, currently imposed at a rate of 35.0% (subject to credits in certain cases). If for any reason, including changes in Chilean law, the depositary were unable to convert Chilean pesos to U.S. dollars, investors would receive dividends and other distributions, if any, in Chilean pesos.

We cannot assure you that additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them or the repatriation of the proceeds from such disposition or the payment of dividends will not be imposed in the future, nor can we advise you as to the duration or impact of such restrictions if imposed.

ADS holders may not be able to effect service of process on, or enforce judgments or bring original actions against, us, our directors or our executive officers, which may limit the ability of holders of ADSs to seek relief against us.

We are a Chilean corporation. None of our directors are residents of the United States and most of our executive officers reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors and executive officers are located outside the United States. As a result, it may be difficult for ADS holders to effect service of process outside Chile upon us or our directors and executive officers or to bring an action against us or such persons in the United States or Chile to enforce liabilities based on U.S. federal securities laws. It may also be difficult for ADS holders to enforce in the United States or in Chilean courts judgments obtained in United States courts against us or our directors and executive officers based on civil liability provisions of the U.S. federal securities laws. If a U.S. court grants a final judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of this judgment in Chile will be subject to the obtaining of the relevant "exequatur" (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law currently in force, and consequently, subject to the satisfaction of certain factors. The most important of these factors are the existence of reciprocity, the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances and the Chilean courts' determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant and that enforcement would not violate Chilean public policy. Failure to satisfy any of such requirements may result in non-enforcement of your rights.

Risks Relating to our ADSs

There may be a lack of liquidity and market for our shares and ADSs.

The ADSs are listed and traded on the NYSE. The common stock is listed and traded on the Santiago Stock Exchange, the Chile Electronic Stock Exchange and the Valparaiso Stock Exchange, which we refer to collectively as the Chilean Stock Exchanges, although the trading market for the common stock is small by international standards. As of December 31, 2005, we had 188,446,126,794 shares of common stock outstanding. The Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. According to Article 14 of the Ley de Mercado de Valores, Ley No. 18,045, or the Chilean Securities Market Law, the Superintendencia de Valores y Seguros, or the Superintendency of Securities and Insurance, may suspend the offer, quotation or trading of shares of any company listed on one or more Chilean Stock Exchanges for up to 30 days if, in its opinion, such suspension is necessary to protect investors or is justified for reasons of public interest. Such suspension may be extended for up to 120 days. If, at the expiration of the extension, the circumstances giving rise to the original suspension have not changed, the Superintendency of Securities and Insurance will then cancel the relevant listing in the registry of securities. In addition, the Santiago Stock Exchange may inquire as to any movement in the price of any securities in excess of 10 and suspend trading in such securities for a day if it deems necessary.

Although the common stock is traded on the Chilean Stock Exchanges, there can be no assurance that a liquid trading market for the common stock will continue. Approximately 15.86% of our outstanding common stock is held by the public (i.e., shareholders other than Banco Santander Central Hispano and its affiliates), including our shares that are represented by ADSs trading on the NYSE. A limited trading market in general and our concentrated ownership in particular may impair the ability of an ADS holder to sell in the Chilean market shares of common stock obtained upon withdrawal of such shares from the ADR facility in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADSs.

You may be unable to exercise preemptive rights.

The *Ley Sobre Sociedades Anónimas*, Ley No. 18,046 and the *Reglamento de Sociedades Anónimas*, which we refer to collectively as the Chilean Companies Law, and applicable regulations require that whenever we issue new common stock for cash, we grant preemptive rights to all of our shareholders (including holders of ADSs), giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Such an offering would not be possible unless a registration statement under the U.S. Securities Act of 1933, as amended, were effective with respect to such rights and common stock or an exemption from the registration requirements thereunder were available.

Since we are not obligated to elect to make a registration statement available with respect to such rights and the common stock, you may not be able to exercise your preemptive rights. If a registration statement is not filed or an applicable exemption is not available, the depositary will sell such holders' preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of any such sale.

You may have fewer and less well defined shareholders' rights than with shares of a company in the United States.

Our corporate affairs are governed by our estatutos, or bylaws, and the laws of Chile. Under such laws, our shareholders may have fewer or less well-defined rights than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. For example, under legislation applicable to Chilean banks, our shareholders would not be entitled to appraisal rights in the event of a merger or other business combination undertaken by us.

ADS holders may not be able to exercise withdrawal rights that are granted by the Chilean Companies Law to registered shareholders of publicly traded Chilean corporations.

Under the Chilean Companies Law, if any of the following resolutions is adopted by our shareholders at any extraordinary shareholders meeting, dissenting shareholders have the right to withdraw from Santander-Chile and to require us to repurchase their shares, subject to the fulfillment of certain terms and conditions. A dissenting shareholder is a shareholder who either attends the shareholders meeting and votes against a resolution which results in a withdrawal right or, if absent from the shareholders meeting, a shareholder who notifies the company in writing within 30 days of the shareholders meeting of his opposition to the resolution and that he is exercising his right to withdraw from the company.

The resolutions that result in a shareholder's right to withdraw are the following:

- the transformation of Santander-Chile into a different type of legal entity;
- the merger of Santander-Chile with or into another company;
- the disposition of 50% or more of our assets, whether or not that sale includes our liabilities or the proposal or amendment of any business plan involving the transfer of more than 50% of our assets;
- the granting of security interests or personal guarantees to secure or guarantee obligations of third parties (other than our subsidiaries) exceeding 50% of our assets;
- the creation of preferential rights for a class of shares or an amendment to those already existing, in which case the right to withdraw accrues only to dissenting shareholders of the class or classes of shares adversely affected;
- the amendment of our bylaws to correct any formal defect in our incorporation, or any amendment of our bylaws that grants a shareholder a right to withdraw;
- the approval by our shareholders of our ceasing to be subject to the regulations applicable to publicly held corporations in the event we no longer meet the requirements under Chilean law to qualify as such a corporation; and
- any other causes as may be established by Chilean law and our bylaws (our bylaws currently do not establish any instances).

In addition, shareholders of a publicly held corporation such as Santander-Chile, have the right to withdraw if a person acquires $\frac{2}{3}$ or more of the outstanding voting stock of the company and does not make a tender offer for the remaining shares within 30 days of that acquisition at a price not lower than the price that would be paid shareholders exercising their rights to withdraw. However, the right of withdrawal described in the previous sentence does not apply in the event the company reduces its capital as a result of not having fully subscribed and paid an increase of capital within the statutory term.

ADS holders own a beneficial interest in shares held by the depositary and, accordingly, they are not listed as shareholders on the share registry of Santander-Chile. The depositary will not exercise withdrawal rights on behalf of ADS holders. Accordingly, in order to ensure a valid exercise of withdrawal rights, an ADS holder must cancel his ADSs and become a registered shareholder of the Company no later than the date which is five Chilean business days before the shareholders' meeting at which the vote which would give rise to withdrawal rights is taken, or the applicable record date for withdrawal rights that arise other than as a result of a shareholder vote. Withdrawal rights must then be exercised in the manner prescribed in the notice to shareholders that is required to be sent to shareholders of Chilean public companies advising such holders of their right of withdrawal. If an event occurs that gives rise to withdrawal rights, ADS holders will have a limited time to cancel their ADSs and to become registered shareholders of the Company prior to the record date for the shareholders meeting or other event giving rise to such withdrawal rights. If an ADS holder does not become a registered shareholder of the Company prior to such record date he will not be able to exercise the withdrawal rights available to registered shareholders.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We were formed on August 1, 2002, by the merger of Santiago and Old Santander-Chile, both of which were subsidiaries of our controlling shareholder, Banco Santander Central Hispano. We are the largest bank in Chile in terms of total assets, total deposits, loans and shareholders' equity. As of December 31, 2005, we had total assets of Ch\$13,096,821 million (US\$25,470 million), loans net of allowances outstanding of Ch\$9,996,407 million (US\$19,440 million), deposits of Ch\$8,075,521 million (US\$15,705 million) and shareholders' equity of Ch\$1,081,832 million (US\$2,104 million). As of December 31, 2005, we employed 7,482 people and had the largest private branch network in Chile with 352 branches. Our headquarters are located in Santiago and we operate in every major region of Chile.

We provide a broad range of commercial and retail banking services to our customers, including Chilean peso and foreign currency denominated loans to finance a variety of commercial transactions, trade financing, foreign currency forward contracts, credit lines and a variety of retail banking services, including mortgage financing. We seek to offer our customers a wide range of products while providing high levels of service. In addition to our traditional banking operations, we offer a variety of financial services including financial leasing, financial advisory services, mutual fund management, securities brokerage, insurance brokerage and investment management.

The legal predecessor of Santander-Chile was Banco Santiago (Santiago). Santiago was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez. Santiago received its permission to incorporate and function as a bank by Resolution No. 118 of the Superintendency of Banks on October 27, 1977. The Bank's bylaws were approved by Resolution No. 103 of the Superintendency of Banks on September 22, 1977. In January 1997, Santiago merged with Banco O'Higgins with Santiago being the surviving entity. In 1999, Santiago became a controlled subsidiary of Banco Santander Central Hispano. As of June 30, 2002, Santiago was the second largest private sector bank in Chile in terms of total assets, deposits, loans and shareholders' equity.

Old Santander-Chile was established as a subsidiary of Banco Santander Central Hispano in 1978. In 1982, Old Santander-Chile acquired a significant portion of the assets and liabilities of Banco Español-Chile, a domestic bank that had become insolvent. In July 1996, Old Santander-Chile was merged into Banco Osorno y la Unión becoming "Banco Santander-Chile", the third largest private bank in terms of outstanding loans at that date.

Our principal executive offices are located at Bandera 140, Santiago, Chile (our telephone number is 011-562-320-2000 and our website is www.santandersantiago.cl).

Relationship with Banco Santander Central Hispano

We believe that our relationship with our controlling shareholder, Banco Santander Central Hispano, offers us a significant competitive advantage over our peer Chilean banks. Banco Santander Central Hispano is one of the largest financial groups in Latin America, in terms of total assets measured on a region-wide basis. It is the largest financial group in Spain and is a major player elsewhere in Europe, including the United Kingdom through its Abbey subsidiary and Portugal, where it is the third-largest banking group. Through Santander Consumer it also operates a leading consumer finance franchise in Germany, Italy, Spain and nine other European countries.

Our relationship with Banco Santander Central Hispano provides us with access to the group's client base, while its multinational focus allows us to offer international solutions to our clients' financial needs. We also have the benefit of selectively borrowing from Banco Santander Central Hispano's product offerings in other countries as well as benefiting from their know-how in systems management. We believe that our relationship with Banco Santander Central Hispano will also enhance our ability to manage credit and market risks by adopting policies and know-how developed by Banco Santander Central Hispano. Our internal auditing function has been strengthened and is more independent from management as a result of the addition of an internal auditing department that concurrently reports directly to our Audit Committee and the

Audit committee of Banco Santander Central Hispano. We believe that this structure leads to greater monitoring and control of our exposure to operational risks.

Banco Santander Central Hispano’s support includes the assignment of managerial personnel to key supervisory areas of Santander-Chile, like Risks, Auditing, Accounting and Financial Control. Santander-Chile does not pay any management fees to Banco Santander Central Hispano in connection with these support services.

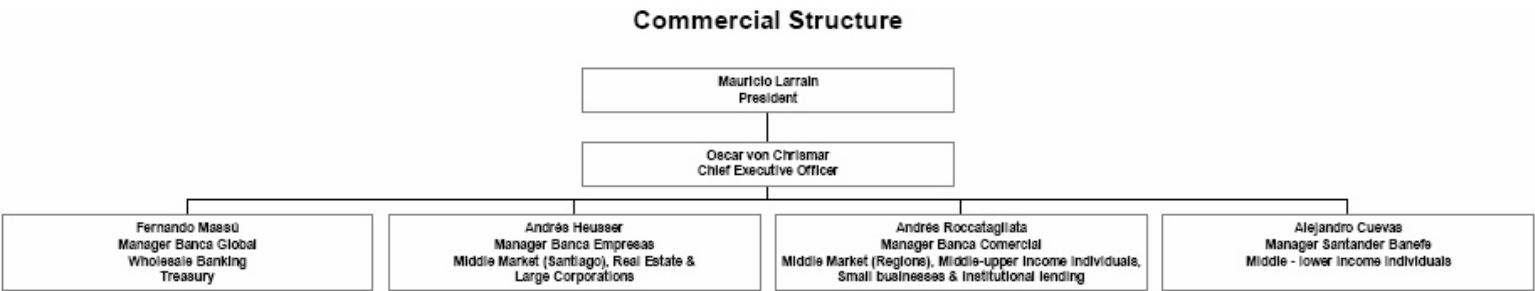
B. Organizational Structure

Banco Santander Central Hispano controls Santander-Chile through its holdings in Teatinos Siglo XXI and Santander-Chile Holding, which are controlled subsidiaries, and through the indirect ownership of ADSs representing 7.23% of Santander-Chile’s outstanding capital stock. As of December 31, 2005, Banco Santander Central Hispano directly and indirectly owned or controlled 99.0% of Santander-Chile Holding. Banco Santander Central Hispano directly and indirectly owned or controlled 100% of Teatinos Siglo XXI S.A. Banco Santander Central Hispano also owned 7.23% of the Bank through Grupo Empresarial Santander via ADRs. This gives Santander Central Hispano control over 84.14% of the shares of the Bank and actual participation when excluding minority shareholders is 83.94%.

Shareholder	Number of Shares	Percentage
Teatinos Siglo XXI S.A.	78,108,391,607	41.45%
Santander Chile Holding	66,822,519,695	35.46
Grupo Empresarial Santander vía ADRs	13,626,663,708	7.23

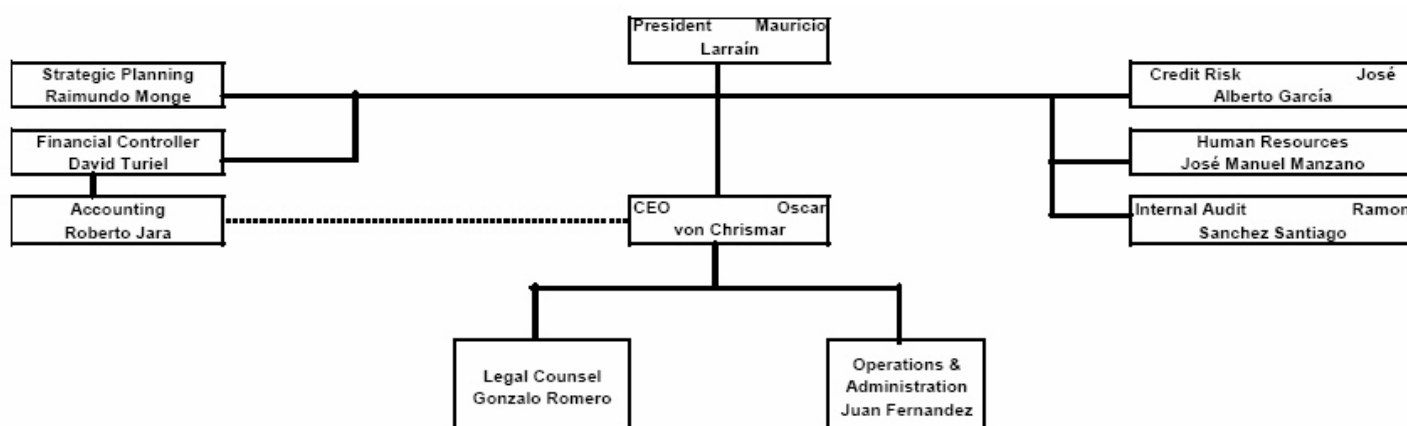
Management Team

The chart below sets forth the names and areas of responsibility of our senior commercial managers.



The chart below sets forth the names and areas of responsibilities of our operating managers.

Operating Structure



C. Business Overview

We have 352 total branches, 92 of which operated under the Santander Banefe brand name. The remaining 260 branches are operated under the Santander Santiago brand name. We provide a full range of financial services to corporate and individual customers. We divide our clients into the following segments:

- *Lower-middle to middle-income (Santander Banefe)*, consisting of individuals with monthly income between Ch\$120,000 (US\$233) and Ch\$400,000 (US\$ 778), which are served through our Banefe branch network. This segment accounts for 4.8% of our loans as of December 31, 2005. This segment offers customers a range of products, including consumer loans, credit cards, auto loans, residential mortgage loans, debit card accounts, savings products, mutual funds and insurance brokerage.
- *Middle- and upper-income*, consisting of individuals with a monthly income greater than Ch\$400,000 (US\$778). Clients in this segment account for 36.6% of our loans as of December 31, 2005 and are offered a range of products, including consumer loans, credit cards, auto loans, commercial loans, foreign trade financing, residential mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- *Small businesses*, consisting of small companies with annual sales less than Ch\$1,200 million (US\$2.3 million). As of December 31, 2005, small companies represented approximately 14.4% of our total loans outstanding. Customers in this segment are offered a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- *Institutional lending*, consisting mainly of institutional corporations such as universities, government agencies, municipalities and regional governments. As of December 31, 2005, these clients represented 1.9% of our total loans outstanding and offer customers a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, savings products, mutual funds and insurance brokerage.
- *Mid-sized companies*, consisting of companies with annual sales over Ch\$1,200 million (US\$2.3 million) and up to Ch\$3,500 million (US\$6.8 million). Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. As of December 31, 2005, these clients represented 7.9% of our total loans outstanding.
- *Real estate*. This segment also includes all companies in the real estate sector. As of December 31, 2005, these clients represented 4.9% of our total loans outstanding. To clients in the real estate sector we offer apart from traditional banking services, specialized services for financing primarily residential projects in order to increase the sale of residential mortgage loans.

- *Large companies*, consisting of companies with annual sales over Ch\$3,500 million (US\$6.8 million). Customers in this segment are offered customers a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. As of December 31, 2005, these clients represented 9.8% of our total loans outstanding.
- *Wholesale banking*, consisting of companies that are foreign multinationals or part of a large Chilean economic group with sales over Ch\$3,500 million (US\$6.8 million). As of December 31, 2005, these clients represented 17.5% of our total loans outstanding. Customers in this segment are offered a wide range of products, including commercial loans, leasing, factoring, foreign trade, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage.
- *Treasury Division*, provides sophisticated financial products mainly to companies in the wholesale banking and the Middle market segments. This includes products such as short-term financing and funding, securities brokerage, interest rate and foreign currency derivatives, securitization services and other tailor made financial products. The Treasury division also manages the Bank's trading positions as well as the non-trading investment portfolio.

The table below sets forth our lines of business and certain statistical information relating to each of them for the year ended December 31, 2005. We modified our segmentation model in 2005, and restated our 2004 segment information accordingly. Please see *Note 27(y) to our Audited Consolidated Financial Statements*.

Segment	For the year ended December 31, 2005				
	Loans	Net Interest Revenue (1)	Fees & Income from Services	Net Loan Loss Allowances(2)	Net Client Contribution (3)
	(millions of constant Ch\$ as of December 31, 2005)				
Santander Banefe	491,424	82,063	15,900	(26,271)	71,692
Middle-upper income	3,715,575	189,584	58,567	(24,928)	223,223
Santiago Leasing	494	158		29	187
Total Individuals	4,207,493	271,805	74,467	(51,170)	295,102
Small businesses	1,462,521	91,427	18,736	(15,411)	94,752
Total Retail	5,670,014	363,232	93,203	(66,581)	389,854
Institutional lending	193,190	6,482	1,633	(16)	8,099
Mid-sized companies	805,091	24,537	4,176	(1,750)	26,963
Real estate	499,422	8,342	1,068	(697)	8,713
Large companies	994,439	18,425	3,187	3,397	25,009
Santiago Leasing	2,371	758	--	140	898
Total Middle Market	2,301,323	52,062	8,431	1,090	61,583
Wholesale banking	1,777,361	26,438	7,476	1,919	35,833
Treasury(4)	-	75,399	-	-	75,399
Others(5)	202,385	24,950	27,623	56	52,629
Total	10,144,273	548,563	138,366	(63,532)	623,397

- (1) Includes net interest revenue and foreign exchange transactions, net.
- (2) Includes allowances for loan losses, charge-offs and loan loss recoveries.
- (3) Equal to net interest revenue plus fee income minus allowances for loan losses.
- (4) Includes Santander S.A. Agente de Valores.
- (5) Includes contribution of other Bank subsidiaries and other non-segmented items.

Operations through Subsidiaries

The General Banking Law once restricted the ability of banks to provide non-banking financial services. Beginning in 1986, these restrictions were somewhat eased, allowing banks to provide services deemed to be complementary to the commercial banking business, provided that the services are offered through subsidiaries.

The new General Banking Law, as amended on November 4, 1997, extended the scope of permissible activities to permit us to provide directly the leasing and financial advisory services we could formerly offer only through our subsidiaries, to offer investment advisory services outside of Chile and to undertake activities we could not formerly offer directly or through subsidiaries, such as factoring, securitization, foreign investment funds, custody and transport of securities and insurance brokerage services.

For the year ended December 31, 2005, our subsidiaries collectively accounted for approximately 14.5% of our consolidated net income. The assets and operating income of these subsidiaries as of and for the year ended December 31, 2005 represented 6.5% and 10.4% of our total assets and operating income, respectively.

Subsidiary	Percentage Owned					
	2004			2005		
	Direct	Indirect	Total	Direct	Indirect	Total
	%	%	%	%	%	%
Santiago Leasing S.A.	99.50	-	99.50	99.50	-	99.50
Santiago Corredores de Bolsa Ltda.	99.19	0.81	100.00	99.19	0.81	100.00
Santander Santiago S.A. Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98
Santander S.A. Agente de Valores	99.03	-	99.03	99.03	-	99.03
Santander Santiago S.A. Sociedad Securitizadora	99.64	-	99.64	99.64	-	99.64
Santander Santiago Corredora de Seguros Ltda.	99.99	-	99.99	99.99	-	99.99

Overview

The Chilean financial services market consists of a variety of largely distinct sectors. The most important sector, commercial banking, includes a number of privately-owned banks and one public sector bank, Banco del Estado (which operates within the same legal and regulatory framework as the private sector banks). The private sector banks include local banks and a number of foreign-owned banks which are operating in Chile. The Chilean banking system is comprised of 25 private sector banks and one public sector bank. Five private sector banks along with the state-owned bank together accounted for 80.7% of all outstanding loans by Chilean financial institutions as of December 31, 2005.

The Chilean banking system has experienced increased competition in recent years largely due to consolidation in the industry and new legislation. For example, the merger of Banco de Chile with Banco de A. Edwards, effective January 2, 2002, resulted in the creation at that moment of the largest bank in Chile. As of December 31, 2005 Banco de Chile had a market share in total loans of 18.1% . Shortly after that merger was consummated, Santander Central Hispano announced the merger of the two banks it owned in Chile, Banco Santander-Chile and Banco Santiago, creating the largest bank in Chile. We also face competition from non-bank and non-finance competitors (principally department stores) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies, with respect to credit products, and mutual funds, pension funds and insurance companies, with respect to savings products. Currently, banks continue to be the main suppliers of leasing, factoring and mutual funds, and the insurance sales business has grown rapidly.

As shown in the following table, we are the market leader in practically every banking service in Chile:

	Market Share at December 31, 2004	Market Share at December 31, 2005	Rank as of December 31, 2005
Commercial loans	20.3%	19.8%	1
Consumer loans	24.8	25.6	1
Mortgage loans (residential and general purpose)	22.8	23.5	1
Residential mortgage loans	23.5	24.9	2
Foreign trade loans (loans for export, import and contingent)	24.8	22.0	1
Total loans	22.7	22.6	1
Deposits	20.9	21.5	1
Mutual funds (assets managed)	20.6	21.6	2
Credit card	34.1	37.3	1
Branches (1)	19.3	20.3	1
ATM locations	29.7	28.1	1

Source: Superintendency of Banks

(1) Excluding special-service payment centers.

The following tables set out certain statistics comparing our market position to that of our peer group, defined as the five largest banks in Chile in terms of shareholders' equity as of December 31, 2005.

Loans

As of December 31, 2005, our loan portfolio was the largest among Chilean banks. Our loan portfolio on a stand-alone basis represented 22.6% of the market for loans in the Chilean financial system as of such date. The following table sets forth the market shares in terms of loans for us and our peer group as of December 31, 2005:

Loans	As of December 31, 2005			As of December 31, 2004
	Ch\$ million	In thousand of US\$	Market Share	Market Share
Santander-Chile	10,139,333	19,718	22.6%	22.7%
Banco de Chile	8,098,294	15,749	18.1	17.6
Banco del Estado	5,962,235	11,595	13.3	13.3
Banco de Crédito e Inversiones	5,535,929	10,766	12.3	11.6
BBVA, Chile	3,579,169	6,961	8.0	7.7
Corpbanca	2,848,625	5,540	6.4	
Others	8,669,922	16,861	19.3	
Chilean financial system	44,833,507	87,189	100.0	100.0

Source: Superintendency of Banks

Deposits

On a stand alone basis our 21.5% of the market for deposits ranked us in first place among banks in Chile at December 31, 2005. Deposit market share is equal to total time deposits plus average monthly checking and sight accounts, net of clearance. The following table sets forth the market shares in terms of deposits for us and our peer group as of December 31, 2004 and 2005:

Deposits(1)	As of December 31, 2005			As of December 31, 2004
	Ch\$ million	In thousand of US\$	Market Share	Market Share
Santander-Chile	7,875,812	15,316	21.5%	20.9%
Banco de Chile	6,012,492	11,693	16.4	16.4
Banco del Estado	6,286,001	12,225	17.2	15.0
Banco de Crédito e Inversiones	4,398,971	8,555	12.0	11.2
BBVA, Chile	2,916,150	5,671	8.0	8.4
Corpbanca	1,905,845	3,706	5.2	
Others	7,241,080	14,082	41.0	
Chilean financial system	36,636,351	71,248	100.0	100.0

(1) The figure used for checking and sight account balances is the average monthly balances instead of year-end balances as we believe that period end balances are not always reflective of a bank's position in checking and sight accounts. The source for the average balances is the Superintendency of Banks.

Shareholders' equity

With Ch\$1,081,832 million (US\$2,104 million) in shareholders' equity, as of December 31, 2005, we were the largest commercial bank in Chile in terms of shareholders' equity. The following table sets forth the level of shareholders' equity for us and our peer group as of December 31, 2004 and 2005:

Equity(1)	As of December 31, 2005			As of December 31, 2004
	Ch\$ million	In thousand of US\$	%(1)	%(1)
Santander-Chile	1,081,832	2,104	21.1%	22.3%
Banco de Chile	775,106	1,506	15.1	14.5
Banco del Estado	444,676	865	8.7	8.9
Banco de Crédito e Inversiones	500,874	974	9.8	9.2
BBVA, Chile	288,478	561	5.6	5.8
Corpbanca	407,526	793	7.9	
Others	1,636,419	3,182	31.9	
Chilean financial system	5,134,911	9,986	100.0	100.0

Source: Superintendency of Banks.

(1) Percentage of total shareholders' equity of financial system.

Efficiency

As of December 31, 2005, on a stand alone basis we were the second most efficient bank in our peer group. The following table sets forth the efficiency ratio (defined as operating expenses as a percentage of operating revenue which is aggregate of net interest revenue, fees and income from services (net) and other operating income (net)) for us and our peer group as of December 31, 2004 and 2005:

Efficiency ratio	As of December 31, 2005	As of December 31, 2004
	%	%
Santander-Chile	44.0%	47.7%
Banco de Chile	50.4%	51.2%
Banco del Estado	60.7%	64.5%
Banco de Crédito e Inversiones	52.7%	53.1%
BBVA, Chile	68.6%	68.1%
Corpbanca	40.7%	
Chilean Financial System	54.1%	53.5%

Source: Superintendency of Banks

Return on average equity

As of December 31, 2005, we were the second most profitable bank in our peer group and the second most capitalized as measured by the BIS ratio as of December 31, 2005. The following table sets forth the average return on equity for the year ended December 31, 2004 and 2005 and BIS ratio for us and our peer group as of December 31, 2004 and 2005:

	Return on average equity as of December 31,		BIS Ratio as of December 31,	
	2005	2004	2005	2004
	%	%	%	%
Santander-Chile	24.1%	23.9%	12.9%	14.9%
Banco de Chile	26.7	29.2	11.2	11.7
Banco del Estado	9.2	12.1	10.7	10.1
Banco de Crédito e Inversiones	23.4	26.3	10.3	10.1
BBVA, Chile	10.7	5.7	10.8	11.4
Corpbanca	13.8		13.5	
Chilean Financial System	16.3	16.7	13.0	13.2

Source: Superintendency of Banks, except Santander-Chile based on average equity calculated by the Bank (*See Item 5 Average Balances*).

Asset Quality

As of December 31, 2005, on a stand alone basis we had the second lowest loan loss allowance to total loans ratio in our peer group. The following table sets forth the ratio of loan loss allowance to total loans ratio as defined by the Superintendency of Banks for us and our peer group as of December 31, 2004 and 2005.

	Loan Loss allowances/total loans	
Dec-04	As of December 31, 2005	As of December 31, 2004
Santander-Chile	1.42%	1.96%
Banco de Chile	1.70	2.23
Banco del Estado	1.64	1.76
Banco de Crédito e Inversiones	1.54	1.70
BBVA, Chile	1.35	2.04
Corpbanca	1.56	
Chilean Financial System	1.61	

Source: Superintendency of Banks

D. Regulation and Supervision

General

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations, and together with financial companies, accept time deposits. The principal authorities that regulate financial institutions in Chile are the Superintendency of Banks and the Central Bank. Chilean banks are primarily subject to the General Banking Law and secondarily, to the extent not inconsistent with this statute, the provisions of the Chilean Companies Law governing public corporations, except for certain provisions which are expressly excluded.

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in adoption of a series of amendments to General Banking Law. That law, amended most recently in 2001, granted additional powers to banks, including general underwriting powers for new issues of certain debt and equity securities and the power to create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory, mutual fund services, administration of investment funds, factoring, securitization products and financial leasing services.

The Central Bank

The Central Bank is an autonomous legal entity created by the Chilean Constitution. It is subject to the Chilean Constitution and its own *ley orgánica constitucional*, or organic constitutional law. To the extent not inconsistent with the Chilean Constitution or the Central Bank's organic constitutional law, the Central Bank is also subject to private sector laws (but in no event is it subject to the laws applicable to the public sector). It is directed and administered by a board of directors composed of five members designated by the President of Chile, subject to the approval of the Senate.

The legal purpose of the Central Bank is to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment system. The Central Bank's powers include setting reserve requirements, regulating the amount of money and credit in circulation, establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and banks' deposit-taking activities.

The Superintendency of Banks

Banks are supervised and controlled by the Superintendency of Banks, an independent Chilean governmental agency. The Superintendency of Banks authorizes the creation of new banks and has broad powers to interpret and enforce legal and regulatory requirements applicable to banks and financial companies. Furthermore, in case of noncompliance with such legal and regulatory requirements, the Superintendency of Banks has the ability to impose sanctions. In extreme cases, it can appoint, with the prior approval of the board of directors of the Central Bank, a provisional administrator to manage a bank. It must also approve any amendment to a bank's bylaws or any increase in its capital.

The Superintendency of Banks examines all banks from time to time, generally at least once a year. Banks are also required to submit their financial statements monthly to the Superintendency of Banks, and a bank's financial statements are published at least four times a year in a newspaper with countrywide coverage. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the Superintendency of Banks. A bank's annual financial statements and the opinion of its independent auditors must also be submitted to the Superintendency of Banks.

Any person wishing to acquire, directly or indirectly, 10.0% or more of the share capital of a bank must obtain the prior approval of the Superintendency of Banks. Absent such approval, the acquiror of shares so acquired will not have the right to vote them. The Superintendency of Banks may only refuse to grant its approval, based on specific grounds set forth in the General Banking Law.

According to Article 35 bis of the General Banking Law, the prior authorization of the Superintendency of Banks is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

Such prior authorization is required solely when the acquiring bank or the resulting group of banks would own a significant market share in loans, defined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase may be denied by the Superintendency of Banks; alternatively, the purchase may be conditioned on one or more of the following:

- that the bank or banks maintain an effective equity higher than 8.0% and up to 14.0% of their risk weighted assets;
- that the technical reserve established in article 65 of the General Banking Law be applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
- that the margin for interbank loans be diminished to 20.0% of the resulting bank's effective equity.

Pursuant to the regulations of the Superintendency of Banks, the following ownership disclosures are required:

- a bank is required to inform the Superintendency of Banks of the identity of any person owning, directly or indirectly, 5.0% or more of such banks' shares;
- holders of ADSs must disclose to the depositary the identity of beneficial owners of ADSs registered under such holders' names; and
- the depositary is required to notify the bank as to the identity of beneficial owners of ADSs which such depositary has registered and the bank, in turn, is required to notify the Superintendency of Banks as to the identity of the beneficial owners of the ADSs representing 5.0% or more of such bank's shares.

Limitations on Types of Activities

Chilean banks can only conduct those activities allowed by the General Banking Law: making loans, accepting deposits and, subject to limitations, making investments and performing financial services. Investments are restricted to real estate for the bank's own use, gold, foreign exchange and debt securities. Through subsidiaries, banks may also engage in other specific financial service activities such as securities brokerage services, equity investments, securities, mutual fund management, investment fund management, financial advisory and leasing activities. Subject to specific limitations and the prior approval of the Superintendency of Banks and the Central Bank, Chilean banks may own majority or minority interests in foreign banks.

On March 2, 2002, the Central Bank of Chile authorized banks to pay interest on checking accounts. On March 20, 2002, the Superintendency of Banks published guidelines establishing that beginning on June 1, 2002, banks could offer a new checking account product that pays interest. The Superintendency of Banks also stated that these accounts may be subject to minimum balance limits and different interest rates depending on average balances held in the account and that banks may also charge fees for the use of this new product. For banks with a solvency score of less than A (*See Item 4D: Regulation and Supervision—Management and Capitalization Evaluation*) the Central Bank has also imposed additional caps to the interest rate that can be paid.

Deposit Insurance

In Chile, the State guarantees up to 100% of demand deposits and time deposits with a maturity of 10 days or less. The State also guarantees 90.0% of the principal amount of time deposits and savings accounts held by natural persons with a maximum value of UF108 per person (Ch\$1,941,280 or U.S.\$3,775 as of December 31, 2005) per calendar year in the entire financial system.

Reserve Requirements

Deposits are subject to a reserve requirement of 9.0% for peso and foreign currency denominated demand deposits and 3.6% for UF, peso and foreign currency denominated time deposits (with terms of less than one year). For purposes of calculating the reserve obligation, banks are authorized to deduct daily from their foreign currency denominated liabilities, the balance in foreign currency of certain loans and financial investments held outside of Chile, the most relevant of which include:

- cash clearance account, which should be deducted from demand deposit for calculating reserve requirement;
- certain payment orders issued by pension providers;
- the amount set aside for "technical reserve" (as described below), which can be deducted from reserve requirement.

The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank's paid-in capital and reserves, a bank must maintain a 100% "technical reserve" against them: demand deposits, deposits in checking accounts, or obligations payable on sight incurred in the ordinary course of business, other deposits unconditionally payable immediately or within a term of less than 30 days and time deposits payable within 10 days prior to maturity.

Minimum Capital

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch\$14,380 million and US\$28 million as of December 31, 2005) of paid-in capital and reserves, an effective equity of at least 8% of its risk weighted assets, net of required allowances, and paid in capital and reserves of at least 3% of its total assets, net of required allowances.

However, a bank may begin its operations with 50.0% of such amount, provided that it has a total capital ratio (defined as effective equity as a percentage of risk weighted assets) of not less than 12.0%. Effective equity is defined as the aggregate of:

- a bank's paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches;
- its subordinated bonds, considered at the issuing price (but decreasing by 20.0% for each year during the period commencing six years prior to maturity), but not exceeding 50.0% of its Net Capital Base; and
- its voluntary allowances for loan losses, up to 1.25% of risk weighted assets.

In 2002, the General Banking Law was modified, allowing banks to begin operations with a minimum capital of UF 400,000 (approximately US\$14 million as of December 31, 2005) of paid-in capital and reserves with the obligation to increase it to UF 800,000 (approximately US\$28 million as of December 31, 2005) in an undetermined period of time. If a bank maintains a minimum capital of UF 400,000 (approximately US\$14 million as of December 31, 2005), it is required to maintain a minimum BIS ratio of 12%. When such a bank's paid-in capital reaches UF600,000 (approximately Ch\$10,785 million and US\$21 million as of December 31, 2005), the total capital ratio required is reduced to 10.0% .

Capital Adequacy Requirements

According to the General Banking Law, each bank should have an effective equity of at least 8.0% of its risk weighted assets, net of required allowances. The calculation of risk weighted assets is based on a five-category risk classification system for bank assets that is based on the Basle Committee recommendations.

Banks should also have *Capital básico*, or Base Net Capital, of at least 3.0% of their total assets, net of allowances. Base Net Capital is defined as a bank's paid-in capital and reserves and is similar to Tier 1 capital except that it does not include net income for the period.

Lending Limits

Under the General Banking Law, Chilean banks are subject to certain lending limits, including the following material limits:

- A bank may not extend to any entity or individual (or any one group of related entities), except for another financial institution, directly or indirectly, unsecured credit in an amount that exceeds 5.0% of the bank's effective equity, or in an amount that exceeds 25.0% of its effective equity if the excess over 5.0% is secured by certain assets with a value equal to or higher than such excess. In the case of foreign export trade financing, the 5.0% ceiling for unsecured credits is raised to 10.0% and the 25.0% ceiling for secured credits to 30.0%. In the case of financing infrastructure projects built through the concession mechanism, the 5.0% ceiling for unsecured credits is raised to 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession;
- a bank may not extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its effective equity;
- a bank may not directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;
- a bank may not lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and
- a bank may not grant loans to related parties (including holders of more than 1.0% of its shares) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the

limitations described in the first bullet point above. In addition, the aggregate amount of loans to related parties may not exceed a bank's effective equity.

In addition, the General Banking Law limits the aggregate amount of loans that a bank may grant to its employees to 1.5% of its effective equity, and provides that no individual employee may receive loans in excess of 10.0% of this 1.5% limit. Notwithstanding these limitations, a bank may grant to each of its employees a single residential mortgage loan for personal use once during such employee's term of employment.

Allowance for Loan Losses

Chilean banks are required to provide to the Superintendency of Banks detailed information regarding their loan portfolio on a monthly basis. The Superintendency of Banks examines and evaluates each financial institution's credit management process, including its compliance with the loan classification guidelines. Banks are classified into four categories: 1, 2, 3 and 4. Each bank's category depends on the models and methods used by the bank to classify its loan portfolio, as determined by the Superintendency of Banks. Category 1 banks are those banks whose methods and models are satisfactory to the Superintendency of Banks. Category 1 banks are entitled to continue using the same methods and models they currently have in place. A bank classified as a category 2 bank will have to maintain the minimum levels of reserves established by the Superintendency of Banks while its board of directors will be made aware of the problems detected by the Superintendency of Banks and required to take steps to correct them. Banks classified as categories 3 and 4 will have to maintain the minimum levels of reserves established by the Superintendency of Banks until they are authorized by the Superintendency of Banks to do otherwise. We are classified in category 1.

Under the classifications effective January 1, 2004, loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans).

In accordance with the regulations, which became effective as of January 1, 2004, the models and methods used to classify our loan portfolio must follow the following guiding principles, which have been established by the Superintendency of Banks.

Models based on the individual analysis of borrowers (Commercial loans)

- Must assign a risk category level to each borrower and its respective loans.
- Must consider the following risk factors within the analysis: industry or sector of the borrower, owners or managers of the borrower, their financial situation, their payment capacity and payment behavior.
- Must assign one of the following risk categories to each loan and borrower upon finishing the analysis:
- Classifications A1, A2 and A3 correspond to borrowers with no apparent credit risk.
- Classification B corresponds to borrowers with some credit risk but no apparent deterioration of payment capacity.
- Classifications C1, C2, C3, C4, D1 and D2 correspond to borrowers whose loans have deteriorated.

For loans classified as A1, A2, A3 and B, the board of directors of a bank is authorized to determine the levels of required loan loss reserves. We have assigned a 0% reserve requirement for loans classified as A1 and A2, a 0.5% reserve requirement for loans classified as A3 and a 1% reserve requirement for commercial loans classified as B. For loans classified in Categories C1, C2, C3, C4, D1 and D2, the bank must have the following levels of loan loss reserves:

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

Models based on group analysis

- Suitable for the evaluation of a large number of borrowers whose individual loan amounts are relatively small. These models are intended to be used primarily to analyze loans to individuals and small companies.
- Levels of required allowances are to be determined by the Bank, according to the estimated loss that may result from the loans, by classifying the loan portfolio using one or both of the following models:
 - A model based on the characteristics of the borrowers and their outstanding loans. Borrowers and their loans with similar characteristics will be placed into groups and each group will be assigned a risk level.
 - A model based on the behavior of a group of loans. Loans with analogous past payment histories and similar characteristics will be placed into groups and each group will be assigned a risk level.

Commencing in 2006 the Bank will no longer analyze commercial loans on a group basis. All commercial loans will be rated on an individual basis in an automated system that has been approved by the Superintendency of Banks and our Board of Directors.

Models based on the individual analysis of borrowers (Commercial loans)

The risk category of these loans is directly related to the amount of days an installment is past due.

Category	Consumer loans past due status (1)		Residential mortgage loans past due status(1)		Allowances as a percentage of aggregate exposure (1)
	From	To	From	To	
	(Days)		(Days)		
A	-	-	-	-	-%
B	1	30	1	180	1
B-	31	60	181	>181	20
C	61	120	-	-	60
D	121	>121	-	-	90

(1) Required reserve amounts are percentages of the aggregate amount of the principal and accrued but unpaid interest of the loan.

Capital Markets

Under the General Banking Law, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. Likewise, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advice and securities brokerage, as well as in financial leasing, mutual fund and investment fund administration, investment advisory services and merger and acquisition services. These subsidiaries are regulated by the Superintendency of Banks and, in some cases, also by the Superintendency of Securities and Insurance, the regulator of the Chilean securities market, open-stock corporations and insurance companies.

Legal Provisions Regarding Banking Institutions with Economic Difficulties

The General Banking Law provides that if specified adverse circumstances exist at any bank, its board of directors must correct the situation within 30 days from the date of receipt of the relevant financial statements. If the board of directors is unable to do so, it must call a special shareholders' meeting to increase the capital of the bank by the amount necessary to return the bank to financial stability. If the shareholders reject the capital increase, or if it is not effected within the term and in the manner agreed to at the meeting, or if the Superintendency of Banks does not approve the board of directors proposal, the bank will be barred from increasing its loan portfolio beyond that stated in the financial statements presented to the board of directors and from making any further investments in any instrument other than in instruments issued by the Central Bank.

In such a case, or in the event that a bank is unable to make timely payment in respect of its obligations or if a bank is under provisional administration of the Superintendency of Banks, the General Banking Law provides that the bank may receive a two-year term loan from another bank. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the Superintendency of Banks, but need not be submitted to the borrowing bank’s shareholders for their approval. In any event, a creditor bank cannot grant interbank loans to an insolvent bank in an amount exceeding 25.0% of the creditor bank’s effective equity. The board of directors of a bank that is unable to make timely payment of its obligations must present a reorganization plan to its creditors in order to capitalize the credits, extend their respective terms, condone debts or take other measures for the payment of the debts. If the board of directors of a bank submits a reorganization plan to its creditors and such arrangement is approved, all subordinated debt issued by the bank, whether or not matured, will be converted by operation of law into common stock in the amount required for the ratio of effective equity to risk-weighted assets not to be lower than 12.0%. If a bank fails to pay an obligation, it must notify the Superintendency of Banks, which shall determine if the bank is solvent.

Dissolution and Liquidation of Banks

The Superintendency of Banks may establish that a bank should be liquidated for the benefit of its depositors or other creditors when such bank does not have the necessary solvency to continue its operations. In such case, the Superintendency of Banks must revoke a bank’s authorization to exist and order its mandatory liquidation, subject to agreement by the Central Bank. The Superintendency of Banks must also revoke a bank’s authorization if the reorganization plan of such bank has been rejected twice. The resolution by the Superintendency of Banks must state the reason for ordering the liquidation and must name a liquidator, unless the Chilean Superintendent of Banks assumes this responsibility. When a liquidation is declared, all checking accounts, other demand deposits received in the ordinary course of business, other deposits unconditionally payable immediately or that have a maturity of no more than 30 days, and any other deposits and receipts payable within 10 days, are required to be paid by using existing funds of the bank, its deposits with the Central Bank or its investments in instruments that represent its reserves. If these funds are insufficient to pay these obligations, the liquidator may seize the rest of the bank’s assets, as needed. If necessary and in specified circumstances, the Central Bank will lend the bank the funds necessary to pay these obligations. Any such loans are preferential to any claims of other creditors of the liquidated bank.

Obligations Denominated in Foreign Currencies

Foreign currency denominated obligations of Chilean banks are subject to various limits and obligations. The regulations of the Central Bank do not permit the difference, whether positive or negative, between a bank’s assets and liabilities denominated in any foreign currency (including assets and liabilities denominated in U.S. dollars but payable in pesos, as well as those denominated in pesos and indexed to the U.S. dollar exchange rate) to exceed 20% of the bank’s paid-in capital and reserves; *provided* that if the balance of such assets exceeds the balance of such liabilities, the difference may exceed 20% of such capital and reserves in an amount not to exceed the bank’s allowances and reserves denominated in such foreign currency (excluding profits to be remitted abroad). Santander-Chile must also comply with various regulatory and internal limits regarding exposure to movements in foreign exchange rates (*See “Item 11: Quantitative and Qualitative Disclosure about Market Risks”*).

Investments in Foreign Securities

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain securities of foreign issuers. Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would be complimentary to the bank’s business if such companies were incorporated in Chile. Banks in Chile may also invest in debt securities traded in formal secondary markets. Such debt securities must be (1) securities issued or guaranteed by foreign sovereign states or their central banks or other foreign or international financial entities, and (2) bonds issued by foreign companies. A Bank may invest up to 5% of its effective equity in securities of foreign issuers. Such securities must have a minimum rating as follows:

Table 1

Rating Agency	Short Term	Long Term
Moody’s	P2	Baa3
Standard and Poor’s	A3	BBB-
Fitch IBCA	F2	BBB-
Duff & Phelps	D2	BBB-
Thomson Bank Watch	TBW2	BBB

In the event that the sum of the investments in foreign securities which have a: (i) rating below to the indicated in the Table 1 above, and equal or exceeds the ratings mentioned in the Table 2 below; and (ii) loans granted to other entities resident abroad; exceed 20% (and 30% for banks with a BIS ratio equal or exceeding 10%), of the effective equity of such bank, the excess is subject to a mandatory reserve of 100%.

Table 2

Rating Agency	Short Term	Long Term
Moody's	P2	Baa3
Standard and Poor's	A3	BB-
Fitch IBCA	F2	BB-
Duff & Phelps	D2	BB-
Thomson Bank Watch	TBW2	BB

In addition, banks may invest in foreign securities for an additional amount equal to a 70% of their effective equities which ratings are equal or exceeds those mentioned in the following Table 3. This limit constitutes an additional margin and it is not subject to the 100% mandatory reserve.

Additionally, a Chilean Bank may invest in foreign securities which rating is equal or exceeds those mentioned in the following Table 3 in: (i) term deposits with foreign banks; and (ii) securities issued or guaranteed by sovereign states or their central banks or those securities issued or guaranteed by foreign entities adhered to the Chilean State; such investment will be subject to the limits by issuer up to 30% and 50%, respectively, of the effective equity of the Chilean bank that make the investment.

Table 3

Rating Agency	Short Term	Long Term
Moody's	P1	Aa3
Standard and Poor's	A1+	AA-
Fitch IBCA	F1+	AA-
Duff & Phelps	D1+	AA-
Thomson Bank Watch	TBW1	BB

Chilean banks may invest in securities without ratings issued or guaranteed by sovereign states or their central banks and structured notes issued by investment banks with a rating equal or above that in the immediately preceding Table 3, which return is linked with a corporate or sovereign note with a rating equal or above that in Table 2.

Subject to specific conditions, a bank may grant loans in U.S. dollars to subsidiaries or branches of Chilean companies located abroad, to companies listed on foreign stock exchanges authorized by the Central Bank and, in general, to individuals and entities domiciled abroad, as long as the Central Bank is kept informed of such activities.

New Regulations Regarding Market Risk

In 2005, the Superintendency of Banks introduced new market risk limits and measures for Chilean banks. On an unconsolidated basis the Banks must separate its balance sheet in two separate categories: trading portfolio (*Libro de Negociación*) and unconsolidated non-trading, or permanent, portfolio (*Libro de Banca*). The trading portfolio as defined by the Superintendency of Banks includes all instruments valued at market prices, free of any restrictions for their immediate sale and that are frequently bought and sold by the bank or are maintained with the intention of selling them in the short-term in order to profit from short-term price variations. The non-trading portfolio is defined as all instruments in the balance sheet not considered in the trading portfolio.

E. Property, Plants and Equipment

We are domiciled in Chile and own our principal executive offices located at Bandera 140, Santiago, Chile. We also own fifteen other buildings in the vicinity of our headquarters and we rent four other buildings. At December 2005, we owned the locations at which 47% of our branches were located. The remaining branches operate at rented locations.

Main properties as of December 2005	Number
Central Offices	
Own	16
Rented	4
Total	20
Branches (1)	
Own	150
Rented	168
Total	318
Other property (2)	
Own	84
Rented	2
Total	86

(1) Some branches are located inside central office buildings and other properties. Including these branches the total number of branches is 352.

(2) Consists mainly of parking lots and spaces

Below is a summary of the main computer hardware and other systems-equipment that we own. We believe that our existing physical facilities are adequate for our needs.

Category	Brand	Application
Mainframe	IBM	Back-end, Core-System Altamira.
Midrange	IBM	Interconnections between Mainframe and mid-range
Midrange	Stratus	Tellers
	SUN/Unix	Interconnections applications Credit & debit cards
	SUN/UNIX	Treasury, MIS, Work Flow
Midrange	IBM	WEB
Desktop	IBM	Platform applications
Call	Avaya	Telephone system
Center	Genesys	Integration Voice/data
	Nice	Voice recorder
	Periphonics	IVR

The main software systems used by us are:

Category	Product	Origin
Core-System	ALTAMIRA	Accenture
Data base	DB2	IBM
Data base	Oracle	Oracle
Data base	SQL Server	Microsoft
WEB Service	Internet Information Server	Microsoft
Message Service	MQSeries	IBM
Transformation	MQIntegrator	IBM

ITEM 4A. UNRESOLVED STAFF COMMENTS

As of the date of the filing of this Annual Report on 20-F we do not have any unresolved comments from the Securities and Exchange Commission staff regarding our periodical reports under the Exchange Act.

Item 5. Operating and Financial Review and Prospects

A. Critical Accounting Policies

We prepare our financial statements in accordance with Chilean GAAP, which requires management to make estimates and assumptions with respect to certain matters that are inherently uncertain. We also reconcile our financial statements to US GAAP (See *Note 27 to our Audited Consolidated Financial Statements*) and are required to make estimates and assumptions in this reconciliation process. Certain critical accounting policies, in particular those relating to goodwill and intangible assets are only applicable for US GAAP purposes. Our consolidated financial statements include various estimates and assumptions, including but not limited to the adequacy of the allowance for loan losses, estimates of the fair value of certain financial instruments, the selection of useful lives of certain assets and the valuation and recoverability of goodwill and deferred taxes. We evaluate these estimates and assumptions on an ongoing basis. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results in future periods could differ from those estimates and assumptions, and if these differences were significant enough, our reported results of operations would be affected materially.

We believe that the following are the more critical judgment areas or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations:

- a) Interest revenue and expense recognition;
- b) Valuation and recognition of income and expense in connection with foreign currency and derivative activities;
- c) Valuation and recognition of income and expense in connection with financial investments;
- d) Estimating useful life of premises and equipment; and
- e) Allowance for loan losses.
- f) Performance and impairment of goodwill (US GAAP only)

The Notes to the Consolidated Financial Statements contain a summary of our significant accounting policies, including a description of the significant differences between these and the accounting principles generally accepted in the United States, additional disclosures required under such rules, a reconciliation between shareholders' equity and net income to the corresponding amounts that would be reported in accordance with U.S. GAAP and a discussion of recently issued accounting pronouncements.

Interest revenue and expense recognition

Interest revenue and expense are recognized on an accrual basis using the effective interest method. Loans, investments and liabilities are stated at their cost, adjusted for accrued interest and the indexation adjustment applicable to such balances that are index-linked.

The Bank suspends the accrual of interest and principal indexation adjustments on loans beginning on the first day that such loans are overdue. Accrued interest remains on the Bank's books and is considered a part of the loan balance when determining the allowances for loan losses. Payments received on overdue loans are recognized as income, after reducing the balance of accrued interest, if applicable.

Foreign currency and derivative activities

The Bank enters into forward foreign exchange contracts and spot exchange contracts for its own account and the accounts of its customers. The Bank's forward contracts are valued monthly using the observed rates reported by the Central Bank of Chile at the balance sheet date. The initial premium or discount on these contracts, calculated as the difference between the spot rate and the forward rate, is deferred and included in determining net income over the life of the contract. The Bank's interest rate and cross-currency swap agreements are treated as off-balance-sheet financial instruments and the net interest effect, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that such differences originate.

In addition, the Bank makes loans and accepts deposits in amounts denominated in foreign currencies, principally the U.S. dollar. Such assets and liabilities are translated at the applicable rate of exchange at the balance sheet date.

The amount of net gains and losses on foreign exchange includes the recognition of the effects that variations in the exchange rates have on assets and liabilities denominated in foreign currencies and the gains or losses on foreign exchange spot and forward transactions undertaken by the Bank.

Financial investments

Financial investments that have a secondary market are carried at market value. The Bank's financial investments are classified as trading or permanent in accordance with the regulations of the Superintendency of Banks with unrealized gains and losses on trading investments included in Other operating income (expenses), and unrealized gains and losses on permanent investments included in a separate component of Shareholders' equity. See *"Item 4D: Regulation and Supervision — New Regulations Regarding Market Risk"*.

The Bank enters into security repurchase agreements as a form of borrowing. In this regard, the Bank's investments that are sold subject to a repurchase obligation and that serve as collateral for the borrowing are reclassified as "investment collateral under agreements to repurchase" and are carried at market value. The liabilities for the repurchase of the investment are classified as "investments under agreements to repurchase" and are carried at cost plus accrued interest.

All other financial investments are carried at acquisition cost plus accrued interest and UF indexation adjustments, as applicable. This includes mainly those with maturities of less than one year (22.8% of total financial investments at December 31, 2005) most of which were liquid government securities or deposits in other Chilean banks. See discussion of Financial Investments in *Item 5-Sources of Liquidity-Financial Investments*. The Bank also enters into resale agreements as a form of investment. Under these agreements the Bank purchases securities, which are included as assets under the caption "investments under agreements to resell".

In accordance with Circular N°3345 issued by the Superintendency of Banks and Financial Institutions, effective January 1, 2006, the accounting criteria for valuing financial instruments acquired for negotiation or investment purposes, derivative instruments, hedges and disposals from the financial assets on the balance sheets, will be amended. The instructions of Circular N°3345 will become effective starting on June 30, 2006, with valuation differences arising from prior years' investments being adjusted directly against the Bank's equity.

Premises and equipment

Premises and equipment are stated at acquisition cost net of accumulated depreciation and have been restated for price-level changes. Depreciation is calculated on a straight-line method over the estimated useful lives of the underlying assets.

The costs of maintenance and repairs are charged to expense. The costs of significant refurbishment and improvements are capitalized and are then amortized over the period of the benefit on a straight-line basis.

Allowance for loan losses

Chilean banks are required to maintain loan loss allowances in amounts determined in accordance with the regulations issued by the Superintendency of Banks. Under these regulations, we must classify our portfolio into various categories of payment capability. The minimum amount of required loan loss allowances is determined based on fixed percentages of estimated loan losses assigned to each category. As of January 1, 2004, the new loan loss allowance regulations set by the Superintendency of Banks came into effect. Loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans).

Commencing in 2006 the Bank will no longer analyze commercial loans on a group basis. All commercial loans will be rated on an individual basis in an automated system that has been approved by the Superintendency of Banks and our Board of Directors. In the modified system to be gradually adopted throughout 2006 all commercial loans will be assigned a rating on an individual basis utilizing a more automated and sophisticated statistical model. In 2005 we performed back testing of this more advanced system with minimal differences in the calculation of required provisions compared to the actual amount of provisions under the current system, but no assurance can be given as to the difference in provisioning level the two models would have in 2006.

A detailed description of this accounting policy is discussed below under “—*Selected Statistical Information—Loan loss allowances*” and in Note 1 of our Consolidated Financial Statements. For a description of the regulations relating to loan loss allowances to which we were previously subject to and the new regulations, see “*Item 4: Information on the Company—Regulation and Supervision—Allowance for Loan Losses.*”

Goodwill and Intangible Assets with Indefinite Useful Lives

Under U.S. GAAP, we have significant intangible assets consisting of goodwill and trademarks with indefinite useful lives. We record all assets and liabilities acquired in purchase acquisitions, including goodwill and other acquired intangibles, at fair value. These include amounts pushed down from Banco Santander Central Hispano.

Goodwill and indefinite-lived assets are no longer amortized over their estimated useful lives using straight-line and accelerated methods, and are subject to at least an annual impairment review. The initial goodwill and intangibles recorded and subsequent impairment analysis requires management to make subjective judgments concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behavior and attrition, changes in revenue growth trends, cost structures and technology and changes in interest rates and specific industry or market sector conditions. For a further discussion of accounting practices for goodwill and intangible assets with indefinite useful lives under U.S. GAAP, see *Note 27 to our Audited Consolidated Financial Statements*.

Differences between Chilean and United States Generally Accepted Accounting Principles

Accounting principles generally accepted in Chile vary in certain important respects from the accounting principles generally accepted in the United States. Such differences involve certain methods for measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by accounting principles generally accepted in the United States and the accounting treatment of the merger.

Note 27 to the Consolidated Financial Statements presents a description of the significant differences between Chilean GAAP and U.S. GAAP.

B. Operating Results

Chilean Economy

All of our operations and substantially all of our customers are located in Chile. Accordingly, our financial condition and results of operations are substantially dependent upon economic conditions prevailing in Chile. The Chilean economy grew by 6.3% in 2005 following growth of 6.1% in 2004 and 3.7% in 2003. The strength of the emerging Asian economies and the stable economic environment in the rest of the developed world continued to benefit Chile's economy in 2005 despite the rise in international oil prices. In 2005 the price of Chile's main export, copper, surged 45.5%, boosting economic growth. Total exports in 2005 increased 23.5% to US\$39.5 billion. This positive external scenario also led to strong consumer and investor confidence that in turn resulted in a strong rebound of internal demand (investment plus consumption). With this growth the Chilean economy ended the year with solid economic fundamentals. The fiscal surplus as a percentage of GDP was 4.5%, the current account surplus reached 0.1% of GDP and the average unemployment rate decreased to 8.1% in 2005 compared to 8.8% in 2004.

Inflation in 2005 reached 3.7%, the highest level since 1998 mainly driven by rising oil prices and stronger internal demand. As a result of this increase and growth and rising inflation due to the hike in international oil prices, the Central Bank continued to tighten monetary policy. The overnight interbank rate set by the Chilean Central Bank increased 225 basis points in 2005 to 4.5% in December 2005. Long-term rates on the other hand did not rise at the same pace. In the first 9 months of the year strong liquidity in the Chilean financial systems dampened long-term yields. As the economy strengthened and as inflation continued to go up this trend reversed sharply in the last quarter of the year. As of December 31, 2004 the market rate of the 10 year Central Bank bond in real terms reached 3.29% . As of September 30, 2005 the yield on this same instrument reached 2.43% and as of December 31, 2005 the yield on this bond was 3.29%. This rate environment and the growth of exports led to an 8.2% appreciation of the Chilean peso in 2005.

Despite these developments at the macroeconomic level, we believe there still is potential for a reduction in economic activity in Chile given the volatility of international markets and the potential for reduction in world economic growth.

Impact of Inflation

Inflation impacts the Bank's results of operations. Although Chilean inflation has moderated in recent years, Chile has experienced high levels of inflation in the past. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. In 2005, inflation reached 3.7% compared to 2.4% in 2004, mainly as a result of the recovery in internal demand and consumption and the rise in international oil prices. There can be no assurance that Chilean inflation will not change significantly from the current level. Although we currently benefit from moderate levels of inflation in Chile due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposit, or other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

- *UF-denominated Assets and Liabilities.* The Bank's assets and liabilities are denominated in Chilean nominal pesos, "Unidades de Fomento" (UF), which are inflation indexed pesos, and foreign currencies. The "Unidad de Fomento" (UF) is revalued in monthly cycles. On each day in the period beginning the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportional amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF was equal to Ch\$16,920.00, Ch\$17,317.05 and Ch\$17,974.81 at December 31, 2003, 2004 and 2005, respectively. The effect of any changes in the nominal peso value of our UF-denominated assets and liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest revenue and expense, respectively. Our net interest revenue will be positively affected by an inflationary environment to the extent that our average UF-denominated assets exceed our average UF-denominated liabilities. Our net interest revenue will be negatively affected by inflation in any period in which our average UF-denominated liabilities exceed our average UF-denominated assets. Our average UF-denominated assets exceeded our average UF-denominated liabilities by Ch\$1,219,507 million, Ch\$1,258,606 million and Ch\$1,416,266 million during the years-ended December 31, 2003, 2004 and 2005, respectively. See "Item 5D: Asset and Liability Management—Selected Statistical Information—Average Balance Sheets and Interest Rate Data." The Bank generally has more UF-denominated financial assets than UF-denominated financial liabilities. In 2005, the interest gained on interest earning assets denominated in UF increased 17.9%, in part, as a result of the increase in inflation which increased the nominal rate paid on these assets. The same is true of interest paid on interest bearing liabilities denominated in UF. The interest paid on these liabilities increased 19.1%, in part as a result of the rise in inflation in 2005 versus 2004. Changes in balances of assets and liabilities denominated in UFs also affect the level of interest earned and paid over these items.

Inflation sensitive income	2004	2005	% Change
	(In million of constant Chilean pesos December 31, 2005)		
Interest gained on UF assets	395,030	465,883	17.9%
Interest paid on UF liabilities	(207,780)	(247,447)	19.1%
Net Gain	187,250	218,436	16.7%

- *Peso-denominated Assets and Liabilities.* Rates of interest prevailing in Chile during any period reflect in significant part the rate of inflation during the period and expectations of future inflation. The responsiveness to such prevailing rates of our peso-denominated interest earning assets and interest bearing liabilities varies. See "Item 5B: Operating Results— Interest Rates." We maintain a substantial amount of non interest bearing peso-denominated demand deposits. Because such deposits are not sensitive to inflation, any decline in the rate of inflation adversely affects our net interest margin on inflation-indexed assets funded with such deposits and any increase in the rate of inflation increases the net interest margin on such assets. The ratio of such demand deposits to average interest earning inflation-indexed assets was 16.4%, 16.6% and 16.4% as of December 31, 2003, 2004 and 2005, respectively.
- *Price level restatement.* Chilean GAAP requires that financial statements be restated to reflect the full effects of loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The Bank must adjust its capital, fixed assets and other non-financial assets for variations in price levels. Since the Bank's capital is generally larger than the sum of fixed and other non-financial assets, when inflation is positive the Bank records a loss from price level restatement. In 2005 the loss from price level restatement totaled a loss of Ch\$18,140 million compared to a loss of Ch\$12,417 million in 2004.

Interest Rates

Interest rates earned and paid on our assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real rates. The Central Bank manages short-term interest rates based on its objectives of balancing low inflation and economic growth. Because our

liabilities generally reprice faster than our assets, changes in the rate of inflation or short-term rates in the economy are reflected in the rates of interest paid by us on our liabilities before such changes are reflected in the rates of interest earned by us on our assets. Therefore, when short-term interest rates fall, our net interest margin is positively impacted, but when short-term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation since generally our UF-denominated assets exceed our UF-denominated liabilities. See “*Item 5B: Operating Results—Impact of Inflation—Peso denominated Assets and Liabilities.*” An increase in long-term rates also has a positive effect on our net interest margin, because our interest-earning assets generally have longer tenors than our interest-bearing liabilities. In addition, because our peso-denominated liabilities have relatively short repricing periods, they are generally more responsive to changes in inflation or short-term rates than our UF-denominated liabilities. As a result, during periods when current inflation or expected inflation exceeds the previous month’s inflation, customers often switch funds from UF-denominated deposits to more expensive peso-denominated deposits, thereby adversely affecting our net interest margin.

Foreign Exchange Fluctuations

The Chilean government’s economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Chilean peso has been subject to significant devaluation in the past, including a decrease of 14.7% in 2001 and 8.6% in 2002, and may be subject to significant fluctuations in the future. In 2004 and 2005 the Chilean peso appreciated 6.6% and 8.1% against the dollar, respectively. See “*Item 3A: Selected Financial Data—Exchange Rates.*” A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained and may continue to maintain material gaps between the balances of such assets and liabilities. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains and losses realized upon the sale of such assets, are translated to Chilean pesos in preparing our financial statements, our reported income is affected by changes in the value of the Chilean peso with respect to foreign currencies (principally the U.S. dollar).

The regulations of the Central Bank do not permit the difference, whether positive or negative, between a bank's assets and liabilities denominated in any foreign currency (including assets and liabilities denominated in U.S. dollars but payable in pesos, as well as those denominated in pesos and the variation of the U.S. dollar exchange rate) to exceed 20% of the bank's paid-in capital and reserves. *Provided* that if the balance of such assets exceeds the balance of such liabilities, the difference may exceed 20% of such capital and reserves in an amount not to exceed the bank's allowances and reserves denominated in such foreign currency (excluding profits to be remitted abroad). In the years ended December 31, 2003, 2004 and 2005, the gap between foreign currency denominated assets and foreign currency denominated liabilities, including forward contracts, was Ch\$62,430 million, Ch\$(35,767) million and Ch\$(6, 269) million, respectively. The Bank also uses a sensitivity analysis to limit the potential loss in fluctuations of US interest rates on interest income and a VaR model to limit foreign currency trading risk (See “*Item 11: Quantitative and Qualitative Disclosure of Market Risk*”).

Foreign currency indexed interest earning assets and interest bearing liabilities. The gain or loss in book value of dollar indexed interest earning assets and liabilities is recorded as interest income and expense. Accordingly, an appreciation of the peso may result in a negative nominal or real rate earned or paid over these assets and liabilities. In 2004 and 2005, the appreciation of the peso was lower than the average increase in stated interest rates, resulting in a positive nominal rate in the period. As a result, on December 31, 2005, the average nominal rate earned on dollar assets reached 2.3%, but the average real rate earned was negative 9.2%, reflecting a loss in book value of assets indexed to the US dollar. In 2004 the nominal rate paid earned on dollar assets reached 1.7% and the real rate earned was negative 7.3%.

Foreign exchange transactions . The income statement also includes an item called foreign exchange transactions. This includes net gain or loss in the book value of assets and liabilities denominated in foreign currency (and does not include any gain or loss in the book value of assets or liabilities indexed to a foreign currency of which is included in net interest income). This line also includes the financial results of foreign currency forward contracts. Since the foreign currency gap between assets and liabilities denominated in foreign currencies is limited by Central Bank regulation and our internal policies, the results from foreign exchange transactions are mainly the results of our hedging transactions. The net gain from foreign exchange transactions was Ch\$2,684 million in 2005, Ch\$7,915 million in 2004 and Ch\$161,363 million in 2003.

Results of Operations for the Years Ended December 31, 2003, 2004 and 2005

The following discussion is based upon and should be read in conjunction with the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been prepared in accordance with Chilean GAAP (including the rules of the Superintendency of Banks relating thereto), which differ in certain significant respects from U.S. GAAP. *Note 27 to the Audited Consolidated Financial Statements* describes the principal differences between Chilean GAAP and U.S. GAAP and includes a reconciliation to U.S. GAAP of our net income for the years ended December 31, 2003, 2004 and 2005 and of our shareholders’ equity at December 31, 2004 and 2005. The Audited Consolidated Financial Statements

have been restated in constant Chilean pesos of December 31, 2005. See Note 1(c) to the Audited Consolidated Financial Statements.

Introduction

The following table sets forth the principal components of our net income for the years ended December 31, 2003, 2004 and 2005.

	For the year-ended December 31,				% Change	
	2003	2004	2005	2005	2003/2004	2004/2005
	(in millions of constant Ch\$ as of December 31, 2005)			(in thousands of US\$)(1)		
CONSOLIDATED INCOME STATEMENT DATA						
Chilean GAAP:						
Interest income and expense						
Interest revenue	651,540	812,032	985,669	1,916,860	24.6%	21.4%
Interest expense	(330,119)	(326,743)	(439,790)	(855,273)	(1.0%)	34.6%
Net interest revenue	321,421	485,289	545,879	1,061,587	51.0%	12.5%
Provision for loan losses	(71,592)	(83,677)	(63,532)	(123,554)	16.9%	(24.1%)
Fees and income from services						
Fees and other services income	145,491	153,720	169,786	330,188	5.7%	10.5%
Other services expense	(26,729)	(27,707)	(31,420)	(61,103)	3.7%	13.4%
Total fees and income from services, net	118,762	126,013	138,366	269,085	6.1%	9.8%
Other operating income, net						
Net gain (loss) from trading and brokerage	29,153	37,943	8,404	16,344	30.2%	(77.9%)
Foreign exchange transactions, net	161,363	7,915	2,684	5,220	(95.1%)	(66.1%)
Others, net	(21,143)	(25,302)	(23,602)	(45,900)	19.7%	(6.7%)
Total other operating income, net	169,373	20,556	(12,514)	(24,336)	(87.9%)	(160.9%)
Other income and expenses						
Non-operating income, net	530	(4,572)	(22,013)	(42,810)	(962.6%)	381.5%
Income attributable to investments in other companies	1,772	556	678	1,319	(68.6%)	21.9%
Losses attributable to minority interest	(170)	(190)	(133)	(258)	11.8%	(30.0%)
Total other income and expenses	2,132	(4,206)	(21,468)	(41,749)	(297.3%)	410.4%
Operating expenses						
Personnel salaries and expenses	(133,973)	(137,824)	(139,220)	(270,745)	2.9%	1.0%
Administrative and other expenses	(89,128)	(100,038)	(100,585)	(195,611)	12.2%	0.6%
Depreciation and amortization	(42,648)	(40,127)	(39,248)	(76,327)	(5.9%)	(2.2%)
Total operating expenses	(265,749)	(277,989)	(279,053)	(542,683)	4.6%	0.4%
Loss from price-level restatement	(8,179)	(12,417)	(18,140)	(35,277)	51.8%	46.1%
Income before income taxes	266,168	253,569	289,538	563,073	(4.7%)	14.2%
Income taxes	(46,382)	(47,578)	(49,828)	(96,902)	2.6%	4.7%
Net income	219,786	205,991	239,710	466,171	(6.3%)	16.4%

(1) Amounts stated in US dollars as of and for the year ended December 31, 2005 have been translated from Chilean pesos at the exchange rate of Ch\$514.21 = US\$1.00 as of December 31, 2005. See “Item 3A: Selected Financial Data— Exchange Rates” for more information on the observed exchange rate.

2004 and 2005. Net income for the year ended December 31, 2005 increased 16.4% to Ch\$239,710 million compared to net income of Ch\$205,991 million in 2004. This increase was mainly due to a 12.5% increase in net interest revenue, a 24.1% decline in provisions for loan losses and a 9.8% increase in fee income. Net interest revenue, net of related hedging transactions recorded under “Foreign exchange transactions, net,” increased 11.2% in 2005 compared to 2004. Our net interest margin for 2005, net of such hedging transactions, improved to 4.7% in 2005 compared to 4.5% in 2004. In 2005 the positive economic environment led to higher loan growth and banking activity in general which fueled the increases of Ch\$60,590 million in net interest revenue and the Ch\$12,353 million in net fee income. At the same time the quality of the Bank's loan portfolio improved leading to a Ch\$20,145 million decrease in provision expense mainly due to an improvement in economic conditions.

The results were partially offset by the 77.9% decrease in net gains from trading and brokerage activities which mainly reflects variations in the market value of our debt securities portfolios resulting from interest rate movements. In 2004 the Bank benefited from an important decline in long-term rates which was much more subdued in 2005 leading to a Ch\$29,539

million drop in gains from trading and brokerage activities. Net non-operating losses also increased Ch\$17,262 million or 410.4% in 2005 compared to 2004 because results in 2004 included a one-time gain of Ch\$22,614 million from the sale of our Santiago Express division to Empresas París. Operating expenses in 2005 increased 0.4% or Ch\$1,064 million and the efficiency ratio, operating expenses divided by operating income, improved to 41.5% in 2005 from 44.0% in 2004.

2003 and 2004 . Net income for the year-ended December 31, 2004 decreased 6.3% compared to the same period in 2003. This decrease was principally attributable to the 87.9% decrease in net other operating income, the 16.9% increase in provisions for loan losses and the 12.2% increase in administrative and other expenses in 2004. The increase in the provision for loan losses was mainly due to the reversal of voluntary loan loss reserves in 2003 and a 16.3% increase in charge-offs in 2004 compared to 2003. The rise in charge-offs was mainly due to the growth of the consumer loan portfolio and the implementation at the beginning of this year of a new loan classification system mandated by the Superintendency of Banks. Net income was also adversely affected by an increase in charge-offs of foreclosed property and a rise in provisions for contingencies, both of which are recorded under “non-operating income, net.” This was offset by the gain from the sale of our Santiago Express division to Empresas París. Net income was also positively affected by an increase in the net gains from trading and investment activities, which reflected increases in the market value of our debt securities portfolios resulting from the continuing decline in interest rates. Net income in the 2004 period also benefited from an increase in recoveries of loans previously written off, which was mainly due to an increased stock of written-off loans and improved economic conditions in Chile. Net interest revenue, net of related hedging transactions recorded under “Foreign Exchange transactions, net,” increased 2.2% in 2004 compared to 2003. Our net interest margin for 2004, net of such hedging transactions, remained flat at 4.5% in 2004 compared to the 2003 period. Fee income increased 6.1% in the same period.

Net interest revenue

	Year Ended December 31,			% Change	
	2003	2004	2005	2003/2004	2004/2005
(in millions of constant Ch\$ as of December 31, 2005, except percentages)					
Interest revenue	651,540	812,032	985,669	24.6%	21.4%
Interest expense	(330,119)	(326,743)	(439,790)	(1.0%)	34.6%
Net interest revenue	321,421	485,289	545,879	51.0%	12.5%
Average interest earning assets	10,768,109	10,917,863	11,585,272	1.4%	6.1%
Average non-interest bearing demand deposits	1,769,930	1,817,097	1,905,182	2.7%	4.8%
Net interest margin(1)	3.0%	4.4%	4.7%		
Adjusted net interest margin(2)	4.5%	4.5%	4.7%		
Average shareholders' equity and average demand deposits to total average earning assets	25.7%	26.0%	25.0%		

(1) Net interest margin is net interest revenue divided by average interest earning assets.

(2) For a reconciliation of this non-GAAP measure, see “Reconciliation of non-GAAP measures” in Item 5G below.

2004 and 2005. Net interest revenue for the year-ended December 31, 2005 increased 12.5% in 2005 mainly as a result of the 6.1% increase in average interest-earning assets and an increase in our net interest margin from 4.4% in 2004 to 4.7% in 2005.

Adjusted net interest margin including results of forward contracts reached 4.7% in 2005 compared to 4.5% in 2004. Pursuant to Chilean GAAP, Santander-Chile must include as net interest income the gain or loss in book value of dollar-indexed interest-earning assets and liabilities. Therefore, an appreciation of the peso, as occurred in 2003, 2004 and 2005 affects net interest revenue and net interest margins. In the year-ended December 31, 2005, the average nominal rate earned on dollar assets was 2.3% and the average real rate was negative 9.2%, reflecting the loss in book value of assets indexed to the US dollar. Pursuant to Chilean GAAP, the Bank must report the results of forward contracts that hedge foreign currencies as foreign currency transactions in the income statement. Because the foreign currency gap is limited by Central Bank regulation and our internal policies, the results from foreign exchange transactions are mainly the results of our hedging transactions. The accounting asymmetry produced by incorporating the changes in book value of dollar-indexed assets and liabilities as net interest revenue and the financial results of forward contracts as financial exchange transactions results in a presentation that is not reflective of our underlying business, especially during periods when the exchange rate is highly volatile and, therefore, for analysis purposes only, we add foreign exchange transactions to net interest revenue.

The principal factors positively affecting our net interest margin were the change in asset mix and the higher inflation rate. Total average loans in 2005 increased 23.6% compared to a 6.1% increase in interest-earning assets. Average loans in 2005 represented 64.4% of interest-earning assets compared to 55.3% in 2004. The average nominal rate paid on loans was 10.4% compared to 8.5% for average interest earning assets as a whole.

Period end loans increased 13.6% in 2005 compared to 2004, led by a 24.4% increase in consumer loans, an 11.9% increase in general commercial loans, mainly reflecting an increase in lending to small and mid-sized companies, and a 23.3% increase in residential mortgage loans. The amount of mortgage loans appearing on our balance sheet, which only includes commercial and residential mortgage loans funded with mortgage bonds, decreased 33.5%. Residential and commercial mortgage lending funded through general borrowings are classified as “other loans”. The following table shows the breakdown of residential mortgage loans into those funded with mortgage bonds and those funded through general funding, and the total growth of this loan product, which was a key area of growth in 2005. This also reflects a change in funding strategy in 2005 away from mortgage bonds in order to increase the spread of mortgage lending.

Interest Earning Assets (Ch\$ million)	Year-end December 31,		%Change
	2004	2005	Dec. 2005/2004
Residential mortgage loans funded through mortgage bonds (1)	600,314	414,070	(31.0%)
Residential mortgage loans funded through general borrowing (2)	1,252,614	1,871,055	49.4%
Total loans	1,852,928	2,285,125	23.3%

(1) Included as mortgage loans on our balance sheet.

(2) Included as “other loans” on our balance sheet.

At the same time the higher inflation rate in 2005 compared to 2004 also helped to boost the net interest margin. In 2005 inflation reached 3.7% compared to 2.4% in 2004. Our average UF-denominated assets exceeded our average UF-denominated liabilities by Ch\$1,416,266 million in 2005, compared to Ch\$1,258,606 million in 2004. This 12.5% rise in the average UF gap combined with a higher inflation had a positive effect on the net interest margin. See “Item 5B: Operating Results Impact of Inflation”.

The principal factors negatively affecting the net interest margin were the rise in short-term interest rates and the lower ratio of non-interest-bearing demand deposits and shareholders’ equity to interest-earning assets. As interest-bearing liabilities generally have shorter terms than interest-earning assets, a rise in short-term rates has a negative effect on the Bank’s net interest margin. The average nominal rate paid on interest-bearing liabilities increased from 4.3% in 2004 to 5.2% in 2005. In 2005 the overnight reference rate set by the Chilean Central Bank increased 225 basis points to 4.50% in December 2005. The average 90-day Central Bank rate, a benchmark rate for deposits, increased in nominal terms from 1.75% in 2004 to 3.29% in 2005. As of December 31, 2005, the amount of our interest bearing liabilities with a maturity of 90 days or less was greater than our interest earning assets with the same maturity by Ch\$491,182 million. The main reason for this gap is that interest-bearing liabilities are mainly comprised of time deposits and short-term repurchase agreements. Average time deposits and repurchase agreements represented 66.4% of interest bearing liabilities in 2005, and 51.5% of total time deposits had a maturity of 90 days or less as of December 31, 2005.

The rise in short-term interest rate also negatively affected the funding mix. Average time deposits increased 22.0% in 2005 compared to a 4.8% increase in non-interest bearing demand deposits. Average time deposits represented 37.7% of average liabilities in 2005 compared to 33.4% in 2004. As short-term interest rates increased, so did the attractiveness of time deposits. In order to reduce the impact on margins of rising rates, the Bank increased the maturity of deposits. In 2005 16.5% of time deposits had a maturity greater than 12 months compared to 8.8% in 2004. The ratio of average free funds (non-interest bearing liabilities and shareholders’ equity) as a percentage of interest bearing liabilities also decreased as a result of this rise in short-term rates from 26.0% in 2004 to 25.0% in 2005. This was partially offset by the rise in spread earned over free funds as a result of the higher inflation rates in the periods being compared.

2003 and 2004. Our net interest revenue for the year ended December 31, 2004 increased 51.0% from the same period in 2003, mainly reflecting an increase in our net interest margin from 3.0% to 4.4%, which was principally due to an increase in the yield of dollar-denominated and dollar-indexed interest-earning assets. In the year-ended December 31, 2004, the nominal rate earned on dollar assets reached 1.7%, compared to negative 4.1% in the same period of 2003. In 2004, the exchange rate appreciated 6.6% compared to 15.9% in 2003. The gain or loss in book value of dollar-indexed interest-earning assets is recorded as interest income, and an appreciation of the peso may therefore result in a negative nominal or real rate earned over these assets. In 2003, the aforementioned negative nominal rate resulted from appreciation of the peso in that period at a rate that exceeded the average nominal interest rate on dollar-denominated or indexed interest-earning assets. In 2004, the rate of appreciation of the peso was lower than the average nominal rate resulting in a positive nominal rate and higher yield earned on dollar denominated and dollar indexed interest-earning assets. The gain or loss in book value of such assets due to exchange rate movements is recorded as interest income.

The effects of foreign exchange movements are largely eliminated if the results of our foreign exchange hedging transactions are considered. These transactions are entered into to hedge foreign currency exposure arising from our dollar-denominated or dollar-indexed assets and liabilities, but the results of these hedging operations are included in foreign exchange transactions. After hedging transactions, our adjusted net interest margin was essentially flat in the 2003 and 2004 period at 4.5%.

The principal factor negatively affecting our net interest margin was the lower interest rate environment, which, together with continued competition in the lending markets, put pressure on spreads. The average 90-day Central Bank rate, a benchmark rate for deposits and loans expressed in nominal terms, decreased from 2.77% in 2003 to 1.75% in 2004. As a result the nominal rate earned on the Bank’s interest earning assets nominally denominated in Chilean pesos declined from 12.6% in 2003 to 11.2% in 2004.

The most significant factor positively affecting net interest margin in 2004 was the higher inflation rate in 2004 compared to 2003. Inflation as measured by the Chilean Consumer Price Index in 2004 reached 2.4% from 1.1% in 2003. This rise in inflation has a positive impact on net interest margins as the Bank has more inflation-indexed assets than liabilities and, therefore, a rise in the rate of inflation has a positive impact on the net interest margin. In 2004 the nominal rate earned over inflation adjusted assets increased to 7.8% from 6.9% in 2003.

The lower interest rate environment also lowered funding costs of interest bearing deposits denominated in nominal Chilean pesos in 2004. The nominal rate paid on nominally (non-indexed) peso-denominated interest-bearing time deposits decreased 90 basis points to 2.7% in 2004 compared to 2003. The majority of these time deposits have a maturity of 90 days or less, and the cost of these funds therefore varies directly corresponding to short-term interest rates. As a result, in 2004 the real rate paid on nominally peso-denominated time deposits fell 240 basis points to 0.2% and the real rate paid on inflation-indexed time deposits fell 80 basis points to 1.8%. Time deposits continue to be the main source of funding. Time deposits represented 33.4% of total average liabilities in 2004 compared to 34.2% in 2003, reflecting the higher growth of cheaper non-interest bearing liabilities to fund asset expansion.

Our margins also benefited from an improvement of our funding mix in 2004 as a result of an increase in our non-interest-bearing liabilities. At December 31, 2004, our ratio of average non-interest-bearing demand deposits and equity to average interest-earning assets reached 26.0%, compared to 25.7% in the same period of 2003. We believe that the increase was due in part to increased use of cash management services by our corporate clients, which resulted in growth in non-interest-bearing demand deposits. In addition, the current low interest rate environment led retail customers to prefer readily-available funds deposited in checking accounts rather than low-yielding time deposits.

The improvement of our asset mix, through an increased percentage of loans, also helped to minimize the negative impacts on our net interest margin of increased competition and lower rates. Average interest-earning assets in 2004 increased 1.4% compared to 2003. Meanwhile, the average balance of loans increased 3.8% in the same period. The average balance of loans to total interest-earning assets increased from 54.0% in 2003 to 55.3% in 2004. The balance of total loans in 2004 increased 10.4%, with higher yielding consumer loans, excluding lines of credit, increasing 13.3% in the same period. Demand for consumer financing loans increased as a result of prevailing lower interest rates and lower unemployment. Total commercial loans, excluding lines of credit, increased 16.8%, led by a 22.4% increase in loans to higher yielding small and mid-sized companies.

Provision for loan losses

As of January 1, 2004, the new loan loss allowance regulations set by the Superintendency of Banks came into effect. For purposes of these new classifications, loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans). See “Item 5D: Asset and Liability Management—Loan Portfolio—Classification of Loan Portfolio” and “Item 5D: Asset and Liability Management—Loan Loss Allowances.” In accordance with these regulations, the models and methods used to classify our loan portfolio must follow the guiding principles established by the Superintendency of Banks and the Bank.

For statistical information with respect to our substandard loans and reserves for probable loan losses, see “Item 5D: Asset and Liability Management—Loan Loss Provisions—Analysis of Substandard Loans and Amounts Past Due” and “Item 5D: Asset and Liability Management—Loan Loss Provisions—Analysis of Loan Loss Provisions”, as well as Note 7 to the Audited Consolidated Financial Statements. The amount of provision charged to income in any period consists of net provisions established for possible loan losses, net provisions made with respect to real estate acquired upon foreclosure and charge-offs against income (equal to the portion of loans charged off that is not allocated to a required reserve at the time of charge off).

2004 and 2005. Provisions for loan losses totaled Ch\$63,532 million in the year ended December 31, 2005, a decrease of 24.1% compared to 2004. The growth of the Chilean economy has led to an improvement in asset quality indicators which in turn resulted in a lower provision expense in the year. Past due loans as of year-end 2005 decreased 21.6% from year-end 2004. Past due loans as a percentage of total loans decreased from 1.52% as of year-end 2004 to 1.05% as of year-end 2005. Substandard loans as of year-end 2005 decreased by 19.9% to Ch\$265,902 million. The coverage ratio (loan loss allowance as a percentage of past due loans) improved to 138.8% at year-end 2005 from 132.2% as of year-end 2004.

Charge-offs in 2005 totaled Ch\$136,773 million, increasing 10.5% in the twelve month period ended December 31, 2005 compared to the same period of 2004, mainly as a result of an increase in charge-off of commercial loans that had been previously restructured and that bear no interest See Item 5D: Asset and Liability Management – Analysis of Loan Loss Allowances and Item 5: Classification of Loan Portfolio Based on the Borrower’s Payment Performance). These loans were already classified as D2 and were 90%

provisioned for. Therefore, this increase in charge-offs was offset by the subsequent release of provisions previously set aside for these loans.

We expect provisions for loan losses to increase in future periods in line with overall growth of our loan portfolio and our increased lending to small companies and individuals. See “Risk Factors—Risks Associated with our Business—Our exposure to individuals and small businesses could lead to higher levels of past due loans and subsequent write-offs” and “Risk Factors—Risks Associated with our Business— The growth of our loan portfolio may expose us to increased loan losses.”

2003 and 2004. In the year-ended December 31, 2004, provisions for loan losses increased 16.9% and charge-offs in the period grew 16.3% from 2003. This rise in charge-offs was mainly due to the increase in loans, especially consumer lending which involves a higher risk and according to the guidelines of the Superintendency of Banks must be completely charged-off after 180 days past due. The rise in charge-offs was also due in part to the implementation at the beginning of the year of a new loan classification system mandated by the Superintendency of Banks, which among other things, required banks to reclassify overdraft lines of credit for individuals from Other loans to Consumer loans, thus placing these loans under the charge-off policy established for consumer lending.

Past due loans as of year-end 2004 decreased 24.8% from year-end 2003, principally due to improved economic conditions in Chile and high levels of charge-offs resulting from the reclassification of lines of credit. As a result of this decrease in past due loans, the coverage ratio (loan loss allowance as a percentage of past due loans) improved to 132.2% at year-end 2004 from 98.9% as of year-end 2003. Past due loans as a percentage of total loans decreased from 2.23% as of year-end 2003 to 1.52% as of year-end 2004. Substandard loans as of year-end 2004 increased by 14.5%, principally due to application of the new Superintendency of Banks classification system, which classifies as “substandard” loans with required allowance levels that would not have resulted in a substandard classification under the old system. Loan loss allowance as a percentage of substandard loans declined from 61.7% as of year-end 2003 to 54.2% as of year-end 2004.

Fee income

The following table sets forth certain components of our income from services (net of fees paid to third parties directly connected to providing those services, principally fees relating to credit card processing and ATM network administration) in the years ended December 31, 2003, 2004 and 2005.

	Year ended December 31, in million of constant Ch\$ as of December 31, 2005			% Change	% Change
	2003	2004	2005	2003/2004	2004/2005
Checking accounts & lines of credit	38,709	34,666	41,547	(10.4%)	19.8%
Collection and administration of insurance policies	12,991	17,327	20,170	33.4%	16.4%
Mutual fund services	13,488	18,691	18,875	38.6%	1.0%
Credit cards(1)	15,469	13,186	13,824	(14.8%)	4.8%
Automatic teller cards (2)	11,573	12,751	13,571	10.2%	6.4%
Insurance brokerage	5,126	6,648	8,231	29.7%	23.8%
Sales and purchase of foreign currencies	5,310	5,162	6,481	(2.8%)	25.6%
Payment agency services	6,555	4,100	2,821	(37.5%)	(31.2%)
Letters of credit, guarantees, pledges and other contingent operations	3,474	4,728	2,757	36.1%	(41.7%)
Underwriting	3,803	6,191	2,333	62.8%	(62.3%)
Stock brokerage	1,162	1,385	1,619	19.2%	16.9%
Office banking	-	-	1,351	-	100%
Custody and trust services	570	578	638	1.4%	10.4%
Bank drafts and fund transfers	252	256	253	1.6%	(1.2%)
Saving accounts	763	255	239	(66.6%)	(6.3%)
Other	(483)	89	3,656	(118.4%)	4,007.9%
Total	118,762	126,013	138,366	6.1%	9.8%

(1) Net of payments to Transbank in respect of credit card purchase processing expenses.

(2) Net of payments to REDBANC in respect of ATM transaction processing expenses.

2004 and 2005

In 2005 total fee income increased 9.8% to Ch\$138,366 million. The positive economic environment led to a rise in the usage and penetration of bank products in 2005. Fees from checking accounts and lines of credit increased 19.8% mainly a result of a rise in the fee charged for lines of credit and greater usage and opening of lines of credits on behalf of checking account holders. These products are sold together and, therefore, are being analyzed as a single product (*See Item 5G. Reconciliation of Non-GAAP Measures*).

Insurance brokerage fees went up 23.8% mainly as a result of an industry wide expansion of insurance brokerage as banks have successfully introduced simple and low cost insurance products to the market. The 6.4% rise in ATM fees was mainly driven by the rise of ATMs installed by the Bank that increased 19.5% in 2005 to 1,422 tellers. This was offset in part by the US\$2 million one-time fee earned in 2004 as a result of the strategic alliance signed between the Bank and Empresas París in December 2004. Excluding this item, ATM fees increased 17.1% in line with the increase of ATMs in the period.

Other fees increased by 4,008% mainly due to a Ch\$2,102 million in fees paid to the Bank in connection with financial advisory services provided to a companies.

Fees from our mutual fund asset management subsidiary increased 1.0% . Total assets under management increased 4.7% in 2005 compared to 2004 to Ch\$1,507,312 million (US\$2,931 million). In 2005 the Bank launched 12 new funds. The inflow to these new funds offset a reduction in amount managed in fixed income funds as money flowed away from these funds toward bank deposits.

The growth in fees was offset by a 41.7% decrease in fees from letters of credit, guarantees, pledges and other contingent operations in line with the decline in low yielding contingent loans. Underwriting fees decreased 62.3% mainly due to lower corporate bond issuances in 2005 compared to 2004. Payment agency service fees declined 31.2% in 2005 compared to 2004. These charges are mainly related to collection services the Bank performs on behalf of corporate customers. These services are increasingly being performed through our internet banking services. Fees charged for Office Banking, which is internet banking service for companies, totaled Ch\$1,351 million in 2005 compared to no significant income in previous years.

2003 and 2004.

Fee income for the year ended December 31, 2004 increased 6.1% from the same period in 2003. The overall rise in fee income was due to an increase in fees from various business lines. Fees from underwriting increased 62.8% in 2004 compared to 2003 as a result of growth of non-lending activities in wholesale banking and the strength of our corporate finance division. The low interest rate environment and the recovery of the economy also led to a greater demand on behalf of corporate clients for issuing bonds in the market. Fees for insurance brokerage and mutual fund services sold by our subsidiaries were substantially higher in 2004 period compared to 2003. The 38.6% rise in mutual fund fees is directly related to a 30.8% increase in assets under management as of December 31, 2004. We believe that the increase in mutual fund fees was primarily attributable to the low interest rate environment in Chile in 2004, which made the rate of return on our mutual funds more attractive for our clients than deposit accounts. We believe that we could experience a decrease in mutual fund fees if interest rates were to increase in the future. Fees from insurance brokerage increased 29.7% in the year-ended December 31, 2004 compared to the same period of 2003, reflecting our introduction of new products and marketing campaigns.

The rise in fee income from these products was offset in part by decreases in fee income from checking accounts and lines of credit and from credit card and payment agency services. The 10.4% decrease in fee income from checking accounts and lines of credit and from credit cards was mainly due to a decrease in the average number of accounts resulting from customer service challenges. These challenges arose in connection with integration of the operations of Old Santander-Chile and Santiago and from our current promotional policy, which was adopted in 2004, of waiving certain checking account fees as an incentive to increase the client base and promote increased product usage. As a result of this promotional policy, our customer base has begun to rebound. The total number of checking accounts in retail banking has risen 13.4% between year-end 2003 and year-end 2004. The decrease in fees from payment agency services mainly reflects the sale of our subsidiary *Cobranzas y Recaudaciones Limitada* (C y R) in October 2003.

Fee income in 2004 also included a US\$2 million fee paid by Empresas París to the Bank in connection with the strategic alliance signed by these two companies which included both the sale of the Santiago Express Division to Empresas París and the payment of a fee for access on behalf of future Banco París card holders to the Bank's ATM network. Excluding this fee, fees from ATMs increased 0.6% in 2004 compared to 2003.

Other operating income (expenses), net

The following table sets forth information regarding our Other operating income (expenses), net in the years ended December 31, 2003, 2004 and 2005.

	Year ended December 31,			% Change	% Change
	2003	2004	2005	2003/2004	2004/2005
(in millions of constant Ch\$ as of December 31, 2005, except percentages)					
Net gains from trading and mark-to-market	29,153	37,943	8,404	30.2%	(77.9%)
Foreign exchange transactions, net	161,363	7,915	2,684	(95.1%)	(66.1%)
Other operating losses, net	(21,143)	(25,302)	(23,602)	19.7%	(6.7%)
Total other operating income	169,373	20,556	(12,514)	(87.9%)	(160.9%)

2004 and 2005. Other operating income, net totaled a loss of Ch\$12,514 million in 2005 compared to a gain of Ch\$20,556 million in 2004. This was mainly due to the 77.9% decline in net gains from trading and mark-to-market. These lower gains reflect the movement of long-term local interest rates in 2005 compared to 2004. In the first 9 months of the year strong liquidity in the Chilean financial systems dampened long-term yields, resulting in important mark-to-market gains. As the economy strengthened and as inflation continued to rise, this trend reversed sharply in the last quarter of the year, reversing a substantial portion of the gains recorded to that point in the year. As of December 31, 2004 the market rate of the 10 year Central Bank bond in real terms was 3.29%. As of September 30, 2005 the yield on this same instrument had declined to 2.43%, but by December 31, 2005 it recovered to 3.29%. In 2004, the 10-year Chilean Central Bank bond was yielding 3.23%, down 104 basis points from year-end 2003.

Foreign exchange transactions, net in 2005 decreased 66.1% from 2004, to Ch\$2,684 million. This line item includes the net gain or loss in book value of assets and liabilities denominated in foreign currency, excluding the gain or loss in book value of assets or liabilities indexed to a foreign currency that is included as net interest income. This line also includes the financial results of foreign currency trading and foreign currency forward contracts. The Bank usually enters forward exchange transactions in order to avoid material exchange rate mismatches. Since the foreign currency gap is limited by Central Bank regulation and our internal policies (*See Item 11: Quantitative and Qualitative Disclosures about Market Risk*), the results from foreign exchange transactions are mainly the results of our hedging transactions. The accounting asymmetry produced by incorporating the changes in book value of dollar indexed assets and liabilities as net interest revenue and the financial results of forward contracts as financial exchange transactions results in a presentation that is not reflective of our underlying business and therefore, for analysis purposes only, we add foreign exchange transactions to net interest revenue.

Other operating losses, net decreased 6.7% in 2005 compared to 2004, totaling a loss of Ch\$23,602 million. This decrease was mainly due to the 20.9% decrease in commissions paid to our external sales force which totaled Ch\$16,869 million in 2005. This decrease was mainly due to the fact that in 2004 sales force expenses included the recognition of Ch\$4,087 million in one-time sales force expenses as a result of the sale of the Santiago Express Division to Empresas París. Expenses on assets received in lieu of payment also decreased 84.4% in 2005 compared to 2004. This was offset by a 16.6% decline in income from the sale of repossessed assets and a rise in other expenses related to our credit card business.

2003 and 2004. Other operating income, net for the year-ended December 31, 2004 decreased 87.9% compared to the year-ended December 31, 2003, principally reflecting a 95.1% decrease in the gain from foreign exchange transactions in 2004 compared to 2003. The lower gain from foreign exchange transactions was offset in part by a 30.2% increase in unrealized gains on financial investments and realized gains from trading. These gains reflected the increase in the value of our investment securities portfolios resulting from declining interest rates. At December 31, 2004 the 10-year Chilean Central Bank bond was yielding 3.23% in real terms compared to 4.27% as of December 31, 2003. Net gain from trading and mark-to-market of securities in the year-ended December 31, 2004 also included a one-time gain of Ch\$10,602 million arising from the sale of a single, large substandard loan and a one-time pre-tax loss of Ch\$6,537 million arising from the pre-payment of US\$170 million in various senior bonds, which were issued at higher rates of interest than those currently prevailing in the market. These bonds were replaced with lower cost funding which compensates for this one-time loss.

The 19.7% increase in the loss in other categories of other operating income, net in 2004 compared to 2003 was primarily the result of the recognition of Ch\$4,087 million in sales force expenses in connection with the sale of the Santiago Express Division to Empresas París. The expenses were incurred in relation to fees earned by the sales force on sales of bank products, which are generally recognized on an accrual basis over the life of the product as other operating expenses.

Other income and expenses, net

The following table sets forth information regarding our operating expenses in the years ended December 31, 2003, 2004 and 2005.

	Year ended December 31,			% Change	% Change
	2003	2004	2005	2003/2004	2004/2005
(in millions of constant Ch\$ as of December 31, 2005, except percentages)					
Non-operating income (loss), net	530	(4,572)	(22,013)	(962.6%)	381.5%
Income attributable to investments in other companies	1,772	556	678	(68.6%)	21.9%
Losses attributable to Minority interest	(170)	(190)	(133)	11.8%	(30.0%)
Total	2,132	(4,206)	(21,468)	(297.3%)	410.4%

2004 and 2005. The net loss recorded in Other income and expenses, net increased 410.4% in 2005 compared to 2004. In 2004 the Bank recognized a one-time gain of Ch\$22,614 million from the sale of our former Santiago Express Division to Empresas París. Excluding the sale, the net loss recorded in Other income and expenses, net decreased 20.0% in 2005 compared to 2004 mainly as a result of the 141.1% increase in income from the sale of repossessed assets previously charged off. This was partially offset by the 67.1% increase in provisions for other contingencies. These contingencies are mainly related to non-credit risks, including non-specific contingencies, tax contingencies and other non-credit contingencies or impairments. *See Note 17 to our Consolidated Financial Statements.*

2003 and 2004. Other income and expenses, net for the year-ended December 31, 2004 totaled a loss of Ch\$4,206 million compared to a gain of Ch\$2,132 million in this item in 2003. This reflects an increase in charge-off of assets acquired upon foreclosure. The increase in charge-offs of assets acquired upon foreclosure mainly reflects a change in Superintendency of Bank guidelines in the last quarter of 2004 regarding the charge-off of repossessed assets. Repossessed assets must be charged off if not sold twelve months after they have been repossessed. This limit can be extended by eighteen months in some cases. In 2000 the Superintendency of Bank temporarily extended this 18 month period to all assets repossessed between 1999 and 2002. In 2003 this extension period was reduced to 12 additional months for all assets repossessed in 2003. In the last quarter of 2004 the extension period was reduced to six months for assets repossessed in 2004. We expect that in 2005 the Superintendency of Banks will eliminate this extension period and the repossessed assets will have to be charged off after 12 months. Non-operating losses, net in 2004 included an increase in provisions for contingencies which mainly reflect a billing dispute with a vendor and a probable loss due to fraud by a vendor. These losses were offset by one-time gain obtained from the sale of the Santiago Express Division to Empresas París. *See Note 17 to our Consolidated Financial Statements.*

Operating expenses

The following table sets forth information regarding our operating expenses in the years ended December 31, 2003, 2004 and 2005.

	Year ended December 31,			% Change	% Change
	2003	2004	2005	2003/2004	2004/2005
(in millions of constant Ch\$ as of December 31, 2005, except percentages)					
Personnel salaries and expenses	133,973	137,824	139,220	2.9%	1.0%
Administrative expenses	89,128	100,038	100,585	12.2%	0.6%
Depreciation and amortization	42,648	40,127	39,248	(5.9%)	(2.2%)
Total	265,749	277,989	279,053	4.6%	0.4%
Efficiency ratio(1)	43.6%	44.0%	41.5%		

- (1) The efficiency ratio is the ratio of total operating expenses to total operating revenue. Total operating revenue consists of net interest revenue, fees and income from services, net, and other operating income, net.

2004 and 2005. Operating expenses in 2005 increased 0.4% compared to 2004. The 1.0% rise in personnel expenses reflects an increase in variable compensation paid to commercial teams for reaching commercial targets. This was partially offset by the 1.7% decrease in average headcount in 2005 compared to 2004 as a result of the sale of Santiago Express. The 0.6% increase in administrative expenses reflects an increase in spending in branches and ATMs, which was partially offset by savings produced by the outsourcing of certain back office functions, such as systems management and mortgage processing, which we believe has improved productivity. We expect personnel and administrative expenses to grow at a higher pace in future periods as a result of our strategy to expand our retail banking business. This trend was already observable in the second half of 2005.

Depreciation and amortization expenses decreased 2.2% in 2005 compared to 2004. Depreciation and amortization expenses were positively affected by the completion of the depreciation schedule of our core systems. Going forward we expect depreciation expenses to rise as the Bank continues to invest in branches and other fixed assets.

2003 and 2004. Operating expenses for the year-ended December 31, 2004 increased 4.6% over 2003, and the efficiency ratio reached 44.0% in 2004 compared to 43.6% in 2003. The increase in operating expenses was mainly due to efforts to expand our retail banking business. The increase in administrative expenses in 2004 was due in part to the outsourcing of certain systems management functions to Altec, a wholly-owned subsidiary of Banco Santander Central Hispano, in order to save costs and improve the management of systems. As a result, certain fixed personnel costs were eliminated and new variable costs associated with the Altec contract and recognized in administrative expenses were being incurred.

Loss from price level restatement

2004 and 2005. Losses from price level restatement totaled Ch\$18,140 and increased 46.1% compared to 2004. The higher loss from price level restatement reflected the higher inflation rate used for calculating price level restatement in the periods being analyzed (3.62% in 2005 compared to 2.35% in 2004). The Bank must adjust its capital, fixed assets and other assets for the variations in price levels. Because our capital is larger than the sum of our fixed and other assets, price level restatement usually results in a loss and fluctuates with the inflation rate.

2003 and 2004. Loss from price level restatement for the year-ended December 31, 2004 increased 51.8% compared to the same period of 2003. The higher loss from price level restatement reflected the higher inflation rate used for calculating price level restatement in the periods being analyzed (2.35% compared to 1.05%) .

Income tax

2004 and 2005. Our income tax expense increased 4.7% to Ch\$49,828 million for the year-ended December 31, 2005 compared to the same period in 2004. This rise was mainly due to a net charge to deferred taxes of Ch\$4,756 million compared to a net benefit of Ch\$12,715 million in 2004. This was partially offset by a 23.7% reduction in income tax provisions in 2005 compared to 2004. (*See Note 20 of our Consolidated Financial Statements*). As a result the total income tax expenses in 2005 increased at a lower rate than the growth of pre-tax income leading to a lower effective tax rate. The Bank's effective tax rate was 17.2% in the year-ended December 31, 2005, compared to 18.8% in 2004. The statutory corporate tax rate is 17%.

2003 and 2004. Our income tax expense increased 2.6% in 2004 compared to 2003. The Bank's effective tax rate reached 18.8% in the year-ended December 31, 2004, compared to 17.4% in 2003. This increase was mainly due to the rise in provisions for contingencies described above under "Other income and expenses, net," which are not deductible from income in calculating tax, and to the increase in the statutory corporate tax rate from 16.5% in 2003 to 17% in 2004.

C. Liquidity and Capital Resources

Sources of Liquidity

Santander-Chile's liquidity depends upon its (i) capital, (ii) reserves and (iii) financial investments, including investments in government securities. To cover any liquidity shortfalls and to augment its liquidity position, Santander-Chile has established lines of credit with foreign and domestic banks and also has access to Central Bank borrowings.

The following table sets forth our contractual obligations and commercial commitments by time remaining to maturity. As of December 31, 2005, the scheduled maturities of our contractual obligations and of other commercial commitments, including accrued interest were as follows:

Contractual Obligations	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 6 years	Due after 6 years	Total 2005
(in millions of constant Ch\$ as of December 2005)					
Deposit and other obligations(1)	4,984,944	842,367	68,719	10,681	5,906,711
Mortgage finance bonds	117,189	129,823	167,165	254,784	668,961
Subordinated bonds	-	43,131	-	342,620	385,751
Bonds	1,718	12,172	319,116	82,237	415,243
Chilean Central Bank borrowings:					
Credit lines for renegotiations of Loans	6,655	-	-	-	6,655
Other Central Bank borrowings	173,206	-	-	-	173,206
Borrowings from domestic financial institutions	2,528	-	-	-	2,528
Investments sold under agreements to Repurchase	49,779	-	-	-	49,779
Foreign borrowings	1,034,004	60,900	3,342	-	1,098,246
Other obligations	30,341	6,405	3,811	1,535	42,092
Total of cash obligations	6,400,371	1,094,798	562,153	691,850	8,749,172

(1) Excludes demand accounts and saving accounts

(2) The Bank as of the date of the filing of this 20-F has no significant purchase obligation

Operational leases

Certain bank premises and equipment are leased under various operating leases. Future minimum rental commitments as of December 31, 2005 under non-cancelable leases are as follows:

	As of December 31, 2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 year	5,307
Due after 1 year but within 2 years	4,667
Due after 2 years but within 3 years	3,856
Due after 3 years but within 4 years	2,590
Due after 4 years but within 5 years	1,180
Due after 5 years	376
Total	17,976

As of December 31, 2005, the scheduled maturities of other commercial commitments, including accrued interest, were as follows:

Other Commercial Commitments	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 6 years	Due after 6 years	Total 2005
(in millions of constant Ch\$ as of December 2005)					
Letters of credit	43,536	81,503	62,127	-	187,166
Guarantees	481,449	25,517	831	-	507,797
Other commercial commitments	232,070	3,994	291	-	236,355
Total other commercial commitments	757,055	111,014	63,249	-	931,318

(i) Capital and Reserves

Santander-Chile currently has shareholders' equity in excess of that required by all current Chilean regulatory requirements. According to the General Banking Law, a bank should have an effective equity of at least 8% of its risk-weighted assets, net of required allowances, and paid-in capital and reserves ("basic capital") of at least 3% of its total assets, net of required allowances. For these purposes, the effective equity of a bank is the sum of (a) the bank's basic capital and (b) subordinated bonds issued by the bank valued at their placement price up to 50% of its basic capital; *provided* that the value of the bonds shall decrease 20% for each year that elapses during the period commencing six years prior to their maturity. The calculation of the effective equity does not include the capital contributions made to subsidiaries of the bank nor its foreign branches. The merger of Old Santander - Chile and Santiago required a special regulatory preapproval of the Superintendency of Banks, which was granted on May 16, 2002. The resolution granting this preapproval imposed a mandatory minimum capital to risk-weighted assets ratio of 12% for the merged bank. This indicator was reduced to 11% by the Superintendency of Banks effective January 1, 2005. For purposes of weighing the risk of a bank's assets, the General Banking Law considers five different categories of assets, based on the nature of the issuer, the availability of funds, the nature of the assets and the existence of collateral securing such assets. ers five different categories of assets, based on the nature of the issuer, the availability of funds, the nature of the assets and the existence of collateral securing such assets.

The following table sets forth our minimum capital requirements set by the Superintendency of Banks as of the dates indicated. *See Note 13 to our financial statements for a description of the minimum capital requirements.*

	As of December 31,	
	2004	2005
	(in millions of constant Ch\$ of December 31, 2005 except for percentages)	
Base net capital	863,112	842,122
3% of total assets net of provisions	(376,324)	(394,078)
Excess over minimum required equity	486,788	448,044
Base net capital as a percentage of the total assets, net of provisions	6.9%	6.4%
Effective equity	1,275,642	1,206,421
11% of risk-weighted assets (12% in 2004)	(1,027,403)	(1,029,863)
Excess over minimum required equity	248,239	176,558
Effective equity as a percentage of risk-weighted assets	14.9%	12.9%

(iii) Financial Investments

The following table sets forth our investment in Chilean government and corporate securities and certain other financial investments as of December 31, 2003, 2004 and 2005. Financial investments that have a secondary market are carried at market value. All other financial investments are carried at acquisition cost, plus accrued interest and indexation readjustments, as applicable.

	As December 31,		
	2003	2004	2005
	(In Millions of constant Ch\$ of December 31, 2005)		
Central Bank and Government Securities			
Marketable debt securities (1)	623,091	972,661	460,181
Investment collateral under agreements to repurchase (2)	542,182	542,336	56,967
Investment purchased under agreements to resell	46,273	24,516	23,120
Other investments			
	1,211,546	1,539,513	540,268
Subtotal			
Corporate securities			
Marketable securities (1)	694,210	431,061	617,010
Investment collateral under agreements to repurchase (2)	67,630	51,030	34,251
Subtotal	761,840	482,091	651,261
Time deposits in Chilean institutions	58,680	39,900	57,966
Total	2,032,066	2,061,504	1,249,495

(1) Including market value adjustment.

(2) Under Chilean GAAP, investment securities that are sold subject to repurchase agreements are reclassified from their investment category to “investments under agreements to repurchase.” Under U.S. GAAP, no such reclassification would be made since, in substance, the investment securities serve only as collateral for the borrowing.

Under Chilean GAAP, investments held for trading must be marked-to-market.

The following table sets forth an analysis of our investments as of December 31, 2005, by time remaining to maturity and the weighted average nominal rates of such investments:

	Time Remaining to Maturity								
	Less than one year	Weighted Average Nominal Rate	One to five years	Weighted Average Nominal Rate	Five to ten years	Weighted Average Nominal Rate	More than ten years	Weighted Average Nominal Rate	Weighted Average Nominal Rate
	(in millions of constant Ch\$ of December 31, 2005)								
Government securities									
Central Bank securities	187,245	4.1	126,548	4.3	83,370	3.7	30,033	3.3	427,196
Government pension bonds	4,443	1.5	13,866	2.1	13,152	3.4	1,524	4.1	32,985
Total	191,688		140,414		96,522		31,557		460,181
Investments Purchased under Resale Agreements	23,120	5.4							23,120
Other Financial Investments									
Time deposits in Chilean Financial Institutions	48,022	6.1	26,847	3.9			1,917	6.5	76,786
Other Marketable Securities	18,320	5.1	35,871	5.0	147,018	5.1	396,980	5.0	598,190
Total	66,342		62,718		147,018		398,897		674,976
Investment Collateral under Agreements to Repurchase	3,705	3.4	56,215	3.8	706	4.1	30,593	4.6	91,218
Total Financial Investment	284,855		259,347		244,246		461,047		1,249,495

Unused sources of liquidity

The Bank also has credit ratings from three international agencies. Our ratings are equivalent to the Chilean sovereign ratings, but our bond ratings from Moody's Investor Services pierce the sovereign ceiling. We believe our credit ratings are a positive factor when obtaining financing. In 2005, Fitch rating also improved the Bank's credit ratings from A- to A following a similar change for the Republic of Chile. Moody's in 2005 improved the outlook for the Bank's long-term deposit rating from Stable to Positive.

Moody's	Rating
Long-term Bank Deposits	Baa1
Senior bonds	A2
Subordinated Debt	A3
Bank Financial Strength	B-
Short-term	P-2
Outlook	Positive
Standard & Poor's	Rating
LT Foreign Issuer Credit	A
LT Local Issuer Credit	A
ST Foreign Issuer Credit	A-1
ST Local Issuer Credit	A-1
Outlook	Stable

Fitch	Rating
Foreign Currency LT Debt	A
Local Currency LT Debt	A+
Foreign Currency ST Debt	F1
Local Currency ST Debt	F1
Outlook	Stable

Working capital

As a bank, we satisfy our working capital needs through general funding, the majority of which derives from deposits and other borrowings from the public. See “*Item 5C: Liquidity and Capital Resources Deposits and other Borrowings.*” In our opinion, our working capital is sufficient for our present needs.

Liquidity Management

Liquidity management seeks to ensure that, even under adverse conditions, we have access to the funds necessary to cover client needs, maturing liabilities and capital requirements. Liquidity risk arises in the general funding for our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated.

Our general policy is to maintain liquidity adequate to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital needs. Our minimum amount of liquidity is determined by the reserve requirements of the Central Bank. Deposits are subject to a reserve requirement of 9% for demand deposits and 3.6% for peso and UF-denominated time deposits. See “*Item 4D: Business Overview–Regulation and Supervision.*” The Central Bank has statutory authority to increase these percentages to up to 40% for demand deposits and up to 20% for time deposits. In addition, a 100% special reserve (*reserva técnica*) applies to demand deposits, deposits in checking accounts, other demand deposits received or obligations payable on sight and incurred in the ordinary course of business, other than deposits unconditionally payable immediately or within a term of less than 30 days and other time deposits payable within 10 days. This special reserve requirement applies to the amount by which the total of such deposits exceeds 2.5 times the amount of a bank’s paid-in capital and reserves. Interbank loans are deemed to have a maturity of more than 30 days, even if payable within the following 10 days.

The Central Bank also requires us to comply with the following liquidity limits:

- Our total liabilities with maturities of less than 30 days cannot exceed our total assets with maturities less than of 30 days by an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap.
- Our total liabilities with maturities of less than 90 days cannot exceed our total assets with maturities of less than 90 days by more than twice our capital. This limit must be calculated in local currency and foreign currencies together as one gap.

We have set other liquidity limits and ratios that minimize liquidity risk. See “*Item 11: Quantitative and Qualitative Disclosure About Market Risk.*”

Cash Flow

The tables below set forth our main sources of cash. The subsidiaries are not an important source of cash flow for us and therefore have no impact on our ability to meet our cash obligations. No legal or economic restrictions exist on the ability of subsidiaries to transfer funds to us in the form of loans or cash dividends as long as these subsidiaries abide by the regulations in the *Ley de Sociedad Anónimas* regarding loans to related parties and minimum dividend payments.

	Year ended December 31,		
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)		
Net cash provided by operating activities	308,901	411,975	326,684

The Ch\$85,291 million reduction in cash provided by operating activities in 2005 compared to 2004 was mainly due to a Ch\$82,679 million decrease in the net change in interest accruals in the same period. Cash provided by operating activities

increased Ch\$103,074 million in 2004 compared to 2003, reflecting a higher level of operating activity in 2004 than in 2003 and the net change in interest accruals in 2004 compared to 2003.

	Year ended December 31,		
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)		
Net cash provided by (used in) investing activities	479,519	(1,054,022)	(668,349)

Net cash used in investing activities in 2005 totaled Ch\$668,349 million mainly as a result of the growth of the Bank's loan book. Compared to 2004 net cash used decreased 36.6% as the growth of loans in 2005 was partially offset by the sale of financial investments. Cash provided by investing activities decreased Ch\$1,533,541 million in 2004 compared to 2003 primarily as a result of loan growth in 2004 compared to 2003.

	Year ended December 31,		
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)		
Net cash provided by (used in) financing activities	(782,474)	577,897	580,691

In 2005 the Bank financed its activities with an increase in time deposits and senior bonds which explains the proceeds of net cash provided by financing activities and the increase compared to 2004. The positive net cash provided by funding activities in 2004 compared to 2003 reflects the increase in the deposit base in line with the increase in lending.

Deposits and Other Borrowings

The following table sets forth our average daily balance of liabilities for the years ended December 31, 2003, 2004 and 2005, in each case together with the related average nominal interest rates paid thereon.

	Year ended December 31,								
	2003			2004			2005		
	Average Balance	% of Total Average Liabilities	Average Nominal Rate	Average Balance	% of Total Average Liabilities	Average Nominal Rate	Average Balance	% of Total Average Liabilities	Average Nominal Rate
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)								
Savings accounts	170,115	1.4%	1.6%	137,671	1.2%	2.0%	115,657	0.9%	4.3%
Time deposits	4,208,808	34.2%	3.1%	4,166,651	35.3%	3.0%	5,084,766	37.7%	4.7%
Central Bank borrowings	33,793	0.3%	5.0%	37,887	0.3%	4.5%	126,464	0.9%	3.7%
Repurchase agreements	694,880	5.7%	0.0%	645,733	5.5%	2.8%	516,903	3.8%	3.1%
Mortgage finance bonds	1,596,735	13.0%	7.1%	1,306,662	11.1%	8.2%	803,767	6.0%	9.4%
Other interest bearing liabilities	1,569,557	12.8%	5.3%	1,366,931	11.6%	5.2%	1,792,069	13.3%	5.6%
Subtotal interest bearing liabilities	8,273,888	67.3%	4.0%	7,661,535	65.0%	4.3%	8,439,626	62.5%	5.2%
Non-interest bearing liabilities									
Non-interest bearing deposits	1,769,930	14.4%		1,817,097	15.4%		1,905,182	14.1%	
Contingent liabilities	711,583	5.8%		1,009,613	8.6%		875,825	6.5%	
Other non-interest bearing liabilities	549,509	4.5%		956,434	2.4%		1,282,957	9.5%	
Shareholders' equity	993,729	8.1%		1,017,401	8.6%		994,306	7.4%	
Subtotal non-interest bearing liabilities	4,024,750	32.7%		4,800,544	35.0%		5,058,270	37.5%	
Total liabilities	12,298,639	100.0%		12,462,080	100.0%		13,497,896	100.0%	

Our most important source of funding is our time deposits. Average time deposits represented 37.7% of our average total liabilities in the year ended December 31, 2005. Our current funding strategy is to continue to utilize all sources of funding in accordance with their cost, their availability and our general asset and liability management strategy. Special emphasis is being placed on increasing deposits from retail customers, which we consider to be a cheaper and more stable source of funding. We also intend to continue to broaden our customer deposit base, to emphasize core deposit funding and to increase the duration of time deposits received from institutional investors. See "Item 4B: Business Overview—Lines of

Business—Banca Comercial—Residential Mortgage Lending.” Management believes that broadening our deposit base by increasing the number of account holders has created a more stable funding source.

Composition of Deposits and Other Commitments

The following table sets forth the composition of our deposits and similar commitments as of December 31, 2003, 2004 and 2005.

	As of December 31,		
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)		
Checking accounts	1,190,537	1,335,113	1,455,924
Other demand liabilities	908,072	987,338	668,325
Savings accounts	153,802	127,247	109,423
Time deposits	3,585,189	4,502,066	5,797,288
Other commitments (1)	31,177	39,753	44,561
Total	5,868,777	6,991,517	8,075,521

(1) Includes primarily leasing accounts payable relating to purchases of equipment.

Maturity of Deposits

The following table sets forth information regarding the currency and maturity of our deposits as of December 31, 2005, expressed in percentages. UF—denominated deposits are similar to peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the Chilean consumer price index.

	Ch\$	UF	Foreign Currency	Total
Demand deposits	1.8%	-	-	0.8%
Savings accounts	-	4.2%	-	1.9%
Time deposits:				
Maturing within 3 months	71.8%	20.0%	91.6%	52.1%
Maturing after 3 but within 6 months	17.9%	27.5%	7.3%	20.5%
Maturing after 6 but within 12 months	4.8%	16.0%	1.0%	9.1%
Maturing after 12 months	3.7%	32.3%	0.1%	15.6%
Total time deposits	98.2%	95.8%	100.0%	97.4%
Total deposits	100.0%	100.0%	100.0%	100.0%

The following table sets forth information regarding the maturity of the outstanding time deposits in excess of U.S.\$100,000 issued by us as of December 31, 2005.

	Ch\$	UF	Foreign Currency	Total
	(in millions of constant Ch\$ as of December 31, 2005)			
Time deposits:				
Maturing within 3 months	1,580,046	456,565	632,921	2,669,532
Maturing after 3 but within 6 months	429,885	654,958	60,941	1,145,784
Maturing after 6 but within 12 months	115,195	391,785	7,699	514,679
Maturing after 12 months	82,094	776,178	301	858,573
Total time deposits	2,207,220	2,279,486	701,862	5,188,568

Short-term Borrowings

The principal categories of our short-term borrowings are amounts borrowed under foreign trade lines of credit, domestic interbank loans, Central Bank borrowings and repurchase agreements. The table below presents the amounts outstanding at each period end indicated and the weighted-average nominal interest rate for each such period by type of short-term borrowing.

	As of December 31,					
	2003		2004		2005	
	Year-End Balance	Weighted- Average Nominal Interest Rate	Year-End Balance	Weighted- Average Nominal Interest Rate	Year-End Balance	Weighted- Average Nominal Interest Rate
	(in millions of constant Ch\$ as of December 31, 2005, except for rate data)					
Investments under repurchase agreements	494,139	-	448,464	1.3%	49,779	1.8%
Central Bank borrowings	352,224	2.8%	340,959	0.3%	173,206	2.1%
Domestic interbank loans	38,016	5.0%	29,778	3.4%	2,528	1.6%
Borrowings under foreign trade credit lines	124,619	(0.3%)	251,504	4.4%	1,034,003	4.0%
Total short-term borrowings	1,008,998	1.0%	1,070,705	1.8%	1,259,516	2.4%

The following table shows the average balance and the average nominal rate for each short-term borrowing category during the periods indicated:

	For the year Ended December 31,					
	2003		2004		2005	
	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate
	(in millions of constant Ch\$ as of December 31, 2005, except for rate data)					
Investments under repurchase agreements	694,881	-	645,734	2.8%	516,903	3.1%
Central Bank borrowings	33,793	5.0%	37,888	4.5%	126,464	3.7%
Domestic interbank loans	69,477	2.6%	52,667	0.8%	41,676	3.6%
Borrowings under foreign trade credit lines	94,857	1.5%	253,193	2.3%	312,191	9.6%
Total short-term borrowings	893,008	0.6%	989,482	2.6%	997,234	5.0%

The following table presents the maximum month-end balances of our principal sources of short-term borrowings during the periods indicated:

	Maximum 2003 Month-End Balance	Maximum 2004 Month-End Balance	Maximum 2005 Month-End Balance
(in millions of constant Ch\$ as of December 31, 2005)			
Investments under agreements to repurchase	404,746	354,344	580,502
Central Bank borrowings	352,224	333,150	370,823
Domestic interbank loans	78,511	137,874	42,993
Borrowings under foreign trade credit lines	234,051	450,600	492,702
Total short-term borrowings	1,069,531	1,275,967	1,487,019

Total Borrowings

Our long-term and short-term borrowings are summarized below. Borrowings are generally classified as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are classified as long-term, including the amounts due within one year on such borrowings.

	December 31, 2004		
	Long-term	Short-term	Total
	(in millions of constant Ch\$ as of December 2005)		
Central Bank borrowings	-	340,959	340,959
Credit lines for renegotiations of loans	9,662	-	9,662
Investments under agreements to repurchase	-	448,464	448,464
Mortgage finance bonds	798,612	194,534	993,146
Other borrowings: bonds	370,565	-	370,565
Subordinated bonds	432,695	117,181	549,876
Borrowings from domestic financial institutions	-	29,778	29,778
Foreign borrowings	244,068	251,504	495,572
Other obligations	14,773	26,448	41,221
Total borrowings	1,870,375	1,408,868	3,279,243

	December 31, 2005		
	Long-term	Short-term	Total
	(in millions of constant Ch\$ as of December 2005)		
Central Bank borrowings	-	173,206	173,206
Credit lines for renegotiations of loans (a)	6,655	-	6,655
Investments under agreements to repurchase	-	49,779	49,779
Mortgage finance bonds (b)	551,772	117,189	668,961
Other borrowings: bonds (c)	413,525	1,718	415,243
Subordinated bonds (d)	385,751	-	385,751
Borrowings from domestic financial institutions	-	2,528	2,528
Foreign borrowings (e)	64,243	1,034,003	1,098,246
Other obligations (f)	11,751	30,341	42,092
Total borrowings	1,433,697	1,408,764	2,842,461

a) Credit lines for renegotiations of loans

Central Bank borrowings include credit lines for the renegotiations of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank for the renegotiations of loans due to the need to refinance debts as a result of the economic recession and crisis of the banking system in the early 1980's. The lines for the renegotiations, which are considered long-term, are related with mortgage loans linked to the UF index and bear a real annual interest rate of 3.6%.

	2004	2005
	(in millions of constant Ch\$ as of December 2005)	
Total credit lines for renegotiations of loans	9,662	6,655

The maturities of the outstanding amounts due under these credit lines, which are considered long-term, are as follows:

	As of December 31, 2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 year	6,655
Due after 1 year but within 2 years	-
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	-
Total credit lines for renegotiations of loans	6,655

(b) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a real weighted-average annual interest rate of 5.5% .

	As of December 31, 2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 year	117,189
Due after 1 year but within 2 years	66,969
Due after 2 years but within 3 years	62,854
Due after 3 years but within 4 years	59,276
Due after 4 years but within 5 years	56,949
Due after 5 years	305,724
Total mortgage finance bonds	668,961

(c) Bonds

	As of December 31,	
	2004	2005
	(in millions of constant Ch\$ as of December 2005)	
Santiago bonds, Series A,B,C,D and F	45,456	11,115
Santander Bonds denominated in US\$	231,152	242,434
Santander Bonds denominated in UF	93,957	161,694
	370,565	415,243

Santiago bonds include series A, B, C and F issued by the former Santiago S.A. and series B and D issued by the former Banco O'Higgins, prior to its merger with the Bank in 1997. These bonds are intended to finance loans that have a maturity of greater than one year, are linked to the UF index and bear a weighted-average annual interest rate of 7.0% with interest and principal payments due semi-annually.

On December 9, 2004, the Bank issued senior bonds, denominated in U.S. dollars, for a total of US\$400 million. These bonds carry a nominal interest rate of LIBOR plus 0.35% per annum (4.81 % at December 31, 2005), quarterly interest payments and one repayment of principal after a term of 5 years.

Santander bonds denominated in UF are bonds issued by former Banco Santander-Chile and new senior bonds denominated in UF issued by the Bank in 2005. These bonds are intended to finance loans that have a maturity of greater than one year, are linked to the UF index. The bond issued by former Banco Santander-Chile bear a weighted average annual interest rate of 6.5% . The new bonds issued in 2005 have a coupon rate of 2.6% with semi-annual interest payments and one repayment of principal after 5 years.

The maturities of these bonds are as follows:

	As of December 31,
	2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 Year	1,718
Due after 1 year but within 2 years	12,172
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	205,280
Due after 4 years but within 5 years	105,443
Due after 5 years	90,630
Total bonds	415,243

d) Subordinated bonds

	As of December 31,	
	2004	2005
	(in millions of constant Ch\$ as of December 2005)	
Santiago bonds denominated in US\$ (1)	46,310	43,131
Santander bonds denominated in US\$ (2) (6)	297,291	259,872
Old Santander bonds denominated in US\$ (3)	117,181	-
Santiago Bonds linked to the UF (4)	58,084	53,354
Santander Bonds linked to the UF (5)	31,010	29,394
Total subordinated bonds	549,876	385,751

- On July 17, 1997, the former Banco Santiago issued subordinated bonds, denominated in U.S. dollars, for a total of US\$300 million. The bonds bear interest at a nominal rate of 7.0% per annum, semi-annual interest payments and one repayment of principal after a term of 10 years.
- On January 16, 2003, the Bank completed the voluntary exchange of its new subordinated bonds, which will mature in 2012. A total of US\$ 221,961,000 in principal of the Santiago bonds was offered and accepted by the Bank. The bonds bear interest at a nominal rate of 7.375% per annum, semi-annual interest payments and one repayment of principal after a term of 10 years.
- On October 30, 1998, Old-Santander-Chile issued subordinated bonds, denominated in U.S. dollars, for a total of US\$200 million. The bonds bear interest at a nominal rate of 6.5% per annum, semi-annual interest payments and one repayment of principal after a term of 7 years. This bond was due and paid in November 2005.
- The Series C and E Bonds outstanding as of December 31, 2004 are intended for the financing of loans with a maturity of greater than one year. They are linked to the UF index and bear interest at an annual rate of 7.5% and 6.0% respectively, with interest and principal payments due semi-annually.
- The Series C, D and E Bonds outstanding as of December 31, 2004 are intended for the financing of loans with a maturity of greater than one year. They are linked to the UF index and bear interest at an annual interest rate of 7.0% with interest and principal payments due semi-annually.
- On December 9, 2004, the Bank issued subordinated bonds, denominated in U.S. dollars, for a total of US\$ 300 million. These bonds bear interest at a nominal interest rate of 5.375% per annum, semi-annual interest payments and one repayment of principal after a term of 10 years.

The maturities of these bonds, which are considered long-term, are as follows:

	As of December 31,
	2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 Year	-
Due after 1 year but within 2 years	43,131
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	342,620
	<hr/>
Total subordinated bonds	385,751
	<hr/>

e) Foreign borrowings

These are short-term and long-term borrowings from foreign banks. The maturities of these borrowings are as follows:

	As of December 31,
	2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 Year	1,034,003
Due after 1 year but within 2 years	54,820
Due after 2 years but within 3 years	6,080
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	3,343
	<hr/>
Total foreign borrowings	1,098,246
	<hr/>

The foreign borrowings are denominated principally in U.S. dollars, and are principally used to fund the Bank's foreign trade loans and bear an annual average interest rate of 3.7%.

f) *Other obligations*

Other obligations are summarized as follows:

	As of December 31,
	2005
	(in millions of constant Ch\$ as of December 2005)
Due within 1 Year	2,045
Due after 1 year but within 2 years	4,518
Due after 2 years but within 3 years	1,887
Due after 3 years but within 4 years	1,629
Due after 4 years but within 5 years	1,263
Due after 5 years	2,454
Total long term obligations	13,796
Short-term obligations:	
Amounts due to credit card operators	21,564
Acceptance of letters of credit	6,732
Total short – term obligations	28,296
Total other obligations	42,092

Other Off-Balance Sheet Arrangements and Commitments

We are party to transactions with off-balance-sheet risk in the normal course of our business. These transactions expose us to credit risk in addition to amounts recognized in the consolidated financial statements.

These transactions include commitments to extend credit not otherwise accounted for as contingent loans, such as overdraft protection and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to the customer compliance with meeting of the contractual terms. The amounts of these commitments are Ch\$1,357,637 million as of December 31, 2005, which will be financed with our deposit base. Since a substantial portion of these commitments is expected to expire without being drawn upon, the total commitment amounts do not necessarily represent our actual future cash requirements. We use the same credit policies in making commitments to extend credit as we do for granting loans. In the opinion of our management, our outstanding commitments do not represent an unusual credit risk.

From time to time, the Bank enters into agreements to securitize certain assets by selling those assets to unconsolidated and unaffiliated entities, which then sell debt securities secured by those assets. These sales are non-recourse to the Bank. However, in the past the Bank has occasionally purchased a subordinated bond issued by the unconsolidated entity. As of December 31, 2005 we did not hold any of these subordinated bonds in our investment portfolio.

The Bank and its brokerage subsidiary enter into derivative transactions as part of their asset and liability management and in acting as dealers to satisfy their clients' needs. The notional amounts of these contracts are carried off-balance-sheet. *See Note 12 to the Audited Consolidated Financial Statements.*

Foreign exchange forward contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These contracts are generally standardized contracts, normally for periods between 1 and 180 days and are not traded in a secondary market; however, in the normal course of business and with the agreement of the original counterparty, they may be terminated or assigned to counterparty.

When we enter into a forward exchange contract, we analyze and approve the credit risk (the risk that the counterparty might default on its obligations). Subsequently, on an ongoing basis, we monitor the possible losses involved in each contract. To manage the level of credit risk, we deal with counterparties of good credit standing, enter into master netting agreements whenever possible and, when appropriate, obtain collateral.

The Chilean Central Bank requires that foreign exchange forward contracts be made only in US dollars and other major foreign currencies. Most of our forward contracts are made in U.S. dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary.

Unrealized gains, losses, premiums and discounts arising from foreign exchange forward contracts are shown on a net basis under Other assets and Other liabilities (see *Note 10 to our Consolidated Financial Statements*).

During 2004 and 2005 we entered into interest rate and cross currency swap agreements to manage exposure to fluctuation in currencies and interest rates. The differential between the interest paid or received on a specified notional amount is recognized under “Foreign exchange transactions, net”. The fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates are not recognized in the consolidated financial statement.

In 2005 banks were authorized to operate in the currency and interest rate options market. The notional amounts of these options are carried off balance sheet. These contracts are valued at fair value and the changes in fair value are recognized in the consolidated financial statements.

Our foreign currency futures, forward operations, options and other derivative products outstanding at December 31, 2004 and in 2005 are summarized below:

(a) Foreign currency and interest rate contracts:

	Number of contracts		Notional amounts			
			Up to 3 months		Over 3 months	
	2004	2005	2004	2005	2004	2005
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Chilean market:						
Future purchase of foreign currency with Chilean pesos	865	956	1,348,734	5,198,228	4,156,016	3,418,092
Future sale of foreign currency with Chileanpesos	1,371	2,146	1,104,042	3,077,468	2,842,398	3,490,314
Futures or other interest rate contracts	199	340	104,596	6,119,545	3,419,526	1,273,247
Foreign currency forwards	112	253	34,127	289,972	20,230	226,011
Foreign markets:						
Foreign currency swaps	109	129	51,245	573,982	22,670	199,397
Interest rate swaps	120	107	86,100	1,305,457	2,487,128	2,558,182

The notional amounts refer to the US dollars bought or sold or to the US dollar equivalent of foreign currency bought or sold for future settlement. The contract terms correspond to the duration of the contracts as from the date of the transaction to the date of the settlement.

(b) Contracts expressed in the UF index:

	Number of contracts		Notional amounts			
			Up to 3 months		Over 3 months	
	2004	2005	2004	2005	2004	2005
			UF	UF	UF	UF
Forwards in UF/Ch\$ sold	28	19	2,200,000	2,100,000	3,700,000	3,300,000
Forwards in UF/Ch\$ purchased	32	36	1,600,000	3,600,000	5,600,000	5,400,000

(c) Options:

In US\$ths.		30 days	31 to 60 days	61 to 90 days	> 90 days
Call	Bought	Currency			50,000
	Sold	Interest rate			
		Currency			
		Interest rate			
Put	Bought	Currency			10,000
	Sold	Interest rate			
		Currency			10,000
		Interest rate			

D. Asset and Liability Management

Please refer to *Item 11: Asset and Liability Management* regarding our policies with respect to asset and liability management.

Capital Expenditures

The following table reflects capital expenditures in each of the three years ended December 31, 2003, 2004 and 2005:

For the Year Ended December 31,			
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)		
Land and Buildings	7,320	3,636	5,564
Machinery and Equipment	6,717	9,435	10,389
Furniture and Fixtures	1,123	2,707	3,734
Vehicles	437	436	847
Other	2,117	3,384	943
Total	17,714	19,598	21,477

The increase in capital expenditures in 2005 compared to 2004 was mainly due to the investment in branches and automatic teller machines (ATMs). In 2005 the Bank opened 37 new branches. Our branch network now totals 352 branches (260 Bank branches and 92 Santander Banefe branches). In 2005 a total of 232 new ATMs were installed and our ATM network now includes 1,422 machines. For 2006 we expect a similar level of investment in expanding our distribution network.

Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with our financial statements as well as the discussion in “*Item 5: Operating and Financial Review and Prospects.*” Pursuant to Chilean GAAP, the financial data in the following tables for all periods through December 31, 2004 have been restated in constant Chilean pesos as of December 31, 2005. The UF is linked to, and is adjusted daily to, reflect changes in the previous month’s Chilean consumer price index. See *Note 1(c) to our financial statements.*

Average Balance Sheets, Income Earned from Interest Earning Assets and Interest Paid on Interest-Bearing Liabilities

The average balances for interest earning assets and interest-bearing liabilities, including interest and readjustments received and paid, have been calculated on the basis of daily balances for us on an unconsolidated basis. Such average balances are presented in Chilean pesos (Ch\$), in *Unidades de Fomento* (UF) and in foreign currencies (principally U.S.\$). Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Santander S.A. Agente de Valores, have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

The nominal interest rate has been calculated by dividing the amount of interest and principal readjustment due to changes in the UF index (gain or loss) during the period by the related average balance, both amounts expressed in constant pesos. The nominal rates calculated for each period have been converted into real rates using the following formulas:

$$R_p = \frac{1+N_p}{1+I} - 1 \quad R_d = \frac{(1+N_d)(1+D)}{1+I} - 1$$

Where:

Rp= real average rate for peso-denominated assets and liabilities (in Ch\$ and UF) for the period;
Rd= real average rate for foreign currency-denominated assets and liabilities for the period;
Np= nominal average rate for peso-denominated assets and liabilities for the period;
Nd= nominal average rate for foreign currency-denominated assets and liabilities for the period;
D= devaluation rate of the Chilean peso to the U.S. dollar for the period; and
I= inflation rate in Chile for the period (based on the variation of the Chilean Consumer Price Index).

The real interest rate can be negative for a portfolio of peso-denominated loans when the inflation rate for the period is higher than the average nominal rate of the loan portfolio for the same period. A similar effect could occur for a portfolio of foreign currency denominated loans when the inflation rate for the period is higher than the sum of the devaluation rate for the period and the corresponding average nominal rate of the portfolio.

The formula for the average real rate for foreign currency denominated assets and liabilities (Rd) reflects a gain or loss in purchasing power caused by the difference between the devaluation rate of the Chilean peso and the inflation rate in Chile during the period.

The following example illustrates the calculation of the real interest rate for a dollar-denominated asset bearing a nominal annual interest rate of 10.0% (Nd = 0.10), assuming a 5.0% annual devaluation rate (D = 0.05) and a 12.0% annual inflation rate (I = 0.12):

$$R_d = \frac{(1 + 0.10)(1 + 0.05)}{1 + 0.12} - 1 = 3.125\% \text{ per year}$$

In the example, since the inflation rate was higher than the devaluation rate, the real rate is lower than the nominal rate in dollars. If, for example, the annual devaluation rate were 15.0%, using the same numbers, the real rate in Chilean pesos would be 12.9%, which is higher than the nominal rate in U.S. dollars. Using the same numbers, if the annual inflation rate were greater than 15.5%, the real rate would be negative.

Contingent loans (consisting of guarantees and open and unused letters of credit) have been treated as interest-earning assets. Although the nature of the income derived from such assets is similar to a fee, Chilean banking regulations require

that such income be accounted for as interest revenue. As a result of this treatment, the comparatively low rates of interest earned on these assets have a distorting effect on the average interest rate earned on total interest earning assets.

The real rate for contingent loans has been stated as the nominal rate, since we do not have an effective funding obligation for these loans. The foreign exchange gains or losses on foreign currency denominated assets and liabilities have not been included in interest revenue or expense. Similarly, interest on financial investments does not include trading gains or losses on these investments. Interest is not recognized during periods in which loans are past due. However, interest received on past due loans includes interest on such loans from the original maturity date.

Non-performing loans that are not yet 90 days or more overdue have been included in each of the various categories of loans, and therefore affect the various averages. (non-performing loans consist of loans as to which either principal or interest is overdue (i.e., non accrual loans) and restructured loans earning no interest.) Non-performing loans that are 90 days or more overdue are shown as a separate category of loans (Past due loans). Interest and/or indexation readjustments received on all non-performing dollar-denominated loans during the periods are included as interest revenue. However, all peso-denominated loans that are classified as non-performing do not accrue interest or indexation adjustments as interest revenue.

Included in interbank deposits are checking accounts maintained in the Central Bank and foreign banks. Such assets have a distorting effect on the average interest rate earned on total interest earning assets because currently balances maintained in Chilean peso amounts do not earn interest, and the only balances held in a foreign currency that earn interest are those maintained in U.S. dollars, but those only earn interest on the amounts that are legally required to be held for liquidity purposes. Additionally, this account includes interest earned by overnight investments. Consequently, the average interest earned on such assets is comparatively low. We maintain these deposits in these accounts to comply with statutory requirements and to facilitate international business, rather than to earn income.

The monetary gain or loss on interest earning assets and interest-bearing liabilities is not included as a component of interest revenue or interest expense because inflation effects are taken into account in the calculation of real interest rates.

The following tables show, by currency of denomination, average balances and, where applicable, interest amounts and real rates for our assets and liabilities for the years ended December 31, 2003, 2004 and 2005:

	Year ended December 31,											
	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate
ASSETS(1)	2003				2004				2005			
Interest earning assets												
Interbank deposits												
Ch\$	33,668	1,198	2.6%	3.6%	9,110	335	1.2%	3.7%	37,844	1,641	0.7%	4.3%
UF	2,175	55	1.6%	2.5%	2,452	111	2.0%	4.5%	10,143	731	3.5%	7.2%
Foreign currency	0	0	0.0%	0.0%	0	0	0.0%	0.0%	0	0	0.0%	0.0%
Total	35,843	1,253	2.5%	3.5%	11,562	446	1.3%	3.9%	47,987	2,372	1.3%	4.9%
Financial investments												
Ch\$	347,537	12,506	2.6%	3.6%	499,030	13,957	0.3%	2.8%	501,654	30,379	2.4%	6.1%
UF	719,713	38,027	4.3%	5.3%	729,016	50,466	4.3%	6.9%	603,914	53,095	5.0%	8.8%
Foreign currency	1,300,410	(115,122)	(24.0%)	(8.9%)	1,188,848	27,929	(6.7%)	2.3%	1,237,782	31,199	(9.0%)	2.5%
Total	2,367,660	(64,589)	(11.5%)	(2.7%)	2,416,894	92,352	(1.9%)	3.8%	2,343,350	114,673	(3.0%)	4.9%
Loans												
Ch\$	2,524,587	356,296	13.0%	14.1%	2,695,498	347,926	10.2%	12.9%	3,032,023	422,903	10.0%	13.9%
UF	2,635,300	184,447	6.0%	7.0%	2,743,827	213,511	5.2%	7.8%	3,799,688	329,483	4.9%	8.7%
Foreign currency	652,381	14,517	(14.8%)	2.2%	593,412	14,359	(6.7%)	2.4%	627,159	23,146	(8.0%)	3.7%
Total	5,812,268	555,260	6.7%	9.6%	6,032,737	575,796	6.2%	9.5%	7,458,870	775,532	5.9%	10.4%
Mortgage loans												
Ch\$	0	0	0.0%	0.0%	566	35	3.7%	6.2%	518	33	2.7%	6.4%
UF	1,645,153	143,782	7.7%	8.7%	1,294,460	129,133	7.3%	10.0%	741,500	80,431	7.0%	10.8%
Foreign currency	0	0	0.0%	0.0%	0	0	0.0%	0.0%	0	0	0.0%	0.0%
Total	1,645,153	143,782	7.7%	8.7%	1,295,026	129,168	7.3%	10.0%	742,018	80,464	7.0%	10.8%
Contingent loans												
Ch\$	50,493	1,317	1.6%	2.6%	76,732	1,485	(0.5%)	1.9%	148,988	1,895	(2.3%)	1.3%
UF	189,001	1,893	0.0%	1.0%	190,422	1,809	(1.5%)	1.0%	220,520	2,143	(2.6%)	1.0%
Foreign currency	471,664	772	(16.5%)	0.2%	741,304	939	(8.8%)	0.1%	504,055	961	(11.1%)	0.2%
Total	711,158	3,982	(10.8%)	0.6%	1,008,458	4,233	(6.8%)	0.4%	873,561	4,999	(7.4%)	0.6%
Past due loans												
Ch\$	77,733	11,852	14.2%	15.2%	63,536	10,037	13.0%	15.8%	49,895	7,629	11.3%	15.3%
UF	109,253	0	(0.9%)	0.0%	87,132	0	(2.4%)	0.0%	68,262	0	(3.5%)	0.0%
Foreign currency	9,041	0	(16.6%)	0.0%	2,518	0	(8.9%)	0.0%	1,327	0	(11.3%)	0.0%
Total	196,027	11,852	4.3%	6.0%	153,186	10,037	3.9%	6.6%	119,484	7,629	2.6%	6.4%
Total interest earning assets												
Ch\$	3,034,018	383,169	11.6%	12.6%	3,344,472	373,775	8.5%	11.2%	3,770,922	464,480	8.4%	12.3%
UF	5,300,595	368,204	5.9%	6.9%	5,047,309	395,030	5.2%	7.8%	5,444,027	465,883	4.8%	8.6%
Foreign currency	2,433,496	(99,833)	(20.1%)	(4.1%)	2,526,082	43,227	(7.3%)	1.7%	2,370,323	55,306	(9.2%)	2.3%
Total	10,768,109	651,540	1.6%	6.1%	10,917,863	812,032	3.3%	7.4%	11,585,272	985,669	3.1%	8.5%

Year ended December 31,

	2003				2004				2005			
	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate	Average Balance	Interest Earned	Average Real Rate	Average Nominal Rate
(in millions of constant Ch\$ as of December 31, 2005, except for rate data)												
NON-INTEREST EARNING ASSETS												
Cash												
Ch\$	713,111	-	-	-	626,544	-	-	-	583,450	-	-	-
UF	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency	19,866	-	-	-	15,955	-	-	-	14,276	-	-	-
Total	732,977				642,499				597,726			
Allowance for loan losses												
Ch\$	(179,986)	-	-	-	(173,234)	-	-	-	(167,767)	-	-	-
UF	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-	-	-	-	-	-	-
Total	(179,986)				(173,234)				(167,767)			
Bank premises and equipment, net assets												
Ch\$	237,778	-	-	-	216,814	-	-	-	196,471	-	-	-
UF	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-	-	-	-	-	-	-
Total	237,778				216,814				196,471			
Other assets												
Ch\$	313,210	-	-	-	378,259	-	-	-	225,054	-	-	-
UF	28,078	-	-	-	21,260	-	-	-	21,652	-	-	-
Foreign currency	398,473	-	-	-	458,619	-	-	-	1,039,488	-	-	-
Total	739,761				858,138				1,286,194			
Total non-interest earning assets												
Ch\$	1,084,113	-	-	-	1,048,383	-	-	-	837,208	-	-	-
UF	28,078	-	-	-	21,260	-	-	-	21,652	-	-	-
Foreign currency	418,339	-	-	-	474,574	-	-	-	1,053,764	-	-	-
Total	1,530,530				1,544,217				1,912,624			
TOTAL ASSETS												
Ch\$	4,118,131	383,169	-	-	4,392,855	373,775	-	-	4,608,130	464,480	-	-
UF	5,328,673	368,204	-	-	5,068,569	395,030	-	-	5,465,679	465,883	-	-
Foreign currency	2,851,835	(98,833)	-	-	3,000,656	43,227	-	-	3,424,087	55,306	-	-
Total	12,298,639	651,540			12,462,080	812,032			13,497,896	985,669		

(1) Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Santander S.A. Agente de Valores, have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

LIABILITIES AND SHAREHOLDERS' EQUITY (1)	Year ended December 31,											
	Average Balance	Interest Paid	Average Real Rate	Average Nominal Rate	Average Balance	Interest Paid	Average Real Rate	Average Nominal Rate	Average Balance	Interest Paid	Average Real Rate	Average Nominal Rate
	Dec-03				Dec-04				Dec-05			
Interest bearing liabilities												
Savings accounts												
Ch\$	0	0	0.0%	0.0%	159	3	(0.5%)	2.0%	421	3	(2.9%)	0.6%
UF	170,115	2,668	0.6%	1.6%	137,512	2,682	(0.5%)	2.0%	115,236	4,922	0.6%	4.3%
Foreign currency	0	0	0.0%	0.0%	0	0	0.0%	0.0%	0	0	0.0%	0.0%
Total	170,115	2,668	0.6%	1.6%	137,671	2,685	(0.5%)	2.0%	115,657	4,925	0.6%	4.3%
Time deposits												
Ch\$	2,117,400	76,074	2.6%	3.6%	1,864,559	50,985	0.2%	2.7%	2,137,715	93,949	0.7%	4.4%
UF	1,243,490	44,623	2.6%	3.6%	1,479,371	64,507	1.8%	4.4%	2,090,355	124,108	2.2%	5.9%
Foreign currency	847,918	9,177	(15.7%)	1.1%	822,721	10,796	(7.7%)	1.3%	856,696	21,121	(9.1%)	2.5%
Total	4,208,808	129,874	(1.1%)	3.1%	4,166,651	126,288	(0.8%)	3.0%	5,084,766	239,178	(0.3%)	4.7%
Central Bank borrowings												
Ch\$	6,441	171	1.7%	2.7%	17,727	385	(0.3%)	2.2%	113,269	3,670	(0.4%)	3.2%
UF	27,352	1,533	4.6%	5.6%	20,160	1,314	3.9%	6.5%	13,195	974	3.6%	7.4%
Foreign currency	0	0	0.0%	0.0%	0	0	0.0%	0.0%	0	0	0.0%	0.0%
Total	33,793	1,704	4.0%	5.0%	37,887	1,699	2.0%	4.5%	126,464	4,644	0.1%	3.7%
Repurchase agreements												
Ch\$	188,161	8,472	3.5%	4.5%	286,443	17,035	3.4%	5.9%	236,925	7,162	(0.6%)	3.0%
UF	251,528	(10,321)	(5.0%)	(4.1%)	9,659	(788)	(10.4%)	(8.2%)	189,940	10,437	1.8%	5.5%
Foreign currency	255,191	1,926	(16.0%)	0.8%	349,631	1,616	(8.4%)	0.5%	90,038	(1,634)	(12.9%)	(1.8%)
Total	694,880	77	(6.7%)	0.0%	645,733	17,863	(3.2%)	2.8%	516,903	15,965	(1.8%)	3.1%
Mortgage finance bonds												
Ch\$	0	0	0.0%	0.0%	0	0	0.0%	0.0%	0	0	0.0%	0.0%
UF	1,596,735	113,184	6.1%	7.1%	1,306,662	107,399	5.6%	8.2%	803,767	75,295	5.5%	9.4%
Foreign currency	0	0	0.0%	0.0%	0	0	0.0%	0.0%	0	0	0.0%	0.0%
Total	1,596,735	113,184	6.1%	7.1%	1,306,662	107,399	5.6%	8.2%	803,767	75,295	5.5%	9.4%
Other interest bearing liabilities												
Ch\$	69,090	1,800	1.6%	2.6%	60,285	1,282	(0.3%)	2.1%	38,399	1,467	0.2%	3.8%
UF	488,789	46,027	8.4%	9.4%	282,537	32,666	8.9%	11.6%	202,510	31,711	11.6%	15.7%
Foreign currency	1,011,678	34,785	(13.8%)	3.4%	1,024,109	36,861	(5.6%)	3.6%	1,551,160	66,605	(7.5%)	4.3%
Total	1,569,557	82,612	(6.2%)	5.3%	1,366,931	70,809	(2.4%)	5.2%	1,792,069	99,783	(5.1%)	5.6%
Total interest bearing liabilities												
Ch\$	2,381,092	86,517	2.7%	3.6%	2,229,173	69,690	0.6%	3.1%	2,526,729	106,251	0.6%	4.2%
UF	3,778,009	197,714	4.2%	5.2%	3,235,901	207,780	3.8%	6.4%	3,415,003	247,447	3.5%	7.2%
Foreign currency	2,114,787	45,888	(14.8%)	2.2%	2,196,461	49,273	(6.8%)	2.2%	2,497,894	86,092	(8.2%)	3.4%
Total	8,273,888	330,119	(1.1%)	4.0%	7,661,535	326,743	(0.1%)	4.3%	8,439,626	439,790	(0.8%)	5.2%

	Year ended December 31,											
	2003				2004				2005			
	Average Balance	Interest Paid	Average Real Rate	Average Nominal Rate	Average Balance	Interest Paid	Average Real Rate	Average Nominal Rate	Average Balance	Interest Paid	Average Real Rate	Average Nominal Rate
(in millions of constant Ch\$ as of December 31, 2005, except for rate data)												
NON-INTEREST BEARING LIABILITIES												
Non-interest bearing demand deposits												
Ch\$	1,769,930	-	-	-	1,817,097	-	-	-	1,905,182	-	-	-
UF		-	-	-		-	-	-		-	-	-
Foreign currency		-	-	-		-	-	-		-	-	-
Total	1,769,930	-	-	-	1,817,097	-	-	-	1,905,182	-	-	-
Contingent obligations												
Ch\$	50,494	-	-	-	76,732	-	-	-	148,987	-	-	-
UF	189,001	-	-	-	190,423	-	-	-	220,520	-	-	-
Foreign currency	472,088	-	-	-	742,458	-	-	-	506,318	-	-	-
Total	711,583	-	-	-	1,009,613	-	-	-	875,825	-	-	-
Other non-interest bearing Liabilities												
Ch\$	1,055,490	-	-	-	928,934	-	-	-	673,291	-	-	-
UF	142,156	-	-	-	383,639	-	-	-	413,890	-	-	-
Foreign currency	(648,137)	-	-	-	(356,139)	-	-	-	195,776	-	-	-
Total	549,509	-	-	-	956,434	-	-	-	1,282,957	-	-	-
Shareholders' equity												
Ch\$	993,729	-	-	-	1,017,401	-	-	-	994,306	-	-	-
UF		-	-	-		-	-	-		-	-	-
Foreign currency		-	-	-		-	-	-		-	-	-
Total	993,729	-	-	-	1,017,401	-	-	-	994,306	-	-	-
Total non-interest bearing liabilities and shareholders' equity												
Ch\$	3,869,642	-	-	-	3,840,163	-	-	-	3,721,766	-	-	-
UF	331,157	-	-	-	574,062	-	-	-	634,410	-	-	-
Foreign currency	(176,049)	-	-	-	386,319	-	-	-	702,094	-	-	-
Total	4,024,750	-	-	-	4,800,544	-	-	-	5,058,270	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY												
Ch\$	6,250,735	86,517	-	-	6,069,337	69,690	-	-	6,248,495	106,251	-	-
UF	4,109,166	197,714	-	-	3,809,963	207,780	-	-	4,049,413	247,447	-	-
Foreign currency	1,938,738	45,888	-	-	2,582,780	49,273	-	-	3,199,988	86,092	-	-
Total	12,298,639	330,119	-	-	12,462,080	326,743	-	-	13,497,896	439,790	-	-

(1) Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Santander S.A. Agente de Valores , have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

Changes in Net Interest Revenue and Interest Expense: Volume and Rate Analysis

The following table allocates, by currency of denomination, changes in our interest revenue and interest expense between changes in the average volume of interest earning assets and interest bearing liabilities and changes in their respective nominal interest rates for 2005 compared to 2004 and 2004 compared to 2003. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest earning assets and average interest bearing liabilities.

	Increase (Decrease) from 2003 to 2004 Due to Changes in				Increase (Decrease) from 2004 to 2005 Due to Changes in			
				<u>Net Change</u>				<u>Net Change</u>
	Volume	Rate	Rate and Volume	from 2002 to 2003	Volume	Rate	Rate and Volume	from 2004 to 2005
Interest earning assets								
Interbank deposits								
Ch\$	(874)	40	(29)	(863)	1,056	60	190	1,305
UF	7	44	6	57	349	66	205	620
Foreign currency	0	0	0	0	0	0	0	0
Total	(867)	84	(23)	(806)	1,405	126	395	1,926
Financial investments								
Ch\$	5,451	(2,786)	(1,214)	1,451	73	16,484	135	16,422
UF	492	11,795	152	12,439	(8,660)	13,687	(2,398)	2,629
Foreign currency	9,876	145,672	(12,497)	143,051	1,150	2,036	84	3,270
Total	15,819	154,681	(13,559)	156,941	(7,437)	32,207	(2,449)	22,321
Loans								
Ch\$	24,122	(30,432)	(2,060)	(8,370)	43,437	26,749	4,791	74,977
UF	7,596	20,619	849	29,064	82,162	25,202	8,608	115,972
Foreign currency	(1,312)	1,269	(115)	(158)	817	7,693	277	8,787
Total	30,406	(8,544)	(1,326)	20,536	126,416	59,644	13,376	199,736
Mortgage loans								
Ch\$	0	0	35	35	(3)	1	(0)	(2)
UF	(30,650)	20,336	(4,335)	(14,649)	(55,162)	11,277	(4,817)	(48,702)
Foreign currency	0	0	0	0	0	0	0	0
Total	(30,650)	20,336	(4,300)	(14,614)	(55,165)	11,278	(4,817)	(48,704)
Contingent loans								
Ch\$	685	(340)	(177)	168	1,398	(508)	(480)	410
UF	15	(98)	(1)	(84)	286	41	7	334
Foreign currency	442	(175)	(100)	167	(300)	475	(153)	22
Total	1,142	(613)	(277)	251	1,384	8	(626)	766
Past due loans								
Ch\$	(2,165)	427	(78)	(1,816)	(2,155)	(322)	69	(2,408)
UF	0	0	0	0	0	0	0	0
Foreign currency	(0)	(0)	0	(0)	(0)	(0)	0	(0)
Total	(2,165)	427	(78)	(1,816)	(2,155)	(322)	69	(2,408)
Total interest earning assets								
Ch\$	27,219	(33,091)	(3,523)	(9,395)	43,806	42,464	4,435	90,705
UF	(22,540)	52,696	(3,329)	26,827	18,975	50,273	1,605	70,853
Foreign currency	9,006	146,766	(12,712)	143,060	1,667	10,204	208	12,079
Total	13,685	166,371	(19,564)	160,492	64,448	102,941	6,248	173,637

(1) Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Santander S.A. Agente de Valores , have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

	Increase (Decrease) from 2003 to 2004 Due to Changes in				Increase (Decrease) from 2004 to 2005 Due to Changes in			
	Volume	Rate	Rate and Volume	<u>Net Change</u> from 2002 to 2003	Volume	Rate	Rate and Volume	<u>Net Change</u> from 2004 to 2005
Interest bearing liabilities								
Savings accounts								
Ch\$	0	0	3	3	5	(2)	(3)	(0)
UF	(511)	650	(125)	14	(434)	3,192	(518)	2,240
Foreign currency	0	0	0	0	0	0	0	0
Total	(511)	650	(122)	17	(430)	3,190	(520)	2,240
Time deposits								
Ch\$	(9,084)	(18,175)	2,170	(25,089)	7,469	30,958	4,537	42,964
UF	8,465	9,599	1,821	19,884	26,641	23,326	9,634	59,601
Foreign currency	(273)	1,951	(58)	1,620	446	9,487	392	10,325
Total	(892)	(6,626)	3,933	(3,585)	34,556	63,771	14,563	112,890
Central Bank borrowings								
Ch\$	300	(31)	(55)	214	2,073	190	1,023	3,285
UF	(403)	250	(66)	(218)	(454)	175	(61)	(340)
Foreign currency	0	0	0	0	0	0	0	0
Total	(103)	219	(121)	(5)	1,619	365	961	2,945
Repurchase agreements								
Ch\$	4,426	2,718	1,420	8,564	(2,945)	(32,894)	26,056	(9,873)
UF	9,925	(10,214)	9,822	9,533	(14,718)	1,514	24,429	11,225
Foreign currency	713	(747)	(276)	(310)	(1,200)	(7,963)	5,913	(3,250)
Total	15,064	(8,243)	10,966	17,787	(18,863)	(39,433)	56,398	(1,898)
Mortgage finance bonds								
Ch\$	0	0	0	0	0	0	0	0
UF	(20,562)	18,057	(3,280)	(5,785)	(41,335)	15,006	(5,775)	(32,104)
Foreign currency	0	0	0	0	0	0	0	0
Total	(20,562)	18,057	(3,280)	(5,785)	(41,335)	15,006	(5,775)	(32,104)
Other interest bearing liabilities								
Ch\$	(229)	(331)	42	(518)	(465)	1,024	(374)	185
UF	(19,422)	10,486	(4,426)	(13,362)	(9,253)	11,576	(3,278)	(955)
Foreign currency	427	1,628	20	2,076	18,970	7,113	3,661	29,744
Total	(19,224)	11,784	(4,363)	(11,804)	9,252	19,713	9	28,974
Total interest bearing liabilities								
Ch\$	(4,587)	(15,819)	3,580	(16,826)	6,137	(814)	31,328	36,561
UF	(22,508)	28,828	3,747	10,066	(39,553)	54,789	24,431	39,667
Foreign currency	867	2,832	(314)	3,385	18,216	8,637	9,966	36,819
Total	(26,228)	15,841	7,013	(3,375)	(15,200)	62,612	65,635	113,047

(1) Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Santander S.A. Agente de Valores , have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

Interest Earning Assets: Net Interest Margin

The following table analyzes, by currency of denomination, the levels of average interest earning assets and net interest earned by Santander-Chile, and illustrates the comparative margins obtained, for each of the periods indicated in the table.

	Year ended December 31,		
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)		
Total average interest earning assets			
Ch\$	3,034,018	3,344,472	3,770,922
UF	5,300,595	5,047,309	5,444,027
Foreign currency	2,433,496	2,526,082	2,370,323
Total	10,768,109	10,917,863	11,585,272
Net interest earned(1)			
Ch\$	296,653	304,085	358,229
UF	170,489	187,250	218,436
Foreign currency	(145,721)	(6,046)	(30,786)
Total	321,421	485,289	545,879
Net interest margin(2)			
Ch\$	9.8%	9.1%	9.5%
UF	3.2%	3.7%	4.0%
Foreign currency	(6.0%)	(0.2%)	(1.3%)
Total	3.0%	4.4%	4.7%
Net interest margin, excluding contingent loans(2)(3)			
Ch\$	9.9%	9.3%	9.9%
UF	3.3%	3.9%	4.2%
Foreign currency	(7.4%)	(0.3%)	(1.6%)
Total	3.2%	4.9%	5.1%

(1) Net interest earned is defined as interest revenue earned less interest expense incurred.

(2) Net interest margin is defined as net interest earned divided by average interest earning assets.

(3) Pursuant to Chilean GAAP, Santander-Chile also includes contingent loans as interest earning assets. See “Item 5D: Asset and Liability Management—Loan Portfolio—Contingent Loans.”

Return on Equity and Assets; Dividend Payout

The following table presents certain information and selected financial ratios for Santander-Chile for the periods indicated:

	Year ended December 31,		
	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)		
Net income	219,786	205,991	239,710
Average total assets	12,298,639	12,462,080	13,497,896
Average shareholders' equity	993,729	1,017,401	994,306
Net income as a percentage of:			
Average total assets	1.79%	1.65%	1.78%
Average shareholders' equity	22.12%	20.25%	24.1%
Average shareholders' equity as a percentage of:			
Average total assets	8.08%	8.16%	7.37%
Declared cash dividend(1)	219,786	205,990	N/A
Dividend payout ratio, based on net income(1)	100.0%	100.0%	N/A

(1) As of the date of the filing of this 20F the Bank had not held its 2005 annual ordinary shareholders' meeting and therefore, the dividend payment and ratio cannot be determined.

Loan Portfolio

The following table analyzes our loans by type of loan. Except where otherwise specified, all loan amounts stated below are before deduction for loan loss allowances. Total loans reflect our loan portfolio, including past due principal amounts.

	As of December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)				
Commercial loans:					
General commercial loans	2,204,346	3,109,489	2,667,869	3,266,027	3,655,101
Foreign trade loans	420,221	571,532	459,375	512,429	511,756
Interbank loans	23,170	4,423	151,879	135,725	194,652
Leasing contracts	292,528	453,049	458,678	520,401	663,862
Other outstanding loans	660,439	990,728	879,867	1,385,583	2,056,155
Subtotal commercial loans	3,600,703	5,129,221	4,617,669	5,820,164	7,081,526
Mortgage loans backed by mortgage bonds					
Residential	522,594	959,858	953,693	600,314	414,070
Commercial	626,673	739,183	632,591	354,056	220,653
Subtotal mortgage loans	1,149,267	1,699,041	1,586,283	954,370	634,723
Consumer loans	337,614	760,618	825,297	1,119,006	1,392,012
Past due loans	73,169	178,866	180,623	135,813	106,540
Subtotal	5,160,753	7,767,746	7,209,872	8,029,353	9,214,801
Contingent loans (1)	401,750	665,525	880,336	902,317	929,472
Total loans (2)	5,562,503	8,433,271	8,090,208	8,931,670	10,144,273

(1) For purposes of loan classification, contingent loans are considered as commercial loans.

(2) All of the above categories except mortgage loans, past due loans and contingent loans are combined into “Loans” as reported in the tables set forth under “Item 4: Information on the Company—Selected Statistical Information—Average Balance Sheets, Income Earned from Interest Earning Assets and Interest Paid on Interest-Bearing Liabilities.”

The loan categories are as follows:

Commercial loans are long-term and short-term loans granted in Chilean pesos, on an adjustable or fixed rate basis, primarily to finance working capital or investments. As of January 1, 2004, checking overdraft lines for companies are classified as commercial loans.

Foreign trade loans are fixed rate, short-term loans made in foreign currencies (principally U.S.\$) to finance imports and exports.

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Leasing contracts are agreements for the financial leasing of capital equipment and other property.

Other outstanding loans mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These are financed by our general borrowings. Other outstanding loans also include factoring operations. Previous to 2004 this line item also included checking account overdrafts which as of January 1, 2004 were classified as commercial or consumer loans depending on their origin.

Mortgage loans backed by mortgage bonds are inflation-indexed, fixed rate, long-term loans with monthly payments of principal and interest secured by a real property mortgage that are financed with mortgage finance bonds. At the time of approval, these types of mortgage loans cannot be more than 75.0% of the lower of the purchase price or the appraised value of the mortgaged property or such loan will be classified as a commercial loan.

Consumer loans are loans to individuals, granted in Chilean pesos, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. They also include credit card balances subject to interest charges. As of January 1, 2004, checking overdraft lines for individuals are classified as commercial loans.

Past due loans include, with respect to any loan, the amount of principal or interest that is 90 days or more overdue, and do not include the installments of such loan that are not overdue or that are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan.

Contingent loans consist of guarantees granted by us in Ch\$, UF and foreign currencies (principally U.S.\$), as well as open and unused letters of credit. (Unlike U.S. GAAP, Chilean GAAP requires such loans to be included on a bank's balance sheet.)

Any collateral provided generally consists of a mortgage on real estate, a pledge of marketable securities, a letter of credit or cash. The existence and amount of collateral generally varies from loan to loan.

Maturity and Interest Rate Sensitivity of Loans

The following table sets forth an analysis by type and time remaining to maturity of our loans as of December 31, 2005:

	Due on or within 1 year	Due after 1 year but on or within 5 years	Due after 5 years	Total balance as of December 31, 2005
(in millions of constant Ch\$ as of December 31, 2005)				
Commercial loans	1,782,304	1,160,680	712,117	3,655,101
Consumer loans	885,418	501,092	5,502	1,392,012
Mortgage loans	63,449	209,564	361,710	634,723
Leasing contacts	170,158	340,067	153,637	663,862
Foreign trade loans	415,765	68,839	27,152	511,756
Interbank loans	194,652	-	-	194,652
Other outstanding loans	245,867	407,478	1,402,810	2,056,155
Past due loans	106,540	-	-	106,540
Subtotal	3,864,153	2,687,720	2,662,928	9,214,801
Contingent loans	587,620	328,282	13,570	929,472
Total loans	4,451,773	3,016,002	2,676,498	10,144,273

The following tables present the interest rate sensitivity of outstanding loans due after one year as of December 31, 2005 (not including contingent loans). *See also "Item 5: Operating and Financial Review and Prospects—Results of Operations—Interest Rate Sensitivity."*

	As of December 31, 2005
(in millions of constant Ch\$ as of December 31, 2005)	
Variable Rate	
Ch\$	252,787
UF	1,919,871
Foreign currency	5,364
Subtotal	2,178,022
Fixed Rate	
Ch\$	1,244,301
UF	1,752,494
Foreign currency	175,831
Subtotal	3,172,626
Total	5,350,648

Loans by Economic Activity

The following table sets forth at the dates indicated an analysis of our loan portfolio based on the borrower's principal economic activity. Loans to individuals for business purposes are allocated to their economic activity. The table does not reflect outstanding contingent loans.

	As of December 31,			
	2004		2005	
	Loan Portfolio	% of Loan Portfolio	Loan Portfolio	% of Loan Portfolio
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)			
Agriculture, Livestock, Agribusiness, Fishing				
Agriculture and livestock	195,206	2.4%	245,199	2.7%
Fruit	64,865	0.8%	79,577	0.9%
Forestry and wood extraction	39,669	0.5%	48,578	0.5%
Fishing	68,737	0.9%	68,510	0.7%
Subtotal	368,477	4.6%	441,864	4.8%
Mining and Petroleum				
Mining and quarries	73,476	0.9%	34,464	0.4%
Natural gas and crude oil extraction	43,168	0.5%	28,700	0.3%
Subtotal	116,644	1.4%	63,164	0.7%
Manufacturing				
Tobacco, food and beverages	139,816	1.7%	116,880	1.3%
Textiles, clothing and leather goods	66,976	0.9%	57,777	0.6%
Wood and wood products	41,231	0.5%	53,147	0.6%
Paper, printing and publishing	24,817	0.3%	67,015	0.7%
Oil refining, carbon and rubber	95,066	1.2%	100,744	1.1%
Production of basic metal, non minerals, machine and equipment	140,738	1.8%	120,768	1.3%
Other manufacturing industries	34,310	0.4%	25,562	0.3%
Subtotal	542,954	6.8%	541,893	5.9%
Electricity, Gas and Water				
Electricity, gas and water	85,467	1.1%	76,596	0.8%
Subtotal	85,467	1.1%	76,596	0.8%
Construction				
Residential buildings	306,964	3.8%	300,532	3.3%
Other constructions	282,779	3.5%	298,845	3.2%
Subtotal	589,743	7.3%	599,377	6.5%
Commerce				
Wholesale	257,549	3.2%	302,113	3.3%
Retail, restaurants and hotels	467,515	5.8%	469,855	5.1%
Subtotal	725,064	9.0%	771,968	8.4%
Transport, Storage and Communications				
Transport and storage	150,379	1.9%	208,508	2.3%
Communications	107,673	1.3%	102,821	1.1%
Subtotal	258,052	3.2%	311,329	3.4%
Financial Services, Insurance and Real Estate				
Financial insurance and companies	543,067	6.8%	597,065	6.5%
Real estate and other services provided to companies	291,746	3.6%	362,291	3.9%
Subtotal	834,813	10.4%	959,356	10.4%
Community, Social and Personal Services				
Community, social and personal services	1,507,368	18.8%	1,741,543	18.9%
Subtotal	1,507,368	18.8%	1,741,543	18.9%
Consumer Credit	1,129,541	14.1%	1,405,010	15.2%
Residential Mortgage Loans	1,871,231	23.2%	2,302,701	25.0%
Total	8,029,354	100.0%	9,214,801	100.0%

In the fiscal year ended December 31, 2005, foreign country loans totaled Ch\$147,559 million. As of December 31, 2005 no country represents more than 1% of our total assets.

Credit Review Process

Unlike most other Chilean banks, our Risk Division, our credit analysis and risk management group, is largely independent of its Commercial Division. Risk evaluation teams interact regularly with our clients. For larger transactions, risk teams in our headquarters work directly with clients when evaluating credit risks and preparing credit applications. Various credit approval committees, all of which include Risk Division and Commercial Division personnel, must verify that the appropriate qualitative and quantitative parameters are met by each applicant. Each committee's powers are defined by our Board of Directors.

In addition, Banco Santander Central Hispano is involved in the credit approval process of our largest loans and borrowers. If a single borrower or an economic group owes us an aggregate amount in excess of US\$40 million, any additional loan to such borrower or member of such group must be reviewed by Banco Santander Central Hispano. Once a year, the Executive Committee of Banco Santander Central Hispano reviews those loans booked by us in excess of US\$40 million.

Credit Approval: Corporate

In preparing a credit proposal for a corporate client, Santander-Chile's personnel verify such parameters as debt servicing capacity (including, usually, projected cash flows), the company's financial history and projections for the economic sector in which it operates. The Risk Division is closely involved in this process, and prepares the credit application for the client. All proposals contain an analysis of the client's strengths and weaknesses, a rating and a recommendation. Credit limits are determined not on the basis of outstanding balances of individual clients, but on the direct and indirect credit risk of entire financial groups. For example, a corporation will be evaluated together with its subsidiaries and affiliates.

Credit Approval: Retail Banking

Santander-Chile's Risk Division for Individuals reports to the Corporate Risk Division for Individuals and small businesses, and is responsible for the risk policies for this segment. The credit evaluation process is based on an evaluation system known as *Garra* which is decentralized, automated and is based on a scoring system which incorporates our Credit Risk policies. The credit evaluation process is based on the gathering of information to determine a client's financial stability, payment capacity and commercial nature. The following parameters are used to evaluate an applicant's credit risk: (i) income, (ii) length of current employment, (iii) indebtedness, (iv) credit reports and (v) background information, which is accessed by means of internal and external databases. Operations which cannot be approved by *Garra* are sent to the Approval Center, a centralized area that carries out yearly analyses and renewals of credit lines and credit cards and evaluates higher risk credits. All credit approvals are performed by a committee.

The following table lists our committees from which credit approval is required depending on total risk exposure:

Approved By	Maximum approval in Thousands of US\$
Executive Credit Committee	>20,000
Senior Committee	20,000
Business Segment Committee	8,000-10,000
Large Companies	10,000
Real estate sector	10,000
Medium-sized companies	8,000
Regional Committee	5,000
Branch committee	300
Companies	300
Mortgage	120
Persons	30

The Executive Credit Committee is comprised of the Chairman of the Board, two additional Board members, the Corporate Legal Counsel, the CEO, the Manager of Global Banking, the Corporate Director of Risk and two senior members of the Credit Risk department that present the loans being reviewed. This committee reviews the loan positions reviewed by the Senior Credit Committee above US\$10 million and approves those loan positions greater than US\$20 million. In addition, any loan position above US\$40 million must also be reviewed by our parent's credit committee.

The Senior Committee is comprised of the CEO, the Manager of the Wholesale segment, the Manager of the Medium-sized companies segment, General Counsel, the Corporate Director of Credit Risk and the Manager of Credit Admissions. The Senior Committee reviews and will either approve or deny transactions in the range of US\$8 million to US\$20 million that have been previously approved by one of the Business Segment Committees: (i) Large Companies, (ii) Medium-sized Companies and (iii) Real Estate. The Regional Committees have a maximum approval of up to US\$5 million. The regional committees oversee the branch networks outside of Santiago. At the branch level the maximum approval is US\$300,000 for companies, US\$30,000 for individuals and US\$120,000 for mortgages. For the lower level committees, credit granting authority varies according to the seniority and experience of the committee members, and the values indicated represent upper limits. All committees include at least two bank officers from the commercial and credit areas.

Our internal control systems require that a part of the loan portfolio of each of our commercial units be subject to special supervision on an ongoing basis. The purpose of this special supervision is to maintain constant scrutiny of the portions of the portfolio that represent the greatest risk and to anticipate any deterioration. Based on this ongoing review of the loan portfolio, we believe we are able to detect problem loans and make a decision on client's status. This includes measures such as reducing or extinguishing a loan, or requiring better collateral from the client. The control systems require that these loans be reviewed at least three times per year for those clients in the lowest category of credit watch.

Credit Approval: Banefe

Banefe's Risk division is part of Santander-Chile's Corporate Risk Department for Individuals and Micro-businesses. In managing its credit risks, Banefe applies a specific set of general policies and rules which differs from the rest of Santander-Chile, due to its own market orientation. These policies and rules, as well as product specific guidelines, are developed by the Risk Division, which also defines the responsibilities of the various units and personnel participating in the credit approval process and the operating procedures for the granting of credit. Additionally, there exists a Risk Committee in which persons from the Commercial area participate and where modifications to the risk policies are discussed.

The credit evaluation process is based on Santander-Chile's general credit policies, which define, among other things, Banefe's target markets, as well as the parameters used to evaluate an applicant's credit risk. The most relevant parameters used to evaluate an applicant's credit risk are (i) income, (ii) length of current employment, (iii) indebtedness, (iv) credit reports and (v) background information, which is accessed by means of internal and external databases. Additionally this area utilizes credit scoring models for evaluating the credit risk of some products.

The credit evaluation process is, for the most part, decentralized and is carried out by credit analysts at branch offices who use the Syseva system (*Sistema de Evaluación de Riesgos*) for approving an operation, which includes the credit risk parameters and credit scoring mechanisms mentioned above. Additionally, a central unit exists, which reports to Banefe's Risk Division, that carries out yearly analyses and renewals of credit lines and credit cards and evaluates higher risk credit or operations that cannot be approved or rejected automatically through Syseva.

The following table lists Banefe's personnel from whom credit approval is required, depending upon total risk exposure. All credit approvals are performed by a committee. These attributions are granted based on specific training processes given by the Risk Division and according to the experience and professional background of the employee.

	Range in US\$ Excludes mortgage loans
Risk Division Manager	Over 12,500
Assistant Risk Division Managers	6,250-12,500
Zone Manager	3,125-6,250
Branch Assistant Manager	1,550-3,125
Credit Analyst	1,170-1,550
Commercial Executive	0-1,170

Classification of Loan Portfolio

Chilean banks are required to classify their outstanding exposures on an ongoing basis for the purpose of determining the amount of loan loss allowances. The guidelines used by banks for such classifications are established by the Superintendency of Banks, although banks are given some latitude in devising more stringent classification systems within such guidelines. The Superintendency of Banks regularly examines and evaluates each financial institution's credit management process, including its compliance with the loan classification guidelines, and on that basis classifies banks and other financial institutions into four categories: 1, 2, 3 and 4. Each bank's category depends on the models and methods used by the bank to classify its loan portfolio, as determined by the Superintendency of Banks. Category 1 banks are those banks whose methods and models are satisfactory to the Superintendency of Banks. Category 1 banks will be entitled to continue using the same methods and models they currently have in place. A bank classified as a category 2 bank will have to maintain the minimum levels of reserves established by the Superintendency of Banks while its board of directors will be made aware of the problems detected by the Superintendency of Banks and required to take steps to correct them. Banks classified as categories 3 and 4 will have to maintain the minimum levels of reserves established by the Superintendency of Banks until they are authorized by the Superintendency of Banks to do otherwise. We are classified in category 1.

In accordance with the new loan classification and reserve regulations, which became effective as of January 1, 2004, the models and methods used to classify our loan portfolio must comply with the following guidelines, which have been established by the Superintendency of Banks and our management and have been approved by our Board.

Under the new classification system, loans are divided into: (i) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (ii) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 100% of the amount of the loan); and (iii) commercial loans (includes all loans other than consumer loans and residential mortgage loans).

Banks may analyze loans for classification purposes on either an individual or group basis, subject to approval by the Superintendency of Banks of the methodology for allocation of loans between individual and group analysis. We analyze on an individual basis the largest loans in our portfolio that together comprise 75% of our portfolio.

Commencing in 2006 the Bank will no longer analyze commercial loans on a group basis. All commercial loans will be rated on an individual basis in an automated system that has been approved by the Superintendency of Banks and our Board of Directors.

Models based on the individual analysis of borrowers

Under the current system, models based on the individual analysis of borrowers:

- Must assign a risk category level to each borrower and its respective loans.
- Must consider the following risk factors within the analysis: industry or sector of the borrower, owners or managers of the borrower, their financial situation, their payment capacity and payment behavior.
- Must assign one of the following risk categories to each loan and borrower upon finishing the analysis:
 - Classifications A1, A2 and A3 correspond to borrowers with no apparent credit risk. Clients rated A1 and A2 are assigned a 0% provision and clients rated A3 are assigned a provisions of 0.5%.

- Classification B corresponds to borrowers with some credit risk but no apparent deterioration of payment capacity. A B rating signifies a 1% provision.
- Classifications C1, C2, C3, C4, D1 and D2 correspond to borrowers whose loans have deteriorated.

As a Category I bank, we are permitted to use our own models to classify loans into the risk categories created by the Superintendent of Banks. In addition, for loans classified as A1, A2, A3 and B our board of directors is authorized to determine the levels of required allowances. For loans that we classify in Categories C1, C2, C3, C4, D1 and D2, however, we must maintain the level of reserves required by the Superintendent of Banks, as set forth below:

Classification	Estimated range of loss	Reserve (1)
C1	Up to 3%	2%
C2	More than 3% up to 19%	10
C3	More than 19% up to 29%	25
C4	More than 29% up to 49%	40
D1	More than 49% up to 79%	65
D2	More than 79%	90

(1) Required reserve amounts are percentages of the aggregate amount of the principal and accrued but unpaid interest of the loan.

In the modified system to be gradually adopted throughout 2006 all commercial loans will be assigned a rating on an individual basis utilizing a more automated and sophisticated statistical model. In 2005 we performed back testing of this more advanced system with minimal differences in the calculation of required provisions compared to the actual amount of provisions under the current system, but no assurance can be given as to the difference in provisioning level the two models would have in 2006.

Additional Reserves

Under the new regulations, banks are permitted to create reserves above the limits described above only to cover specific risks that have been authorized by their board of directors. Voluntary reserves are no longer permitted.

Models based on group analysis for commercial loans

Under the system in place in 2004 and 2005, the Bank had to maintain a model for calculating loan loss reserves based on group analysis of those commercial loans that were not rated on an individual basis. This model:

- Must be suitable for the evaluation of a large number of borrowers whose individual loan amounts are relatively small. These models are intended to be used primarily to analyze loans to individuals and small companies.
- Must involve levels of required allowances determined by the Bank, according to the estimated loss that may result from the loans, by classifying the loan portfolio using one or both of the following models:
 - Must be based on the characteristics of the borrowers and their outstanding loans. Borrowers and their loans with similar characteristics will be placed into groups and each group will be assigned a risk level.
 - Must be based on the behavior of a group of loans. Loans with analogous past payment histories and similar characteristics will be placed into groups and each group will be assigned a risk level.

This model based on group analysis will no longer be utilized in 2006.

Provisioning for consumer and mortgage loans

The provisioning of consumer and mortgage loans has not been modified from the old version of the risk index. The risk category of these loans is directly related to the amount of days an installment is past due.

Category	Consumer loans past due status(1)		Residential mortgage loans past due status(1)		Allowances as a percentage of aggregate exposure (1)
	From	To	From	To	
	(Days)		(Days)		
A	-	-	-	-	-%
B	1	30	1	180	1
B-	31	60	181	>181	20
C	61	120	-	-	60
D	121	>121	-	-	90

(1) Required reserve amounts are percentages of the aggregate amount of the principal and accrued but unpaid interest of the loan.

Old Loan Classification System (Commercial loans)

For purposes of classification until year-end 2003, loans were divided into consumer loans, residential mortgage loans and commercial loans (which for these purposes include all loans other than consumer loans and residential mortgage loans). In the case of commercial loans, the classification was based on the estimated losses on all of the loans outstanding to the borrower, as determined by us. The allowances required for each category of loans, which were established by the Superintendency of Banks, are as follows:

Category	Commercial loans range of estimated losses		Allowances as a percentage of aggregate exposure
	From	To	
A	- %	- %	- %
B	1	5	1
B-	5	39	20
C	40	79	60
D	80	100	90

Analysis of Santander Chile's Loan Classification

The following tables provide statistical data regarding the classification of our loans at the end of each of the last five years. As discussed above, until December 31, 2003, our risk analysis system require us to evaluate, for classification purposes, only a portion (but in no event less than 75.0%) of our total commercial loan portfolio, including past due and contingent loans.

Category	As of December 31, 2001 (in millions of constant Ch\$ as of December 31, 2005, except for percentages)				
	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	1,743,804	303,982	792,561	2,840,347	58.4%
B	1,848,256	21,574	31,595	1,901,425	39.1%
B-	66,971	4,861	10,607	82,439	1.7%
C	17,022	4,025	-	21,047	0.4%
D	14,438	4,961	-	19,399	0.4%
Total of evaluated loans	3,690,491	339,403	834,763	4,864,657	100%
Total loans	4,388,337	339,403	834,763	5,562,503	
Percentage evaluated	84.1%	100.0%	100.0%	87.5%	

As of December 31, 2002
(in millions of constant Ch\$ as of December 31, 2005, except for percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	2,868,691	624,480	1,370,707	4,863,878	64.2%
B	2,261,723	86,703	100,768	2,449,194	32.3%
B-	115,630	27,693	33,323	176,646	2.3%
C	30,336	20,023	2,864	53,223	0.7%
D	25,973	12,872	2	38,847	0.5%
Total of evaluated loans	5,302,353	771,771	1,507,664	7,581,788	100%
Total loans	6,153,835	771,771	1,507,664	8,433,270	
Percentage evaluated	86.2%	100.0%	100.0%	89.9%	

As of December 31, 2003
(in millions of constant Ch\$ as of December 31, 2005, except for percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	3,110,273	661,241	1,316,679	5,088,193	69.7%
B	1,692,060	101,192	124,658	1,917,910	26.3%
B-	106,933	32,913	40,873	180,719	2.5%
C	29,700	26,321	2,497	58,518	0.8%
D	33,742	16,446	2	50,190	0.7%
Total of evaluated loans	4,972,708	838,113	1,484,709	7,295,530	100.0%
Total loans	5,767,386	838,113	1,484,709	8,090,208	
Percentage evaluated	86.2%	100.0%	100.0%	90.2%	

As of December 31, 2004
(in millions of constant Ch\$ as of December 31, 2005, except for percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	945,771	1,740,862	2,686,633	30.1%
A1	433,477	-	-	433,447	4.9%
A2	3,715,616	-	-	3,715,616	41.6%
A3	662,966	-	-	662,966	7.4%
B	651,205	97,176	89,713	838,094	9.4%
B-	-	34,295	38,503	72,798	0.8%
C	-	31,883	2,154	34,037	0.4%
C1	263,396	-	-	263,396	2.9%
C2	57,368	-	-	57,368	0.6%
C3	32,550	-	-	32,550	0.4%
C4	24,674	-	-	24,674	0.3%
D	-	20,416	1	20,417	0.2%
D1	26,169	-	-	26,169	0.3%
D2	63,506	-	-	63,506	0.7%
Total of evaluated loans	5,930,897	1,129,541	1,871,233	8,931,671	100%
Total loans	5,930,897	1,129,541	1,871,233	8,931,671	
Percentage evaluated	100%	100.0%	100.0%	100%	

As of December 31, 2005
(in millions of constant Ch\$ as of December 31, 2005, except for percentages)

Category	Commercial Loans	Consumer Loans	Residential Mortgage Loans	Total Loans	Percentage of Evaluated Loans
A	-	1,152,125	2,152,810	3,304,935	32.6%
A1	428,605	-	-	428,605	4.2%
A2	4,114,591	-	-	4,114,591	40.6%
A3	926,554	-	-	926,554	9.1%
B	650,615	146,474	121,022	918,111	9.1%
B-	-	45,662	26,836	72,498	0.7%
C	-	35,815	1,848	37,663	0.4%
C1	185,575	-	-	185,575	1.8%
C2	39,839	-	-	39,839	0.4%
C3	20,225	-	-	20,225	0.2%
C4	13,723	-	-	13,723	0.1%
D	-	24,886	-	24,886	0.3%
D1	23,697	-	-	23,697	0.2%
D2	33,371	-	-	33,371	0.3%
Total of evaluated loans	6,436,795	1,404,962	2,302,516	10,144,273	100.0%
Total loans	6,436,795	1,404,962	2,302,516	10,144,273	
Percentage evaluated	100%	100%	100%	100%	

Classification of Loan Portfolio Based on the Borrower's Payment Performance

Accrued interest and UF indexation adjustments from overdue loans are recognized only when, and to the extent, received. Non-performing loans include loans as to which either principal or interest is overdue, and which do not accrue interest. Restructured loans as to which payments are not overdue are not ordinarily classified as non-performing loans. Past due loans include, with respect to any loan, only the portion of principal or interest that is 90 or more days overdue, and do not include the installments of such loan that are not overdue or that are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days of the beginning of such proceedings. This practice differs from that normally followed in

the United States, where the amount classified as past due would include the entire amount of principal and interest on any and all loans which have any portion overdue.

According to the regulations established by the Superintendency of Banks, we are required to write off commercial loans not later than 24 months after being classified as past due, if unsecured, and if secured, not later than 36 months after being classified as past due. When an installment of a past due commercial loan (either secured or unsecured) is written off, we must write off all installments which are overdue, notwithstanding our right to write off the entire amount of the loan. Once any amount of a loan is written off, each subsequent installment must be written off as it becomes overdue, notwithstanding our right to write off the entire amount of the loan. In the case of past due consumer loans, a similar practice applies, except that after the first installment becomes six months past due, we must write off the entire remaining part of the loan. We may write off any loan (commercial or consumer) before the first installment becomes overdue only in accordance with special procedures established by the Superintendency of Banks. In certain circumstances we must write off an overdue loan (commercial or consumer) sooner than the terms set forth above. Loans are written off against the loan loss reserve to the extent of any required allowances for such loans; the remainder of such loans is written off against income.

In general, legal collection proceedings are commenced with respect to consumer loans once they are 90 days past due and with respect to mortgage loans once they are 150 days past due. Legal collection proceedings are always commenced within one year of such loans becoming past due, unless the bank determines that the size of the past due amount does not warrant such proceedings. In addition, the majority of our commercial loans are short-term, with single payments at maturity. Past due loans are required to be covered by individual loan loss reserves equivalent to 100.0% of any unsecured portion thereof; but only if and to the extent that the aggregate of all unsecured past due loans exceeds the global loan loss reserves. See “Item 4: Information of the Company—Selected Statistical Information—Loan Loss Allowances—Individual Loan Loss Allowances.” The following table sets forth as of December 31 of each of the last five years the amounts that are current as to payments of principal and interest and the amounts overdue:

Total Loans

The following table sets forth as of December 31 of each of the last five years payment amounts that are:

	As of December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)				
Current	5,458,962	8,167,029	7,848,599	8,750,338	9,980,149
Overdue 1-29 days	20,024	45,736	39,580	30,432	37,556
Overdue 30-89 days	10,347	41,639	21,406	15,088	20,028
Overdue 90 days or more (“past due”)	73,170	178,866	180,623	135,813	106,540
Total loans	5,562,503	8,433,270	8,090,208	8,931,671	10,144,273
Overdue payments expressed as a percentage of total loans	1.9%	3.2%	3.0%	2.0%	1.6%
Past due payments as a percentage of total loans	1.3%	2.1%	2.2%	1.4%	1.1%

We suspend the accrual of interest and readjustments on all overdue loans. The amount of interest that would have been recorded on overdue loans if they had been accruing interest was Ch\$5,809 million, Ch\$5,056 million and Ch\$5,887 million for the years ended December 31, 2003, 2004 and 2005, respectively. Accrued interest and UF indexation adjustments from overdue loans are recognized only when, and to the extent, received.

Loans included in the previous table which have been restructured and that bear no interest are as follows:

	As of December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)				
Ch\$	7,360	9,222	14,941	19,005	1,524
Foreign currency	10	767	4,812	9,783	1,590
UF	6,806	3,390	3,072	4,472	7,459
Total	14,176	13,379	22,825	33,260	10,573

The amount of interest that would have been recorded on these loans for the years ended December 31, 2003, 2004 and 2005 if these loans had been earning a market interest rate was Ch\$2,428 million, Ch\$3,038 million and Ch\$401 million, respectively.

Loan Loss Allowances

The following table sets forth our balance of loan loss allowances, the minimum allowances to be established by us in accordance with the regulations of the Superintendency of Banks and such total expressed as a percentage of total loans. Amounts for 2001, 2002 and 2003 are as determined under the regulations then in effect, and amounts for 2004 and 2005 are determined under the new rules.

	As of December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)				
Reserves based on the requirements of the Superintendency of Banks	75,094	141,679	152,096	179,559	147,866
Reserves based on 0.75%	41,719	63,250	60,677	-	-
Individual and global loan loss allowances	89,927	166,152	178,260	179,559	147,866
Minimum reserves required	89,927	166,152	178,260	179,559	147,866
Voluntary reserves	14,341	13,575	379	-	-
Total loan loss allowances	104,268	179,727	178,639	179,559	147,866
Total loan allowances as a percentage of total loans	1.9%	2.1%	2.2%	2.0%	1.5%

Analysis of Substandard Loans and Amounts Past Due

The following table analyzes our substandard loans (i.e., all of the loans included in categories B-, C and D) and past due loans and the allowances for loan losses existing at the dates indicated. Substandard loans in the old rating system included all loans rated B- or worse. In the new loan rating system, substandard loans include all consumer loans and mortgage loans rated B- or worse and all commercial loans rated C2 or worse. Therefore, the figure for substandard loans in 2004 and 2005 is not comparable to the figures in previous years.

	As of December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)				
Total loans	5,562,503	8,433,270	8,090,208	8,931,671	10,144,273
Substandard loans (1)	122,885	268,716	289,427	331,519	265,902
Substandard loans as a percentage of total loans	2.21%	3.19%	3.58%	3.71%	2.62%
Amounts past due(2)	73,170	178,866	180,623	135,813	106,540
To the extent secured(3)	21,242	67,391	61,773	44,314	43,737
To the extent unsecured	51,928	111,475	118,850	91,499	62,803
Amounts past due as a percentage of total loans	1.32%	2.12%	2.23%	1.52%	1.05%
To the extent secured(3)	0.38%	0.80%	0.76%	0.50%	0.43%
To the extent unsecured	0.93%	1.32%	1.47%	1.02%	0.62%
Reserves for loans losses as a percentage of:					
Total loans	1.87%	2.13%	2.21%	2.01%	1.46%
Total loans excluding contingent loans	2.02%	2.31%	2.48%	2.24%	1.60%
Total amounts past due	142.50%	100.48%	98.90%	132.21%	138.79%
Total amounts past due-unsecured	200.80%	161.23%	150.31%	196.24%	235.44%

(1) Substandard loans in the old rating system included all loans rated B- or worse. In the new loan rating system substandard loans include all consumer and mortgage loans rated B- or worse and for commercial loans all loans rated C2 or worse. Therefore, the 2005 and 2004 numbers are not entirely comparable to previous year.

(2) Represents only the past due amounts. In accordance with Chilean regulations, past due loans that are 90 days or more overdue as to any payments of principal or interest.

(3) Security generally consists of mortgages on real estate, pledges of marketable securities, letters of credit or cash.

Analysis of Loan Loss Allowances

The following table analyzes our loan loss allowances and changes in the allowances attributable to write-offs, new allowances, allowances released, allowances on loans acquired and the effect of price-level restatement on loan loss

allowances. Chilean GAAP requires that the loan loss allowance be debited the full amount of all charge-offs (irrespective of whether the charged-off loan was fully provisioned) and simultaneously credited the same amount through the taking of a new provision. The net effect of these two entries, which are included in the table below under “charge-offs” and “allowances established,” respectively, is to leave the loan loss allowance unchanged following the charge off of a loan. Subsequently, at the end of each calendar month, loan loss allowances are released to the extent not needed. Such releases, which are included in the table below under “allowances released,” therefore include any amounts relating to provisions originally made in respect of loans that have been charged-off.

	As of December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)				
Loan loss allowances at beginning of period	98,560	104,268	179,727	178,639	179,559
Increase in loan allowance due to the Merger	-	71,998	-	-	-
Release of allowances upon charge-offs (1)	(41,879)	(86,340)	(106,434)	(123,771)	(136,733)
Allowances established (2)	52,812	109,842	132,966	150,221	161,278
Allowances released(3)	(2,263)	(14,974)	(25,925)	(20,838)	(49,965)
Price-level restatement(4)	(2,962)	(5,067)	(1,695)	(4,692)	(6,273)
Loan loss allowances at end of period	104,268	179,727	178,639	179,559	147,866
Ratio of write-offs to total loans	0.8%	1.0%	1.3%	1.4%	1.3%
Loan loss allowances at end of period as a percentage of total loans	1.9%	2.1%	2.2%	2.0%	1.5%

- (1) Reflects release of loan loss allowance equal to the entire amount of loans charged off, including any portion of such loans with respect to which no allowance had been established prior to the charge-off.
- (2) Includes, in addition to provisions made in respect of increased risk of loss during the period, provisions made to replace allowances released upon charge-off of loans. See Note (1) to this table.
- (3) Represents the amount of loan loss allowances released during the year as a consequence of reduction in the level of risk existing in the loan portfolio, including as a result of improvement in the credit risk classification of borrowers and the write-off of loans.
- (4) Reflects the effect of inflation on the allowances for loan losses at the beginning of each period, adjusted to constant pesos of December 31, 2005.

The following table shows charge-offs by Santander-Chile by type of loan:

	For the Year Ended December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)				
Consumer loans	14,857	38,792	60,642	84,903	66,729
Residential Mortgage loans	1,017	2,488	4,768	4,063	7,162
Commercial loans	26,006	45,060	41,024	34,805	62,842
Total	41,879	86,340	106,433	123,771	136,733

The following table shows recoveries by Santander Chile by type of loan:

	For the Year Ended December 31,				
	2001	2002	2003	2004	2005
	(in millions of constant Ch\$ as of December 31, 2005)				
Commercial recoveries	4,267	10,713	15,954	21,697	15,507
Consumer loans	5,432	14,774	18,578	25,773	28,266
Mortgage recoveries	414	1,386	1,472	2,246	2,328
Recoveries of loans reacquired from the Central Bank	2,401	70	16	-	-
Total	12,514	26,944	36,020	49,717	46,101

Based on information available regarding our debtors, we believe that our loan loss allowances are sufficient to cover known potential losses and losses inherent in a loan portfolio of the size and nature of our loan portfolio.

Allocation of the Loan Loss Allowances

The following tables set forth, as of December 31 of each of the last five years, the proportions of our required minimum loan loss allowances that were attributable to our commercial, consumer and residential mortgage loans, and the amount of voluntary allowances (which are not allocated to any particular category) at each such date.

As of December 31, 2001					As of December 31, 2002			
Allowance amount(1)	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances(2)		Allowance amount(1)	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances(2)
Commercial loans	70,589	1.6%	1.3%	78.9%	112,838	1.83%	1.34%	73.0%
Consumer loans	16,068	4.7%	0.2%	6.1%	39,405	5.11%	5.11%	9.2%
Residential mortgage loans	3,268	0.4%	0.1%	15.0%	10,278	0.68%	0.68%	17.9%
Total allocated allowances	89,926	1.6%	1.6%	100.0%	162,522	1.93%	1.93%	100.0%
Leasing	14,342	0.3%	0.3%		3,630	0.05%	0.04%	-
Voluntary allowances	-	-	-	-	13,576	0.15%	0.16%	-
Total allowances	104,268	1.9%	1.9%	-	179,727	2.13%	2.13%	-

As of December 31, 2001					As of December 31, 2002			
Allowance amount(1)	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances(2)		Allowance amount(1)	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances(2)
Commercial loans	113,872	1.97%	1.41%	66.42%	106,901	1.80%	1.20%	62.73%
Consumer loans	46,632	5.56%	0.57%	27.21%	53,624	4.75%	0.60%	31.47%
Residential mortgage loans	10,928	0.74%	0.14%	6.37%	9,892	0.53%	0.11%	5.80%
Total allocated allowances	171,432	2.12%	2.12%	100.00%	170,417	1.91%	1.91%	100.00%
Leasing	6,828	0.08%	0.08%	-	9,142	0.10%	0.10%	-
Voluntary allowances	379	0.01%	0.01%		-	0.0%	0.00%	
Total allowances	178,639	2.21%	2.21%		179,559	2.01%	2.01%	

As of December 31, 2005				
	Allowance amount(1)	Allowance amount as a percentage of loans in category	Allowance amount as a percentage of total loans	Allowance amount as a percentage of total allocated allowances(2)
Commercial loans	69,657	1.08%	0.69%	49.73%
Consumer loans	62,730	4.46%	0.62%	44.78%
Residential mortgage loans	7,685	0.33%	0.07%	5.49%
Total allocated allowances	140,072	1.38%	1.38%	100.00%
Leasing	7,794	0.08%	0.08%	-
Total non-allocated allowances	-	0.00%	0.00%	-
Total allowances	147,866	1.46%	1.46%	-

(1) In millions of constant Chilean pesos as of December 31, 2005.

(2) Based on our loan classification, as required by the Superintendency of Banks for the purpose of determining the loan loss allowance.

E. Research and Development, Patents and Licenses, etc.

We do not currently conduct any significant research and development activities.

F. Trend Information

As of the date of filing this Annual report, we are unaware of any trend, uncertainty, demands, commitments or events that would have a material effect on the company's net revenues, profitability, liquidity or capital resources that has not been discussed above or that would cause reported financial information to not necessarily be indicative of future operating results or financial conditions. On February 21, 2006 the Superintendency of Bank published our unaudited earnings and a condensed balance sheet on a stand alone basis for the month of January 2006. Our net income reached Ch\$21,052 million, a 9.1% increase compared to January 2005.

G. Reconciliation of Non-GAAP Measures

Adjusted net interest income margin

	Year ended December 31,			% Change	
	2003	2004	2005	2003/2004	2004/2005
Interest revenue	651,540	812,032	985,669	24.6%	21.4%
Interest expense	(330,119)	(326,743)	(439,790)	(1.0%)	34.6%
Net interest revenue	321,421	485,289	545,879	51.0%	12.5%
Foreign exchange transactions	161,363	7,915	2,684	(95.1%)	(66.1%)
Adjusted net interest income (1)	482,784	493,204	548,563	2.2%	11.2%
Average interest earning assets	10,768,109	10,917,862	11,585,272	1.4%	6.1%
Adjusted net interest margin (2)	4.5%	4.5%	4.7%		

(1) Adjusted net interest income is net interest revenue plus foreign exchange transactions.

(2) Net interest margin including results of forward contracts. Pursuant to Chilean GAAP, Santander-Chile must include as net interest income the gain or loss in book value of dollar indexed interest earning assets and liabilities. Therefore, an appreciation of the peso, as was the case in 2003, 2004 and 2005 may result in a negative nominal or real rate earned or paid over these assets and liabilities, distorting net interest revenue and net interest margins. At the same time and pursuant to Chilean GAAP, the Bank must report the results of forward contracts, which hedge foreign currencies as foreign currency transactions in the income statement. Since the foreign currency gap is limited, the results from foreign exchange transactions are mainly the results of our hedging policies. The accounting asymmetry produced by incorporating the changes in book value of dollar indexed assets and liabilities as net interest revenue and the financial results of forward contracts as financial exchange transactions results in a presentation that is not reflective of our underlying business, especially during periods when the exchange rate is highly volatile and, therefore, for analysis purpose only, we add foreign exchange transactions to net interest revenue. The monthly information provided by the Superintendency of Banks on its website regarding bank results also adds to net interest income the results from foreign exchange transactions.

Fees from checking accounts and lines of credit

	Year ended December 31,			% Change	
	2003	2004	2005	2003/2004	2004/2005
Checking accounts	35,462	32,539	33,179	(8.2%)	2.0%
Lines of credit	3,247	2,127	8,368	(34.5%)	293.4%
Checking accounts & lines of credit(1)	38,709	34,666	41,547	(10.4%)	19.8%

(1) For presentation purposes only we have combined fees from checking accounts and lines of credits in the MDA. As these products are sold together we have combined the fee income generated by these products.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors

We are managed by our board of directors, which, in accordance with our by-laws, consists of 11 directors and two alternates who are elected at annual ordinary shareholders' meetings. The current members of the board of directors were elected by the shareholders in the ordinary shareholders' meeting held on April 19, 2005. Members of the board of directors are elected for three-year terms. The term of each of the current board members expires on April of 2008. Cumulative voting is permitted for the election of directors. The board of directors may appoint replacements to fill any vacancies that occur during periods between elections. If any member of the board of directors resigns before his or her term has ended, and no other alternate director is available to take the position at the next annual ordinary shareholders' meeting a new replacing member will be elected. In 2005 the Bank accepted the resignation of Gerardo Jofré and Fernando Cañas. Marco Colodro replaced Gerardo Jofre and Jesus Zabalza was appointed Alternate Director in replacement of Fernando Cañas, both elected in the Annual Shareholders' Meeting held on April 19, 2005. In January 2006 Juan Colombo resigned and a replacement has not been named yet. Our executive officers are appointed by the board of directors and hold office at its discretion. Scheduled meetings of the board of directors are held monthly. Extraordinary meetings can be held when called in one of three ways: by the Chairman of the board of directors, by three directors with the consent of the Chairman of the board of directors or by six directors. None of the members of our Board of Directors has a service contract which entitles any Director to any benefits upon termination of employment with Santander-Chile.

Our current directors are as follows:

Directors	Position	Committees	Term Expires
Mauricio Larraín Garcés	Chairman and Director	Asset and Liability Committee Executive Credit Committee Marketing and Communications Committee	April 2008
Marcial Portela Alvarez	First Vice Chairman and Director	—	April 2008
Benigno Rodríguez Rodríguez	Second Vice Chairman and Director	Audit Committee	April 2008
Víctor Arbulú Crousillat	Director	Audit Committee	April 2008
Marco Colodro Hadjes	Director	—	April 2008
Lucía Santa Cruz Sutil	Director	—	April 2008
Juan Andrés Fontaine Talavera	Director	Asset and Liability Committee	April 2008
Roberto Méndez Torres	Director	Executive Credit Committee Marketing and Communications Committee	April 2008
Carlos Olivos Marchant	Director	Audit Committee Executive Credit Committee	April 2008
Roberto Zahler Mayanz	Director	Asset and Liability Committee	April 2008
Raimundo Monge Zegers	Alternate Director	—	April 2008
Jesús Zabalza Lotina	Alternate Director	—	April 2008

Mauricio Larraín Garcés is our Chairman. He is a member of the Asset and Liability Committee, the Executive Credit Committee and the Marketing and Communication Committee. He is the former Executive Vice Chairman of the Board of Directors of Old Santander-Chile. He is also First Vice Chairman of Santander Chile Holding S.A. and President of Santander Inversiones S.A. and Universia Chile S.A. He is a director of the *Asociación de Bancos e Instituciones Financieras de Chile*. Mr. Larraín began working at Santander Chile in 1989. Previous to that he was *Intendente* of the Superintendency of Banks, Manager of External Debt at the Banco Central de Chile and a Senior Finance Specialist at the World Bank in Washington. He holds degrees in Economics (Candidate) and in Law from Universidad Católica de Chile and from Harvard University.

Marcial Portela Alvarez became a Director on May 6, 1999 and Vice Chairman of the board on May 18, 1999. He currently oversees all of Banco Santander Central Hispano's investments in Latin America and was the Director of Administration (*Medios*) at Banco Santander from November 1998 until the formation of Banco Santander Central Hispano. In the past, he was the CEO of Telefónica Internacional, Vice Chairman of Telefonica España and the Managing Director of Banco Argentaria and also worked at several other banks, including Banco Exterior, Caja Postal, Banco Hipotecario and

BBV. Mr. Portela is also a member of the Advisory Council of the University of Chicago and a professor at Universidad Deusto. Mr. Portela holds a degree in Sociology from the University of Lovaina and a Political Science degree from the Universidad de Madrid.

Benigno Rodríguez Rodríguez became a Director on March 19, 1996. He is a member of the Audit Committee. He served as Vice Chairman of the Board of Santiago from April 17, 2002 through the date the merger was consummated. Before that he served as Santiago's Director of Management Information Systems. Currently, he is also President of Banco Santa Cruz in Bolivia, Altec Chile and of Teatinos Siglo XXI. He is a director of Santander Chile Holding S.A., Aurum S.A., Santander Holding Perú and Segovía XXI España. Mr. Rodríguez holds a degree in Economics from the Universidad Complutense of Madrid.

Víctor Arbulú Crousillat became a Director on May 6, 1999. He is a member of the Audit Committee. He is also director of Teatinos Siglo XXI and Aurum S.A. He was a Managing Director of JPMorgan, member of its European management committee and Chief Executive Officer for Spain and Portugal from 1988 until 1998. He has worked for JPMorgan for over 25 years in various positions in Europe, North America and South America. Mr. Arbulu also worked for the Inter-American Development Bank. Mr. Arbulu holds a degree in Engineering and a Masters of Business Administration.

Marco Colodro Hadjes became a Director on April 19, 2005. Mr. Colodro is a member of the Executive Credit Committee. Mr. Colodro also serves as a Director of Telefónica Chile and a Director of Codelco. He is a former chairman of TVN (national television network) and vice chairman of Banco del Estado (state bank). He was also owner of Agencia de Valores Alfa S.A. Prior to that he was Foreign Trade Director at the Central Bank of Chile. Mr. Colodro holds a degree in Economics from Universidad de Chile, and a Ph.D. from University of Paris.

Lucía Santa Cruz Sutil became a Director on August 19, 2003. Ms. Santa Cruz holds a degree in History and a Masters Degree in Philosophy from Oxford University. She has been a Director of the Political Economy Institute of Universidad Adolfo Ibáñez since 2001. Ms. Santa Cruz is also a director of Universia Chile S.A. She is also on the Board of Compañía de Seguros Generales y de Vida La Chilena Consolidada and Fundación Minera Escondida. She is also on the Advisory Board of Nestle Chile and the Fundación Educacional Santa Teresa de Avila. She is also a member of the Self-Regulation Committee for Insurance Companies in Chile.

Juan Andrés Fontaine Talavera became a Director on February 26, 1998. He is a member of the Asset and Liability Committee. He is a senior partner at Juan Andrés Fontaine y Asociados, an economic consulting firm in Chile, a board member of several companies and a professor at the Catholic University in Chile. Mr. Fontaine is also a researcher for the Instituto de Libertad y Desarrollo and the Centro de Estudios Públicos. Prior to that he was Chief Economist at the Central Bank of Chile. Mr. Fontaine holds a degree in Economics from the Catholic University of Chile and a Masters degree in Economics from the University of Chicago.

Roberto Méndez Torres is a former member of the Board of Old Santander-Chile, to which he was appointed in 1996. He is a member of the Executive Credit Committee and the Marketing and Communication Committee. He is also Director of AFP Summa Bansander S.A. and Vice-Chairman of Universia S.A. He is a professor of Economics at Universidad Católica de Chile. Mr. Méndez also sits on the *Consejo Consultor del Rector de la Universidad Católica de Chile*. He has been Advisor to Grupo Santander Chile since 1989. Mr. Méndez is President and Director of Adimark Chile. He graduated with a degree in Business from Universidad Católica de Chile, and holds an MBA and a Ph.D. from the Graduate School of Business at Stanford University.

Carlos Olivos Marchant became a Director on April 15, 1987. He is Chairman of the Audit Committee and a member of the Executive Credit Committee. He was Chairman of the Board of Santiago from May, 1999 until the date of the merger. He is also a director of Compañía Cervecerías Unidas S.A., Inversiones Rentas S.A. and Inversiones Tajamar Ltda. Prior to that, he was Vice Chairman of the board since March 31, 1998. He is a partner in the law firm Guerrero, Olivos, Novoa y Errazuriz. From 1981 to 1983, Mr. Olivos served as General Counsel of the Central Bank of Chile, and from 1984 to 1986 he served as Chairman of the board of directors of Banco Osorno. Mr. Olivos holds a law degree from the Universidad de Chile and a Masters of Jurisprudence from New York University School of Law.

Roberto Zahler Mayanz became a Director on August 31, 1999. He is a member of the Asset and Liability Committee. Currently, he is President of Zahler & Co, a consulting firm. He is also director of Air Liquide-Chile and member of the CLAAF or the Latin American Committee for Financial Affairs. He was also President of the Board of Siemens Chile and the Advisory Board of Deutsche Bank Americas Bond Fund. He was also a visiting professor at the IMF's Research Department and a member of the Quota Formula Review Committee of the International Monetary Fund. Between 1991 and 1996 he was President of the Central Bank of Chile and Vice-President from 1989-1991. He also serves as a consultant for the World Bank, the IDB, the IMF and the International Bank of Settlements. Mr. Zahler has also provided technical assistance to various Central Banks and Finance Ministries in most countries of Latin America, Indonesia, Kosovo and Thailand. Mr. Zahler holds a degree in Business Administration from the Universidad de Chile and a Masters and a Ph.D. in Economics from the University of Chicago.

Raimundo Monge Zegers, became an Alternate Director on April 29, 2003. He is Corporate Director of Strategic Planning for Grupo Santander-Chile and is CEO of Santander-Chile Holding S.A. and Teatinos Siglo XXI S.A. He is also President of Santander S.A. Sociedad Securitizadora and Santander Factoring S.A. He is a director of Santander Multimedios S.A., Soince S.A., AFP Bansander S.A. and Bansa Santander S.A. and an alternate director of Universia Chile S.A. Mr. Monge has a degree in business from the Universidad Católica de Chile and a MBA from the University of California, Los Angeles.

Jesús Zabalza Lotina became a Director on April 19, 2005. He has worked for 22 years in the Spanish financial systems, and served as CEO in Banco Viscaya, Banco Hipotecario, Caja Postal and La Caixa. He as also served as director in several affiliate companies on La Caixa and Telefónica in Spain. He is Managing Director of America's División of Santander Group for retail banking, and vice president of the Spanish Association of Finance Executives (AEEF). He also serves as Director of Banco Santander Bancorp in Puerto Rico. Mr. Zabalza holds a degree in Industrial Engineering from the University of Bilbao.

Senior Management

Our senior managers are as follows:

Senior Manager	Position	Date Appointed
Oscar von Chrismar	Chief Executive Officer	August 1, 2003
José Alberto García Matanza	Corporate Director of Credit Risk	January 1, 2005
David Turiel	Corporate Financial Controller	July 18, 2002
Ramón Sanchez	Corporate Director of Internal Audit	January 1, 2004
José Manuel Manzano	Corporate Director Human Resources	October 31, 2002
Andres Roccatagliata	Retail Banking	October 31, 2002
Fernando Massú	Global banking	October 6, 2005
Alejandro Cuevas	Banefe Consumer Division	July 18, 2002
Andrés Heusser	Middle-market Banking	October 1, 2004
Roberto Jara	Chief Accounting Officer	July 18, 2002
Juan Fernández	Administration and Operations	July 18, 2002
Gonzalo Romero	General Counsel	July 18, 2002

Oscar von Chrismar C. became the CEO of Santander-Chile in August 2003 after being Manager of global Banking following the merger. Prior to that he was the former CEO of Old-Santander Chile since September 1997, after being General Manager of Banco Santander-Peru since September 1995. Mr. von Chrismar is also President of Santander S.A. Agente de Valores and a director of Santiago Leasing S.A. Prior to that, Mr. von Chrismar was the manager of the Finance Division of Santander-Chile, a position he had held since joining Santander-Chile in 1990. Mr. von Chrismar holds an Engineering degree from the Universidad de Santiago de Chile.

José Alberto García Matanza became Director of the Risk Division in January 2005. Mr. García has served in various senior positions Banco Santander Central Hispano since 1990 in Spain, Colombia and Argentina. Mr. García holds a degree in Economics from the University of Cantabria, Spain.

David Turiel is the Corporate Financial Controller of Santander Chile, which is in charge of the Accounting and Financial Control Departments. He has held this position since December 2001. Mr. Turiel is also a director of Aurum S.A. and Teatinos Siglo XXI. Previously, Mr. Turiel was Financial Controller of Banco Santander Brazil and Director of Market Risks and Manager of Auditing in Spain. Mr. Turiel has an Economics and Business degree from the Universidad Complutense of Madrid.

Ramón Sánchez is the Corporate Director of Internal Auditing, a position he has held since January 2004. Previously, Mr. Sánchez was Director of Internal Auditing in Banco Santander in Puerto Rico. Mr. Sánchez has served in various positions in Banco Santander Central Hispano since 1995, including Senior Vice President of auditing in Madrid. Mr. Sánchez holds a law degree from the Universidad of Salamanca.

José Manuel Manzano was appointed Corporate Director of Human Resources for Santander-Chile on October 31, 2002. Previously he served as Manager of Human Resources for Old Santander-Chile since 1999. Prior to that he was

General Manager of Santander Fund Management and Managing Director of Bancassurance. He is also a Director of Santander Chile Holding. Mr. Manzano holds an MBA and a degree in Business from Universidad Católica de Chile.

Andrés Roccatagliata is our Retail Banking Manager. He is the former manager of Old Santander-Chile's Retail Division, a position he held from 1999 until August 2002, when the merger with Santiago was consummated. Mr. Roccatagliata is also a director of Santander Santiago S.A. Administradora de Fondos Mutuos, Altavida Santander Seguros de Vida S.A. and Redbank S.A. Prior to that he served as Manager of Distribution of Old Santander-Chile in June 1997 and was responsible for the branch network of Old Santander-Chile. From 1993 to 1997, Mr. Roccatagliata was the Commercial Manager of Banefe. Before that, he was a Regional and Branch Manager from 1987 to 1990. Mr. Roccatagliata holds a degree in business from the Universidad de Santiago and an MBA from the Universidad Adolfo Ibáñez.

Fernando Massú Taré is the Manager of Global Banking that includes wholesale banking and treasury services. He is the former manager of the Treasury and Finance Division of Old-Santander Chile, a position he held since May 1995. Mr. Massú is also a director of Santander Santiago S.A. Administradora de Fondos Mutuos and Sociedad Interbancaria de Depósito de Valores S.A. From September 1992 until May 1995 he was Treasurer at Banco de Comercio e Industria, a Portuguese affiliate of Banco Santander Central Hispano, S.A., and prior to that he was a Vice-President at Citibank, Chile. Mr. Massú, a graduate of Universidad Técnica Federico Santa María, holds a degree in Business Administration.

Alejandro Cuevas became Manager of the Banefe Division of Santander-Chile in January 2000. Mr. Cuevas is also a director of Altavida Santander Seguros de Vida S.A. and Transbank S.A. Prior to that he was the Commercial Manager of Banefe between May 1997 and December 1999 and Marketing Manager of Banefe from March 1995 to May 1997. Mr. Cuevas has a Business degree from Universidad de Chile.

Andrés Heusser is our Middle Banking Manager. He held the same position in the Old Santander-Chile since 1990, when he entered Santander Group. Mr. Heusser is also a director of Santiago Leasing S.A. and Santander Factoring S.A. Mr. Heusser holds a degree in business from the Universidad de Santiago and an MBA from the Universidad Adolfo Ibáñez.

Roberto Jara is our Chief Accounting Officer. He is the former Chief Accounting Officer at Old Santander-Chile, a position he held from March 1998 until August 2002, when the merger with Santiago was consummated. He joined Old Santander-Chile in 1978, and held several positions there such as Sub-Manager of Budget and Costs and Chief of IT Projects. Mr. Jara is a CPA and holds a degree in Tax Management from Universidad Adolfo Ibáñez.

Juan Fernández is our manager of Administration and Operations. He is the former Manager of Administration and Cost Control of Old Santander-Chile, a position he held since April 1999 until August 2002, when the merger with Santiago was consummated. Mr. Fernández is also Director of Santander Chile Holding S.A., Santander S.A. Sociedad Securitizadora, Santander Factoring S.A., Altec S.A., Bansa Santander S.A., Multinegocios S.A. and Procura Digital Chile S.A. Previously Mr. Fernández served as Manager for Accounting and Administration of Old Santander-Chile since January 1993. Prior to that Mr. Fernández was at Banchile Agencia de Valores y Subsidiarias, and at JPMorgan in Santiago and Madrid.

Gonzalo Romero is our General Counsel, a position he has held since July 18, 2002. He is also a director of Santander Santiago S.A. Sociedad Securitizadora. Mr. Romero, a lawyer, joined Old Santander-Chile in February 1997 as General Counsel. He had been General Manager of Banco Concepción from 1991 to 1996 and General Counsel of Banco Concepción from 1986 to 1990. He has a Degree in Law from the Universidad de Chile.

B. Compensation

For the year ended December 31, 2005, the aggregate amount of compensation paid by us to all of our directors was Ch\$407 million including attendance fees and monthly stipends. For the year ended December 31, 2005, the aggregate amount of compensation paid by us to all of our executive officers and our management members was Ch\$28,969 million (US\$56 million). In our annual shareholder meeting held on April 19, 2005, a monthly stipend per director of UF 209 (US\$7,306) was approved by shareholders. This amount will be increased by UF 26 per month (US\$909) if a Board member is named to one or more committees of the Board. In addition, we paid certain directors professional service fees in an aggregate amount of Ch\$399 million (US\$0.8 million) in 2005 for the consulting services they rendered to us in the field of their expertise.

We do not pay any contingent or deferred compensation and there is no stock option or profit-sharing plan for our administrative, supervisory or management personal. Furthermore nothing was set aside or accrued by us to provide pension, retirement or similar benefits for our Directors and executive officers.

We pay bonuses to our administrative, supervisory or management personnel based on pre-defined goals (mainly commercial but also including items such as customer satisfaction) and our overall performance in the year. Santander-Chile currently does not have any profit-sharing arrangements with its employees. There is no system for the granting of options or securities to employees. These bonuses are provisioned for monthly, according to the degree of accomplishment of our budget. We also give bonuses throughout the year to commercial teams for performance in other commercial contests. None of the members of our Board of Directors has a service contract which entitles any Director to any benefits upon termination of employment with Santander-Chile.

C. Board Practices

Summary Comparison of Corporate Governance Standards and New York Stock Exchange Listed Company Standards

As a “Foreign Private Issuer” under the United States Securities Exchange Act of 1934 that is listed on the New York Stock Exchange (“NYSE”), we are required to provide a brief general summary of the significant ways in which our corporate governance standards, which are dictated by Chilean corporate law, differ from those followed by U.S. companies under NYSE listing standards.

Please note that because more than 50% of our voting power is held by another company, Banco Santander Central Hispano, S.A., we would be permitted to elect certain exemptions under NYSE corporate governance standards. Specifically, as a U.S. company, we could elect to be exempted from the requirements (i) that we have a majority of independent directors (as defined by the NYSE), (ii) that we have a nominating/ corporate governance committee meeting certain conditions, and (iii) that we have a compensation committee meeting certain requirements. Because as a U.S. company we would not be required to follow these standards, we do not discuss the differences, if any, between these provisions and our own corporate governance procedures in the table below.

The table below summarizes the significant differences between our corporate governance standards and those required by the NYSE for listed U.S. companies.

NYSE Listed Company Requirement	Santander Chile Corporate Governance Standard
Non-management directors must meet at regularly scheduled executive sessions without management.	Under Chilean law, a company’s executive officers may not serve as such company’s directors. As a result, our board consists entirely of “non-management” directors, making separate meetings unnecessary.
Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto.	Shareholders’ vote is not required for any equity-compensation plans other than those for the directors. Our compensation policies currently do not provide for equity compensation, therefore do not trigger shareholders’ vote.
Listed companies must adopt and disclose corporate governance guidelines.	We follow the corporate governance guidelines established under Chilean laws, a summary of which is included in this 20-F.
Listed companies must adopt and disclose a code of business conduct and ethics for directors and employees, and promptly disclose any waivers of the code for directors or executive officers.	We have a code of business ethics and conduct which must be signed by all employees and are included as exhibits to this 20-F.

Summary of Corporate Governance Standards

Santander-Chile has adopted diverse measures to promote good corporate governance. Among the measures adopted are:

- Board of Directors mainly composed of professionals not related to Banco Santander Central Hispano, our parent company.
- Active participation of Directors in main committees of the Bank.
- All personnel must subscribe to a code of ethics and good conduct. Those who interact directly with the capital markets must also subscribe to an additional code of conduct.

- Segregation of functions in order to assure adequate management of risks. Commercial areas separated from back office areas. Risk management independent of commercial areas. Main credit decisions taken in committees.
- Internal Auditing Area clearly independent from the Administration.
- The Bank also has an Internal Compliance Division that oversees the fulfillment of the Bank's codes of conduct.

Santander-Chile has a commitment to transparency. This includes:

- Equal treatment for all shareholders. One share = one vote.
- Monthly publication of the Bank's results by the Superintendency of Banks.
- Quarterly report of a detailed analysis of Bank results published by us at least 30 days after the close of each interim quarter and 40 days after close of the full year.
- Quarterly conference call open to the public.
- All information relevant to the public available immediately on the web page www.santandersantiago.cl.
- Ample and periodic coverage of Bank by international and local stock analysts.
- The Bank has five credit risk ratings by five independent rating agencies, local and international.

Audit Committee

Board member	Position in Committee
Carlos Olivós	Chairman
Benigno Rodríguez. R.	Vice Chairman
Víctor Arbulú.C.	Member

The Audit Committee (*Comité de Directores y Auditoría*) is comprised of three members of the board of directors. The Chief Executive Officer, our General Counsel and the General Auditor can be invited to the meetings if necessary. This Committee's primary responsibility is to support the board of directors in the continuous improvement of our system of internal controls, which includes reviewing the work of both the external auditors and the Internal Audit Department. The committee is also responsible for analyzing observations made by regulatory entities of the Chilean financial system about us and for recommending measures to be taken by our management in response. This committee also performs certain functions of a remuneration committee. The external auditors are recommended by this committee to our board of directors and appointed by our shareholders at the annual shareholders' meeting.

Additionally this committee is responsible for:

- Presenting to the board of directors a list of candidates for the selection of an external auditor.
- Presenting to the board or directors a list of candidates for the selection of rating agencies.
- Overseeing and analyzing the results of the external audit and the internal reviews.
- Coordinating the activities of internal auditing with the external auditors' review.
- Analyzing the interim and year-end financial statements and reporting the results to the board of directors.
- Analyzing the external auditors' reports and their content, procedures and scope.
- Analyzing the rating agencies' reports and their content, procedures and scope.
- Obtaining information regard the effectiveness and reliability of the internal control systems and procedures.
- Analyzing the information systems performance, its sufficiency, reliability and use in connection with decision-making processes.
- Obtaining information regarding compliance with the company's policies regarding the due observance of laws, regulations and internal rules to which the company is subject.

- Obtaining information and resolve conflict interest matters and investigating suspicious and fraudulent activities.
- Analyzing the reports of the inspection visits, instructions and presentations of the Superintendency of Banks.
- Obtaining information, analyzing and verifying the company's compliance with the annual audit program prepared by the internal audit department.
- Informing the board of directors of accounting changes and their effect.
- Examining the compensation plans of high level executives and managers

Asset and Liability Committee

Board member	Position in Committee
Mauricio Larraín.	Chairman
Roberto Zahler.	Member
Juan Andrés Fontaine.	Member

The *Comité de Activos y Pasivos* or the Asset and Liability Committee (the “ALCO”), following guidelines set by the Board of Directors, Santander Central Hispano's Global Risk Department, is responsible for establishing Santander-Chile's policies, procedures and limits with respect to market risks and monitoring the overall performance in light of the risks assumed. The ALCO constantly monitors whether these policies are fulfilled. Santander-Chile's Market Risk and Control Department and the Finance Division carry out the day-to-day risk management of the trading and non-trading activities of Santander-Chile.

The composition of the Asset and Liabilities Management Committee includes the Chairman of the Board, two members of the Board, the Chief Executive Officer, the Manager of the Finance Division, the Manager of Corporate Risk, the Financial Controller and other senior members of management. Senior members of Santander-Chile's Finance Division meet monthly on a formal basis with the Asset and Liabilities Management Committee and outside consultants.

Executive Credit Committee

Board member	Position in Committee
Mauricio Larraín.	Chairman
Carlos Olivós.	Member
Roberto Méndez.	Member
Marco Colodro	Member

The Executive Credit Committee is comprised of the Chairman of the Board, two additional Board member, the Corporate Legal Counsel, the CEO, the Manager of Global Banking, the Corporate Director of Risk and two senior members of the Credit Risk department that present the loans being revised. This committee revises the loan position reviewed by the Senior Credit Committee with approval rights up to the maximum exposure permitted by the General Banking Law.

Marketing and Communications Committee

Board member	Position in Committee
Mauricio Larraín.	Chairman
Roberto Méndez	Member

The Marketing and Communications Committee is comprised of the Chairman of the Board and an additional Board member, the CEO, the Manager of Retail Banking, the Manager of Banefe, the Manager of Human Resources, the Manager of Corporate Communications, the Manager of Marketing and other senior managers of the Bank. This committee revises all matters related with products, corporate image and communications.

D. Employees

As of December 31, 2005, on a consolidated basis we had 7,482 employees, 7,260 of whom were bank employees and 222 of whom were employees of our subsidiaries. With respect to the average number of employees for the Bank only, during each of the years ended December 31, 2003, 2004 and 2005 we had, on a combined basis, 7,883, 7,542 and 7,414 employees, respectively. We have traditionally enjoyed good relations with our employees and their unions. Of the total headcount, 3,077 or 41% were unionized. In 2003 we signed a new collective bargaining agreement with the Bank's main unions. In the past, we have applied the terms of our collective bargaining agreements to unionized and non-unionized employees.

Employees	2005
Executives	535
Professionals	3,235
Administrative	3,712
Total	7,482

E. Share Ownership

As of December 31, 2005, the following directors and executives held shares in Santander-Chile:

Director	Number of Shares
Mauricio Larraín G	160
Juan Andrés Fontaine T	561,954
José Manuel Manzano T	187,145
Juan Fernández F	35,536

No director or executive officer owns more than 1% of the shares of Santander-Chile.

Santander-Chile currently does not have any arrangements for involving employees in its capital and there is no systematic arrangement for grant of options or shares or securities to them.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of December 31, 2005 Santander-Chile's largest shareholders were the following:

Shareholder	Number of Shares	Percentage
Teatinos Siglo XXI S.A.	78,108,391,607	41.45%
Santander Chile Holding	66,822,519,695	35.46
Grupo Empresarial Santander	13,626,663,708	7.23

Banco Santander Central Hispano (the successor entity to Santander Spain after its merger with Banco Central Hispanoamericano, S.A. on April 17, 1999) is the controlling shareholder of Santander-Chile, which as of December 31, 2005 directly and indirectly owned or controlled 83.94% of Santander-Chile.

Banco Santander Central Hispano controls Santander-Chile through its holdings in Teatinos Siglo XXI and Santander-Chile Holding, which are controlled subsidiaries, and through the indirect ownership of ADSs representing 7.23% of Santander-Chile's outstanding capital stock. As of December 31, 2005, Banco Santander Central Hispano directly and indirectly owned or controlled 99.0% of Santander-Chile Holding. Banco Santander Central Hispano directly and indirectly owned or controlled 100% of Teatinos Siglo XXI S.A. Banco Santander Central Hispano also owned 7.23% of the Bank via ADRs acquired in the market by Grupo Empresarial Santander. This gave Banco Santander Central Hispano control over 84.14% of the shares of the Bank and actual participation when excluding minority shareholders of 83.94% at December 31, 2005. Banco Santander Central Hispano is in a position to cause the election of a majority of the members of Santander-Chile's Board of Directors, to determine its dividend and other policies and to determine substantially all matters to be decided by a vote of shareholders. Santander Central Hispano holds ordinary shares to which no special voting rights are attached. Each share represents one vote and there are no shareholders with different voting rights.

The number of outstanding shares of Santander-Chile (of which there is only one class, being ordinary shares) at December 31, 2005 was 188,446,126,794 shares, without par value. Santander-Chile's shares are listed for trading in the Chilean Stock Exchanges and in the New York Stock Exchange in connection with the registration of ADRs. The market capitalization

of Santander-Chile at the same date was Ch\$4,070,436 million (US\$7,916 million), representing 188,446,126,794 shares of common stock. At December 31, 2005, Santander-Chile had 14,318 holders registered in Chile, including the Bank of New York, as depository (the “Depository”) of Santander-Chile’s American Depositary Share Program. As of December 31, 2005, there were a total of 12 ADR holders on record. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

Other than the information disclosed in this section, there are no arrangements in the knowledge of Santander-Chile, which can result in a change of control of Santander-Chile.

B. Related Party Transactions

In accordance with the provisions of the General Banking Law, and with the instructions given by the Superintendency of Banks, persons or entities are considered related to the natural or juridical persons that are related with the ownership or management of the Institution, directly or by means of third parties.

The Chilean Companies Law requires that our transactions with related parties be on a market basis or on similar terms to those customarily prevailing in the market. We are required to compare the terms of any such transaction to those prevailing in the market at the date the transaction is to be entered into. Directors of companies that violate this provision are liable for losses resulting from such violations.

In addition, under the Chilean Companies Law, a company may not enter into a transaction in which one or more of its directors has a direct or indirect interest unless (i) such transaction has received the prior approval from the company’s board of directors and (ii) the terms of such transaction are consistent with the terms of transactions of a similar type prevailing in the market. If it is not possible to reach such a judgment, the board may appoint two independent evaluators. The evaluators’ final conclusions must be made available to shareholders and directors for a period of 20 business days, during which shareholders representing 5% or more of the issued voting shares may request the board to call a shareholders’ meeting to resolve the matter, with the agreement of two thirds of the issued voting shares required for approval. For purposes of this regulation, the law considers that the amount of a proposed transaction is material if it exceeds (i) 1% of the company’s net worth (provided that it also exceeds 2,000 UF) and (ii) in any case, 20,000 UF.

All resolutions approving such transactions must be reported to the company’s shareholders at the next annual shareholders’ meeting. Violations of this provision does not affect the validity of the transaction, but may result in administrative, criminal or civil liabilities imposed on the interested directors and damages paid to the corporation, the shareholders and/or third parties who suffer losses as a result of such violation. We believe that we have complied with the applicable requirements under the Chilean Companies Law in all transactions with related parties. We will continue to comply with such requirements.

Loans granted to related parties

Related party loans, all of which are current, are as follows:

		As of December 31,			
		2004		2005	
		Loans	Collateral Pledged	Loans	Collateral Pledged
		MCh\$	MCh\$	MCh\$	MCh\$
Operating companies		59,664	26,375	141,538	72,812
Investment companies (1)		156,474	73,429	293,473	65,990
Individuals (2)		16,087	14,841	20,236	18,886
Total		232,225	114,645	455,247	157,688

(1) Includes companies whose purpose is to hold shares in other companies.

(2) Includes debt obligations that are equal to or greater than UF 3,000, equivalent to US\$103,532 December 31, 2005. Includes loans to certain executive officers. All of the loans to the executive officers were made in our ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility or present other unfavorable features.

Under the Chilean General Banking Law, Chilean banks are subject to certain lending limits, including the following:

- (a) a bank may not extend to any person or legal entity (or group of related entities), directly or indirectly, unsecured loans in an amount that exceeds 5.0% of the bank’s effective equity, or secured loans in an amount that exceeds 25.0% of its effective equity. In the case of foreign export trade finance, this 5.0% ceiling is raised to: 10.0% for unsecured financing, 30.0% for secured financing. This ceiling is raised to 15.0% for loans granted to finance public works under the concessions system contemplated in the Decree 93 with Force of Law 164 of 1991, of the Ministry of Public Works, provided that either the loan is secured on the concession, or the loan is granted as part of a loan syndication;
- (b) a bank may not grant loans bearing more favorable terms than those generally offered by banks in the same community to any entity (or group of related entities) that is directly or indirectly related to its owners or management;
- (c) a bank may not extend loans to another financial institution in an aggregate amount exceeding 30.0% of its effective equity;
- (d) a bank may not directly or indirectly grant a loan the purpose of which is to allow the borrower to acquire shares in the lending bank;
- (e) a bank may not lend, directly or indirectly, to a Director or any other person who has the power to act on behalf of the bank, or to certain related parties;
- (f) a bank may not grant loans to individuals or legal entities involved in the ownership or management of the bank, whether directly or indirectly (including

holders of 1.0% or more of its shares), on more favorable terms than those generally offered to non-related parties. Loans may not be extended to senior executives and to companies in which such individuals have a participation of 5.0% or more of the equity or net earnings in such companies. The aggregate amount of loans to related parties may not exceed a bank's effective equity; and

- (g) the maximum aggregate amount of loans that a bank may grant to its employees is 1.5% of its effective equity, and no individual employee may receive loans in excess of 10.0% of such 1.5% limit. These limitations do not apply to a single home mortgage loan for personal use per term of employment of each employee. We are not aware of any loans to any related parties exceeding the above lending limits.

Other transactions with related parties:

During the years ended December 31, 2003, 2004 and 2005 the Bank had the following significant income (expenses) from services provided to (by) related parties:

Company	Year ended December 31,		
	2003	2004	2005
	Income/(Expenses)	Income/(Expenses)	Income/(Expenses)
	MCh\$	MCh\$	MCh\$
Redbanc S.A. (payment for administering ATM network)	(3,409)	(3,308)	(3,540)
Transbank S.A. (payments for administering credit card network)	(5,410)	(4,671)	(5,860)
Sixtra Chile S.A. (Computer services)	(71)	(45)	(33)
Santander G.R.C. Ltda. (collection services)	283	553	(1,122)
Santander Chile Holding S.A. (rent)	125	85	142
Santander Factoring S.A. (rent)	60	54	50
Bansa Santander S.A. (rent and sale of repossessed assets)	807	(2,357)	1,121
AFP Bansander S.A (rent)	210	148	152
Altec S.A. (technology services)	(3,214)	(5,815)	(6,509)
Santander Investment Chile S.A. (rent)	-	88	88
Altavida Cia. De Seguro De Vida S.A. (collection of insurance policies)	3,497	6,815	11,752
Plaza El Trebol S A (rent)	(106)	(109)	(197)
Others	(346)	(427)	(507)
Total	(7,574)	(8,989)	(4,463)

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Information

See Item 18.

Legal Proceedings

On August 28, 1996, Banco Español de Crédito filed a complaint against Auca Forestal S.A. and O'Higgins Corredores de Bolsa Ltda. (Currently *Santiago Corredores de Bolsa Ltda.*). The Santiago Court of Appeals reversed a finding of the trial court in favor of Banco Español de Crédito and Banco Español de Crédito has appealed that ruling to the Supreme Court, where the matter is currently pending. The Bank's management and its legal counsel believe that the resolution of this contingency is not likely to cause damages to the subsidiary and this contingency has been fully provisioned in an amount of Ch\$180 million.

Our subsidiary Santander S.A. Agente de Valores is involved in a pending suit with “Orsini con Orsini y Otros”, which is seeking damages in an amount of approximately US\$500,000 from Santander S.A. Agente de Valores. On December 18, 2001 the courts ruled against our subsidiary. On November 4, 2005 the Appeals Court ruled in favor of Santander S.A. Agente de Valores, but this ruling has been appealed to the Supreme Court. This legal contingency has not been provisioned as the amount of the claim is estimated to be negligible.

On August 26, 1992 a suit was filed by the Chilean Internal Revenue Service against the Bank and is still pending. The Appeals Court partially ruled in favor of Banco Santander Chile and substantially reduced the amount of the tax difference. In the opinion of our legal advisors, these claims are not likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations and as of December 31, 2005 the Bank maintained a provision of Ch\$519 million, which covers the totality of this claim.

In addition, we are subject to certain claims and are party to certain legal and arbitration proceedings incidental to the normal course of our business, including claims for alleged operational errors. We do not believe that the liabilities related to such claims and proceedings are likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations.

There are no material proceedings in which any of our directors, any members of our senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

Dividends and dividend policy

See “Item 3: Selected Financial Data—Dividends”.

ITEM 9. THE OFFER AND LISTING

A. Historical Trading Information

In the merger former Santiago was the legal surviving entity and the corporate name was changed to “Banco Santander-Chile.” As a result shareholders of Old Santander-Chile received 3.55366329 shares of Banco Santiago for every one share of Santander-Chile that they owned on the record date for the merger. Therefore, the historical trading information corresponds to former Santiago shares and ADRs. The table below shows, for the periods indicated, the annual, quarterly and monthly high and low closing prices (in nominal Chilean pesos) of the shares of our common stock on the Santiago Stock Exchange and the annual, quarterly and monthly high and low closing prices (in U.S. dollars) as reported by the NYSE.

	Santiago Stock Exchanges		NYSE	
	Common Stock		ADS(2)	
	High	Low	High	Low
	(Ch\$ per share(1))		(U.S.\$ per ADS)	
Annual Price History				
2001	15.40	10.60	24.20	19.06
2002	14.70	10.80	22.90	15.99
2003	15.30	12.65	24.65	17.05
2004	18.20	13.30	33.77	23.55
2005	22.75	17.11	45.86	30.40
Quarterly Price History				
2004				
1st Quarter	16.80	13.30	30.70	23.65
2nd Quarter	16.45	14.60	28.30	23.55
3rd Quarter	17.10	15.95	28.43	27.57
4th Quarter	18.20	17.55	33.77	26.73
2005				
1st Quarter	19.60	17.55	35.25	30.71
2nd Quarter	19.20	17.11	34.50	30.40
3rd Quarter	22.30	17.79	43.87	32.10
4th Quarter	22.75	20.00	45.86	38.00
Monthly Price History				
October 2005	22.50	20.00	44.40	38.00
November 2005	22.67	20.50	44.77	40.01
December 2005	22.75	21.00	45.86	43.20
January 2006	24.94	21.60	49.85	43.47
February 2006	25.09	23.50	49.60	47.25
March 2006	24.10	22.05	48.00	43.10

Sources: Santiago Stock Exchange Official Quotation Bulletin; NYSE.

- (1) Pesos per share reflect nominal price at trade date.
(2) Price per ADS in U.S.\$; one ADS represents 1,039 shares of common stock.

B. Plan of Distribution

Not applicable

C. Nature of Trading Market

Nature of Trading Market

Shares of our common stock are traded on the Chilean Stock Exchanges. Each ADS represents 1,039 shares of common stock. The ADRs have been issued pursuant to the Deposit Agreement, dated as of August 1, 2002, among Santander-Chile, the Depositary and all holders from time to time of ADRs. As of December 31, 2005, 30,991,810 ADSs were outstanding (equivalent to 32,200,490,734 shares of common stock or 17.1% of the total number of issued shares of common stock). This figure includes the 7.23% owned directly by Grupo Empresarial Santander. As of December 31, 2005

there were a total of 12 ADR holders on record. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Our issued share capital as of December 31, 2005, was Ch\$746,037 million (US\$1,451 million), divided into a single series of 188,446,126,794 shares of common stock without par value.

B. Memorandum and Articles of Association

The legal predecessor of Santander-Chile was Banco Santiago (Santiago). Santiago was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez. Santiago received its permission to incorporate and function as a bank by Resolution No. 118 of the Superintendency of Banks on October 27, 1977. The Bank's bylaws were approved by Resolution No. 103 of the Superintendency of Banks on September 22, 1977. In January 1997, Santiago merged with Banco O'Higgins with Santiago being the surviving entity. In 1999, Santiago became a controlled subsidiary of Banco Santander Central Hispano.

Shareholder rights in a Chilean bank that is also an open stock (public) corporation are governed by (1) the corporation's estatutos, which effectively serve the purpose of both the articles or certificate of incorporation and the by-laws of a company incorporated in the United States, (2) the General Banking Law and (3) to the extent not inconsistent with the latter, by the provisions of Chilean Companies Law applicable to open stock corporations, except for certain provisions which are expressly excluded. Article 137 of the Chilean Companies Law provides that all provisions of the Chilean Companies Law take precedence over any contrary provision in a corporation's estatutos. Both the Chilean Companies Law and our estatutos provide that legal actions by shareholders against us (or our officers or directors) to enforce their rights as shareholders or by one shareholder against another in their capacity as such are to be brought in Chile in arbitration proceedings, notwithstanding the plaintiff's right to submit the action to the ordinary courts of Chile.

The Chilean securities markets are principally regulated by the Superintendency of Securities and Insurance under the Chilean Securities Market Law and the Chilean Companies Law. In the case of banks, compliance with these laws is supervised by the Superintendency of Banks. These two laws provide for disclosure requirements, restrictions on insider trading and price manipulation and protection of minority investors. The Chilean Securities Market Law sets forth requirements relating to public offerings, stock exchanges and brokers, and outlines disclosure requirements for companies that issue publicly offered securities. The Chilean Companies Law sets forth the rules and requirements for establishing open stock corporations while eliminating government supervision of closed (closely-held) corporations. Open stock (public) corporations are those with 500 or more shareholders, or companies in which 100 or more shareholders own at least 10.0% of the subscribed capital (excluding those whose individual holdings exceed 10.0%), and all other companies that are registered in the Securities Registry of the Superintendency of Securities and Insurance.

Board of Directors

The Board of Directors is constituted by 11 regular members and 2 alternate members, appointed by the relevant General Shareholders Meeting. The directors may be either shareholders or non-shareholders of the Company.

The directors shall remain in office for three years; may be reelected indefinitely and shall be renewed in its entirety at the end of each period. If for any reason, at the time scheduled for the General Shareholders Meeting where the newly appointments of directors are to be made were not held, the duties of those serving as such shall be extended until their replacements are designated in which case the Board of Director shall convene, at the shortest time possible, a Meeting in order to effect the appointments.

The directors shall be entitled to compensation for the performance of their duties. The amount of their compensations shall be determined annually by the General Shareholders Meeting. The aforesaid is to be understood without prejudice to the payments that, in the form of wages, fees, travel accounts, expense accounts, dues as representatives of the Board of Directors or any other cash payments, payments in kind or royalties of any sort whatsoever, might have been assigned to certain directors for the performance or specific duties or tasks other than their functions as directors imposed upon them specifically by the General Shareholders Meeting. These special compensations shall be authorized or approved by the General Shareholders Meeting, and for that purpose, a detailed and separate entry shall be made in the Annual Report, which shall expressly indicate the complete name of each one of the directors receiving such compensations.

Without prejudice to any other incapacity or incompatibility established by law, the following may not be elected to become a director: (a) Those persons who have been sentenced or are being tried for crimes which are punished with penalties, either as principal or as accessory, of temporary or permanent suspension or incapacity to hold public office; (b) Those persons have been declared bankrupt and have not been rehabilitated; (c) The members of both the House of Representatives and the Senate; (d) The directors or employees of any other financial institution; (e) The employees who are appointed by the President of the Republic or the employees or officers of the State, Public Services, Public Institutions, Semi - Public Institutions, Autonomous Entities, State Controlled Companies and, generally, all Public Services created by a law, as well as of enterprise, corporations or public or privates entities in which the State or this enterprises, corporations or centralized or decentralized institutions may have majority or made even capital contributions or, under the same conditions, be represented or participate, provided that the restriction established under this subparagraph (e) does not apply to those who hold positions in teaching activities; and (f) The Bank's employees, which shall not prevent a director from performing, under a transitory basis and for a term not to exceed ninety days, the position of General Manager. Chief executive officers may not be elected as directors.

For purposes of the appointment of directors, each shareholder shall have the right to one vote per share for purposes of appointing a single person, or distribute such votes in such other form as he may deem convenient, and the persons obtaining the largest number of votes in the same and single process shall be awarded the appointments, until all the appointments to be made have been effected. The election of the regular and alternate board members shall be carried out separately. For purposes of the casting, of the vote, the Chairman and the Secretary, together with any other persons that may have been previously designated by the Meeting to sing the minutes thereof, shall issue a certificate giving evidence of the votes that in loud voice are being issued by the shareholders attending, following the order of the list of attendance being taken.

Each shareholder shall be entitled, however, to cast his vote by means of a ballot signed by him, stating whether he signs for his own account or as a representative. Notwithstanding, in order to expedite the casting process, the Chairman of the Corporation or the Superintendency, as the case may be, shall be entitled to order that the vote be taken alternatively or indistinctly by voice vote or by means of ballots. At the time of polling, the Chairmen shall instruct that the votes are read out loud, in order for those attending to count for themselves the number of votes issued and to verify with the said annotation and the ballots the actual outcome of the selection.

The Secretary shall make the addition of the votes and the Chairman shall proclaim elected those who have obtained the largest majorities, until all the appointments have been made. The Secretary shall place the documents evidencing the outcome of the scrutiny, duly signed by the persons charged with the duty of verifying the number of votes issued, together with the ballots delivered by the shareholders who did not vote in a loud voice, in an envelope which shall be closed and sealed with the corporate seal and shall remain deposited with the Bank for a least two years.

Every appointment of directors, or any changes in the appointment of directors, shall be transcribed into a public deed before a notary public, published in a newspaper of Santiago and notified to the Superintendency of Banks and Financial Institutions, by means of the filing of a copy of the respective public deed. Likewise, the appointments of General Manager, Manager and Deputy Managers shall be communicated and transcribed into a public deed.

The vacancies caused in case that a director ceases in the performance of his duties, whether by reason of incompatibility, limitation, legal incapacity or bankruptcy, impossibility, unauthorized, death, resignation or any other legal cause, shall be filled as follows: (a) The vacancies of regular members by the alternate members; and (b) The vacancies of an alternate position, caused by the application of letter (a) above, or in the case that a regular position could not be filled as provided for such letter (a) when both alternate members became regular, shall be filled by the Board of Directors on its first meeting after the vacancy, the board members appointed in that shall be in such position until the next General Shareholders Meeting which shall make the definitive appointment, such replacing director will remain on its position until the expiration of the term of the director that caused the vacancy.

The alternate board members may replace temporarily the regular board members in case of their absence or temporal impossibility to attend, or in a definitive manner in case of vacancy. The alternate board members shall be always entitled to attend to the board meetings and to speak in them. They will be entitled to vote in such meetings only when a regular member does not attend thereto and such alternate member acts as replacement.

During the first meeting following its appointment by the relevant General Shareholders Meeting, the Board of Directors shall elect in a separate vote from among its members, a Chairman, a 1st Vice Chairman and a 2nd Vice Chairman, after ceasing such persons, for any reason, in their offices. In the event of a tie, the appointment shall be decided by lottery.

The Board of Directors shall meet in ordinary sessions at least once a month, held on the pre-set dates and time as determined by the same Board. Extraordinary meetings shall be held whenever called by the Chairman, whether at his own will or upon the request of three or more directors, subject in such case to the prior qualification of the Chairman to the effect that holding the meeting is justified, except if the request is made by the absolute majority of the directors in office, in which case the meeting shall be held without such prior qualification. The extraordinary meetings may only address those matters specifically included in the relevant agenda, except that, if the meeting is attended by all the directors in office, they may agree otherwise with the unanimous vote of all of them. Extraordinary meetings shall be called by means of a written instrument; signed by the Chairman or the Secretary or his alternate, and delivered to each one of the directors at least three days prior to the date set for the meeting.

The quorum for the Board of Directors' Meeting shall be 6 of its members. The resolutions shall be adopted by the affirmative vote of the absolute majority of the attending directors. In the event of a tie, the person acting as the Chairman of the meeting shall cast a deciding vote.

The directors having an interest vested on a negotiation, act, contract or transaction that is not related to the bank business, either as principal or as representative of other person, shall communicate such fact to the other directors. The respective resolutions shall be approved by the Board, it shall be in accordance to the prevailing fair market conditions and the fact must be disclosed to the next General Shareholders Meeting.

The discussions and resolutions of the Board of Directors shall be recorded in a special book of minutes maintained by the Secretary. The relevant minutes shall be signed by the directors attending the meeting and by the Secretary, or his alternate. If a director considers that such minutes are inaccurate or incomplete, he shall be entitled to record the respective objections, before actually signing it. The resolutions adopted may be carried out without being necessary to approve the minutes at a subsequent meeting. In the event of death, refusal or incapacity for any reason of any of the directors attending to sign the minutes, such circumstance shall be recorded at the end of the minutes stating the reason for the impediment.

The directors shall be personally liable for all the acts they may effect in the performance of their duties. The director who may wish to disclaim his responsibility with respect to any act or resolution of the Board of Directors, shall cause to record his opposition in the minutes, of which shall the following General Shareholders Meeting be informed by the Chairman.

The Board will represent the Bank in and out of courts and, for the performance of the Bank's business, a circumstance that will not be necessary to prove before third parties, it will be empowered with all the authorities and powers of administration that the law or the By-laws do not set as exclusive of the General Shareholders Meeting, without being necessary to grant any special power of attorney, even for those acts that the law requires to do so. This provision is notwithstanding the judicial representation of the Bank that is part of the General Manager's authorities. The Board may delegate part of its authorities to the General Manager, to the Managers, Deputy Managers or Attorneys of the Bank, a Director, a Commission of Directors, and for specifically determined purposes, in other persons.

Meetings and Voting Rights

An ordinary annual meeting of shareholders is held within the first four months of each year. The ordinary annual meeting of shareholders is the corporate body that approves the annual financial statements and our annual report, approves all dividends in accordance with the dividend policy determined by our board of directors, elects the board of directors and approves any other matter which does not require an extraordinary shareholders' meeting. The last ordinary annual meeting of our shareholders was held on April 19, 2005. Extraordinary meetings may be called by our board of directors when deemed appropriate, and ordinary or extraordinary meetings must be called by our board of directors when requested by shareholders representing at least 10.0% of the issued voting shares or by the Superintendency of Banks. Notice to convene the ordinary annual meeting or an extraordinary meeting is given by means of three notices which must be published in a newspaper of our corporate domicile (currently Santiago) or in the Official Gazette in a prescribed manner, and the first notice must be published not less than 15 days nor more than 20 days in advance of the scheduled meeting. Notice must also be mailed 15 days in advance to each shareholder and given to the Superintendency of Banks and the Santiago, Valparaiso and Electronic Stock Exchanges. Currently, we publish our official notices in the El Mercurio newspaper of Santiago.

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing at least an absolute majority of the issued shares; if a quorum is not present at the first meeting, the meeting can be reconvened (in accordance with the procedures described in the previous paragraph) and, upon the meeting being reconvened, shareholders present at the reconvened meeting are deemed to constitute a quorum regardless of the percentage of the shares represented. The shareholders' meetings pass resolutions by the affirmative vote of an absolute majority of those voting shares present or represented at the meeting. The vote required at any shareholders' meeting to approve any of the following actions, however, is a two-thirds majority of the issued shares:

- a change in corporate form, spin-off or merger;
- an amendment to our term of existence or early dissolution of the company;
- a change in corporate domicile;
- a decrease of corporate capital with the prior approval by the SBIF;
- the approval of capital contributions in kind and a valuation of the assets contributed;
- a modification of the powers exercisable through the shareholders' meetings or limitations on the powers of our board of directors;
- the method of distributing corporate earnings;
- the transfer of 50.0% or more of the corporate assets, regardless of whether it includes liabilities, or the formation or amendment of any business plan that contemplates the transfer of 50.0% or more of the corporate assets;
- the granting of real or personal guarantees to secure third-party obligations exceeding 50% of the assets;
- the approval of material related-party transactions when requested by shareholders representing at least 5.0% of the issued and outstanding shares with right to vote;
- or
- the purchase of shares its own;
- the decision to distribute less than 30.0% of the net profits of any given year as dividends;
- the curing of irregularities of procedures contained in the corporate charter or a modification of the corporate by-laws.

Shareholders may accumulate their votes for the election of directors and cast the same in favor of one person.

In general, Chilean law does not require a Chilean open stock corporation to provide the level and type of information that U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the company within the 15-day period before the

ordinary annual meeting. Under Chilean law, a notice of a shareholders' meeting listing matters to be addressed at the meeting must be mailed not fewer than 15 days prior to the date of such meeting, and, in cases of an ordinary annual meeting, shareholders holding a prescribed minimum investment must be sent an Annual Report of the company's activities which includes audited financial statements. Shareholders who do not fall into this category but who request it must also be sent a copy of the company's Annual Report. In addition to these requirements, we regularly provide, and management currently intends to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend.

The Chilean Companies Law provides that whenever shareholders representing 10.0% or more of the issued voting shares so request, a Chilean company's Annual Report must include, in addition to the materials provided by the board of directors to shareholders, such shareholders' comments and proposals in relation to the company's affairs. Similarly, the Chilean Companies Law provides that whenever the board of directors of an open stock corporation convenes an ordinary meeting of the shareholders and solicits proxies for that meeting, or distributes information supporting its decisions, or other similar material, it is obligated to include as an annex to its Annual Report any pertinent comments and proposals that may have been made by shareholders owning 10.0% or more of the company's voting shares who have requested that such comments and proposals be so included.

Only shareholders registered as such with us on the fifth calendar day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual (who need not be a shareholder) as his proxy to attend and vote on his behalf. Every shareholder entitled to attend and vote at a shareholders' meeting has one vote for every share subscribed. Each share represents one vote and there are no special classes of shares with different rights. Our bylaws do not include any condition that is more significant than required by law to change the right of shareholders.

Capitalization

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in such company's capital. When an investor subscribes for issued shares, the shares are registered in such investor's name, even if not paid for, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and the distribution of capital; provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends or distributions of capital. The investor becomes eligible to receive dividends and distributions of capital once it has paid for the shares (if it has paid for only a portion of such shares, it is entitled to reserve a corresponding pro-rata portion of the dividends declared and/or returns of capital with respect to such shares unless the company's by-laws provide otherwise). If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the stock exchange and collect the difference, if any, between the subscription price and the auction proceeds. However, until such shares are sold at auction, the subscriber continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital). In the case of banks, authorized shares and issued shares which have not been paid for within the period fixed for their payment by the Superintendency of Banks are cancelled and are no longer available for issuance by the company.

Article 22 of Chilean Companies Law states that the purchaser of shares of a company implicitly accepts its by-laws and any agreements adopted at shareholders' meetings.

Approval of Financial Statements

Our board of directors is required to submit our audited financial statements to the shareholders annually for their approval. The approval or rejection of such financial statements is entirely within our shareholders' discretion. If our shareholders reject our financial statements, our board of directors must submit new financial statements not later than 60 days from the date of such rejection. If our shareholders reject our new financial statements, our entire board of directors is deemed removed from office and a new board of directors is elected at the same meeting. Directors who individually approved such rejected financial statements are disqualified for re-election for the ensuing period.

Registrations and Transfers

We act as our own registrar and transfer agent, as is customary among Chilean companies. In the case of jointly owned shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

Dividend, Liquidation and Appraisal Rights

Under the Chilean Companies Law, Chilean companies are generally required to distribute at least 30.0% of their annual earnings as dividends. However, under the General Banking Law, banks are permitted to distribute less than such minimum amount in any given year if holders of at least two-thirds of the bank's common stock so determine.

In the event of any loss of capital or of the legal reserve, no dividends can be distributed so long as such loss is not recovered. Also, no dividends of a bank above the legal minimum can be distributed if doing so would result in the bank exceeding its indebtedness ratio or its lending limits.

Dividends that are declared but not paid by the date set for payment at the time of declaration are adjusted from the date set for payment to the date such dividends are actually paid, and they accrue interest. The right to receive any declared dividend expires after five years, after which time the entitlement to perceive such dividend is passed on to the National Firemen Corps of Chile.

We may declare a dividend in cash or in shares. When a share dividend is declared above the legal minimum (which minimum must be paid in cash), our shareholders must be given the option to elect to receive cash. Our ADS holders may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash. See “—*Preemptive Rights and Increases of Share Capital*.”

In the event of our liquidation, the holders of fully paid shares would participate equally and ratably, in proportion to the number of paid-in shares held by them, in the assets available after payment of all creditors.

In accordance with the General Banking Law, our shareholders would have no appraisal rights in the event of a business combination or otherwise.

There is no sinking fund provision or liability to further capital calls by the Bank.

Ownership Restrictions

Under Article 12 of the Chilean Securities Market Law and the regulations of the Superintendency of Securities and Insurance, shareholders of open stock corporations are required to report the following to the Superintendency of Securities and Insurance and the Chilean stock exchanges:

- Any direct or indirect acquisition or sale of shares that results in the holder’s acquiring or disposing, directly or indirectly, of 10.0% or more of an open stock corporation’s share capital; and
- any direct or indirect acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10.0% or more of an open stock corporation’s capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.

In addition, majority shareholders must include in their report whether their purpose is to acquire control of the company or if they are making a financial investment. A beneficial owner of ADSs representing 10.0% or more of our share capital will be subject to these reporting requirements under Chilean law.

Under Article 54 of the Chilean Securities Market Law and the regulations of the Superintendency of Securities and Insurance, persons or entities intending to acquire control, directly or indirectly, of an open stock corporation, regardless of the acquisition vehicle or procedure, and including acquisitions made through direct subscriptions or private transactions, are also required to inform the public of such acquisition at least 10 business days before the date on which the transaction is to be completed, but in any case, as soon as negotiations regarding the change of control begin (i.e., when information and documents concerning the target are delivered to the potential acquiror) through a filing with the Superintendency of Securities and Insurance, the stock exchanges and the companies controlled by and that control the target and through a notice published in two Chilean newspapers, which notice must disclose, among other information, the person or entity purchasing or selling and the price and conditions of any negotiations.

Prior to such publication, a written communication to such effect must be sent to the target corporation, to the controlling corporation, to the corporations controlled by the target corporation, to the Superintendency of Securities and Insurance, and to the Chilean stock exchanges on which the securities are listed.

In addition to the foregoing, Article 54 A of the Chilean Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Chilean Securities Market Law on tender offers and the regulations of the Superintendency of Securities and Insurance provide that the following transactions shall be carried out through a tender offer:

- an offer which allows a person to take control of a publicly traded company, unless the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange;
- an offer for all the outstanding shares of a publicly traded company upon acquiring two thirds or more of its voting shares (this offer must be made at a price not lower than the price at which appraisal rights may be exercised, that is, book value if the shares of the company are not actively traded or, if the shares of the company are actively traded, the weighted average price at which the stock has been traded during the two months immediately preceding the acquisition); and
- an offer for a controlling percentage of the shares of a listed operating company if such person intends to take control of the company (whether listed or not) controlling such operating company, to the extent that the operating company represents 75.0% or more of the consolidated net worth of the holding company.

Article 200 of the Chilean Securities Market Law prohibits any shareholder that has taken control of a publicly traded company to acquire, for a period of 12 months from the date of the transaction that granted it control of the publicly traded company, a number of shares equal to or higher than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Chilean Securities Market Law sets forth the basis to determine what constitutes a controlling power, a direct holding and a related party. The Chilean Securities Market Law defines control as the power of a person, or group of persons acting pursuant to a joint action agreement, to direct the majority of the votes in the shareholders meetings of the corporation, or to elect the majority of members of its board of directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect of the person or group holding, directly or indirectly, at least 25.0% of the voting share capital, unless:

- another person or group of persons acting pursuant to joint action agreement, directly or indirectly, control a stake equal to or higher than the percentage controlled by such person;
- the person or group does not control, directly or indirectly, more than 40.0% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5.0% of the share capital; and
- in cases where the Superintendency of Securities and Insurance has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Law a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the same time and whereby they agree to participate with the same interest in the management of the corporation or in taking control of the same. The law presumes that such an agreement exist between:

- a principal and its agents;
- spouses and relatives up to certain level of kindred;
- entities within the same business group; and
- an entity and its controller or any of its members.

Likewise, the Superintendency of Securities and Insurance may determine that a joint action agreement exist between two or more entities considering, among others, the number of companies in which they participate, the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at shareholders meetings.

According to Article 96 of the Chilean Securities Market Law a business group is a group of entities with such ties in their ownership, management or credit liabilities that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interests of the group, or that there are common credit risks in the credits

granted to, or securities issued by, them. According to the Chilean Securities Market Law the following entities are part of the same business group:

- a company and its controller,
- all the companies with a common controller and the latter,
- all the entities that the Superintendency of Securities and Insurance declare to be part of the business group due to one or more of the following reasons:
 - a substantial part of the assets of the company is involved in the business group, whether as investments in securities, equity rights, loans or guaranties,
 - the company has a significant level of indebtedness and that the business group has a material participation as a lender or guarantor,
 - when the controller is a group of entities, that the company is a member of a controller of the entities mentioned in the first two bullets above and there are grounds to include it in the business group,
 - when the controller is a group of entities, that the company is controlled by a member of the controlling group and there are grounds to include it in the business group.

Article 36 of the General Banking Law states that as a matter of public policy, no person or company may acquire, directly or indirectly, more than 10.0% of the shares of a bank without the prior authorization of the Superintendency of Banks, which may not be unreasonably withheld. The prohibition would also apply to beneficial owners of ADSs. In the absence of such authorization, any person, or any group of persons acting in concert would not be permitted to exercise voting rights with respect to the shares or ADSs acquired. In determining whether or not to issue such an authorization, the Superintendency of Banks considers a number of factors enumerated in the General Banking Law, including the financial stability of the purchasing party.

Article 35 bis of the General Banking Law requires the prior authorization of the Superintendency of Banks for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a bank's assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the share ownership by a controlling shareholder of a bank.

Such prior authorization is required solely when the acquiring bank or the resulting group of banks would own a significant market share in loans, defined by the Superintendency of Banks to be more than 15.0% of all loans in the Chilean banking system. The intended purchase may be denied by the Superintendency of Banks; alternatively the purchase may be conditioned on one or more of the following:

- that the bank or banks maintain an effective equity higher than 8.0% and up to 14.0% of their risk weighted assets;
- that the technical reserve established in Article 65 of the General Banking Law be applicable when deposits exceed one and a half times the resulting bank's paid-in capital and reserves; or
- that the margin for interbank loans be diminished to 20.0% of resulting bank's effective equity.

According to the General Banking Law a bank may not grant loans to related parties on more favorable terms than those generally offered to non-related parties. Article 84 No. 2 of the General Banking Law and the regulations issued by the Superintendency of Banks create the presumption that natural persons who are holders of shares and who beneficially own more than 1.0% of the shares are related to the bank and imposes certain restrictions on the amounts and terms of loans made by banks to related parties. This presumption would also apply to beneficial owners of ADSs representing more than 1.0% of the shares. Finally, according to the regulations of the Superintendency of Banks, Chilean banks that issue ADSs are required to inform the Superintendency of Banks if any person, directly or indirectly, acquires ADRs representing 5.0% or more of the total amount of shares of capital stock issued by such bank.

Article 16 bis of the General Banking Law provides that the individuals or legal entities which, individually or with other people, directly control a bank and who individually own more than 10.0% of its shares shall send to the

Superintendency of Banks reliable information on their financial situation in the form and in the opportunity set forth in Resolution No 3,156 of the Superintendency of Banks.

Preemptive Rights and Increases of Share Capital

The Chilean Companies Law provides that whenever a Chilean company issues new shares for cash, it must offer its existing shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentages in the company. Pursuant to this requirement, preemptive rights in connection with any future issue of shares will be offered by us to the depositary as the registered owner of the shares underlying the ADSs. However, the depositary will not be able to make such preemptive rights available to holders of ADSs unless a registration statement under the Securities Act is effective with respect to the underlying shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate, at the time of any preemptive rights offering, the practicality under Chilean law and Central Bank regulations in effect at the time of making such rights available to our ADS holders, as well as the costs and potential liabilities associated with registration of such rights and the related shares of common stock under the Securities Act, and the indirect benefits to us of thereby enabling the exercise by all or certain holders of ADSs of their preemptive rights and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such registration statement. We cannot assure you that any registration statement would be filed. If we do not file a registration statement and no exemption from the registration requirements under the Securities Act is available, the depositary will sell such holders' preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of such sale. In the event that the depositary is not able, or determines that it is not feasible, to sell such rights at a premium over the cost of any such sale, all or certain holders of ADSs may receive no value for such rights. Non-U.S. holders of ADSs may be able to exercise their preemptive rights regardless of whether a registration statement is filed. The inability of all or certain holders of ADSs to exercise preemptive rights in respect of shares of common stock underlying such ADSs could result in such holders not maintaining their percentage ownership of the common stock following such preemptive rights offering unless such holder made additional market purchases of ADSs or shares of common stock.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period, and for an additional 30-day period thereafter, a Chilean company is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

C. Material Contracts

On June 30, 2000, we entered into a long-term contract with IBM for the operation of certain of our systems. On October 15, 2002, this contract was amended as a result of the merger. IBM provides us with information technology services and hardware infrastructure to run our core transactional systems. We signed a contract with IBM for such activities which expires in 2012, pursuant to which aggregate payments are expected to total US\$54.4 million over the life of the contract, including taxes.

In the fourth quarter of 2003, the Bank and Almacenes París, the third largest retailer in Chile, announced a strategic alliance to strengthen commercial synergies between both entities and offer exclusive benefits to their clients. This alliance was consummated in December 2004 when Santander-Chile transferred to Empresas París part of the financial assets and branch network of Santander-Chile's Santiago Express division, along with this division's personnel, which became Banco París. In addition, the Bank transferred Ch\$118,300 million (US\$230 million) in assets to Empresas París, generating a profit of Ch\$22,614 million (US\$44.0 million) recorded in non-operating income.

In December 2003, we signed an agreement with Altec, Banco Santander Central Hispano's systems management company for Latin America, in order to outsource certain system management functions. This contract has a term of three years commencing on January 1, 2004. The main services Altec provides to us are development and maintenance of applications and systems technology and engineering. Pursuant to this contract, We pay Altec certain service fees comprising of fixed charges and variable charges. The current service rates effective July 1, 2004 include annual fixed charges in a total amount of UF29,463 and variable rates ranging from UF0.7 to UF2.2 per hour.

D. Exchange Controls

The Central Bank is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile grants the investor access to the Formal Exchange Market. See "Item 3A: Selected Financial Data—Exchange Rates." Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 or can be registered with the Central Bank under the Central Bank Act. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be amended. On April 18, 2001, the Central Bank of Chile eliminated all exchange controls and a new Compendium of Foreign Exchange Regulations was published and made effective April 19, 2001. In summary this signified:

1. The elimination of the requirement to seek authorization before executing capital inflows related to foreign loans, investments, capital increases, bonds and ADRs.
2. Elimination of the requirement to seek authorization before executing capital outflows related to returns of capital, dividends and other benefits stemming from capital investments, as well as foreign debt prepayments.
3. Elimination of the requirement to seek authorization before executing capital inflows related to the repatriation of capital, profits and other benefits stemming from investments abroad made by resident investors.
4. Elimination of the encaje, or one-year reserve requirement. Although the encaje has been reduced to 0%, the Central Bank still has the power to raise the rate. Pursuant to the Compendium of Foreign Exchange Regulations, foreign investors acquiring shares or securities in Chile after July 4, 1995 were required to maintain a mandatory reserve (encaje) for one year in the form of a U.S. dollar deposit with the Central Bank, in a non interest bearing account, in an amount equal to 30% of the amount of the proposed investment. On June 26, 1998, the encaje was reduced to 10%, and on September 17, 1998, it was reduced to 0%.
5. The elimination of a minimum risk rating requirement for Chilean companies to place bonds abroad.
6. The elimination of restrictions regarding the currency denomination of bond placements and loans.
7. The elimination of the restrictions to place ADRs (up to now, Chilean companies could only place ADRs through capital increases).

Previously, Chilean law required that holders of shares of Chilean companies who are not residents of Chile mandatorily register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order

to have dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. Under the Foreign Investment Contract (as defined herein), the Depositary, on behalf of ADS holders, is granted access to the Formal Exchange Market to convert cash dividends from Chilean pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile, net of taxes, and no separate registration by ADR holders is required. As of April 19, 2001 the Central Bank deregulated the Exchange Market, eliminating the need to obtain approval from the Central Bank in order to remit dividends, but at the same time eliminating the possibility of guaranteeing access to the Formal Exchange Market. It is important to point out that this does not affect the current Foreign Investment Contract which was signed prior to April 19, 2001 and still permits access to the Formal Exchange Market based on the prior approval of the Central Bank. Therefore the holders of ADRs of Santander-Chile are still subject to the Foreign Investment Contract, its clauses referring to the prior exchange rules including the now extinct Chapter XXVI of the Compendium.

E. Taxation

Chilean Tax Considerations

The following is a summary of certain Chilean tax consequences of the ownership of shares of Santander-Chile's common stock or of ADSs evidenced by ADRs by Foreign Holders (as defined herein). The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of shares or ADSs and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom may be subject to special rules. Holders of shares or ADSs are advised to consult their own tax advisors concerning the Chilean and other tax consequences of the ownership of shares or of ADSs evidenced by ADRs.

The description of Chilean tax laws set forth below is based on Chilean laws in force as of the date of this Annual Report and is subject to any changes in such laws occurring after the date of this Annual Report. These changes can be made on a retroactive basis.

Chilean tax law provides for the tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on tax rulings, regulations and interpretations. However, Chilean tax authorities may change said rulings, regulations and interpretations prospectively. Currently, there is no income tax treaty in force between the United States and Chile.

As used herein, the term "Foreign Holder" means (i) in the case of an individual, a person who is neither a resident of Chile (i.e., residing in Chile for more than six months in a calendar year or two consecutive calendar years) nor domiciled in Chile (i.e., residing in Chile with the actual or presumptive intent of staying in Chile); or (ii) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the shares of Santander-Chile's common stock or ADSs are assigned to a branch, agent, representative or permanent establishment of such entity in Chile.

Taxation of Dividends

Cash dividends paid by Santander-Chile with respect to shares of its common stock, including shares represented by ADSs which are held by a Foreign Holder, will be subject to a 35% Chilean withholding tax, which is withheld and paid over by Santander-Chile (the "Withholding Tax"). If Santander-Chile has paid corporate income tax (the "First Category Tax") on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre tax amount needed to fund the dividend and then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on the pre tax income. For purposes of determining the rate at which First Category Tax was paid, dividends are treated as paid from Santander-Chile's oldest retained earnings. The effective Withholding Tax rate, after giving effect to the credit for First Category Tax, generally is:

$$\frac{(\text{Withholding Tax rate}) - (\text{First Category Tax effective rate})}{100 - (\text{First Category Tax effective rate})}$$

The effective rate of Withholding Tax to be imposed on dividends paid by Santander-Chile will vary depending upon the amount of First Category Tax paid by Santander-Chile on the earnings underlying the dividends. The effective rate for dividends attributed to earnings generated during the fiscal year 2004 and onwards is generally 21.7%, based on the First Category Tax rate of 17%.

Dividends distributions made in kind would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation. The distributions of preemptive rights relating to shares of common stock will not be subject to Chilean taxation.

Taxation of Capital Gains

Gain realized on the sale, exchange or other disposition by a foreign holder of ADSs (or ADRs evidencing ADSs) will not be subject to Chilean taxation, provided that such disposition occurs outside Chile or that it is performed under the rules of Title XXIV of the Chilean Securities Market Law, as amended by Law No. 19,601, dated January 18, 1999. The deposit and withdrawal of shares of common stock in exchange for ADRs will not be subject to any Chilean taxes.

Gain recognized on a sale or exchange of shares of common stock (as distinguished from sales or exchanges of ADSs representing such shares of common stock) by a foreign holder will be subject to both the first category tax and the Chilean withholding tax (the former being creditable against the latter) if (1) the foreign holder has held such shares of common stock for less than one year since exchanging ADSs for the shares of common stock, (2) the foreign holder acquired and disposed of the shares of common stock in the ordinary course of its business or as a regular trader of stock or (3) the sale is made to a company in which the foreign holder holds an interest. In all other cases, gain on the disposition of shares of common stock will be subject only to the first category tax levied as a sole tax.

For income tax purposes, the capital gain is the difference between the sales price and the acquisition cost of the stock.

The tax basis of shares of common stock received in exchange for ADSs will be the acquisition value of such shares. The valuation procedure set forth in the deposit agreement, which values shares of common stock that are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of common stock and sale of such shares of common stock for the value established under the deposit agreement will not generate a capital gain subject to taxation in Chile.

In the case where the sale of the shares is made on a day that is different than the date on which the exchange is recorded, capital gains subject to taxation in Chile may be generated. Pursuant to Ruling No. 3708, issued by the Chilean Internal Revenue Service on October 1, 1999, Chilean issuers of ADSs which amend the deposit agreements to which they are parties to include a clause that states that, in the case that the exchanged shares are sold by the ADSs' holders on a Chilean Stock Exchange, either on the same day in which the exchange is recorded in the shareholders' registry of the issuer or within the two prior business days to such date, the acquisition price of such exchanged shares shall be deemed to be the price registered in the invoice issued by the stock broker that participated in the sale transaction. Consequently, because we have included this clause in the form of American depository receipts attached to the deposit agreement, capital gain that may be generated if the shares received in exchange for ADSs were sold within the two days prior to the date on which the exchange is recorded will not be subject to taxation. Sales of the stock which do not meet the conditions described in this paragraph will not benefit from the deemed acquisition price.

The distribution and exercise of preemptive rights relating to the shares of common stock will not be subject to Chilean taxation. Cash amounts received in exchange for the shares or assignment of preemptive rights relating to the shares will be subject to both the first category tax and the Chilean withholding tax (the former being creditable against the latter to the extent described above).

The sale and disposition of shares of Chilean public corporations which are significantly traded on stock exchanges, such as Santander-Chile, is exempt from Chilean taxes on capital gains if the sale or disposition was made:

- on a Chilean stock exchange or any other stock exchange authorized by the Superintendency of Securities and Insurance or in a tender offer process according to Title XXV of the Chilean Securities Market Law, so long as the shares were originally purchased in any of the following manners: (a) on a Chilean stock exchange; (b) in a tender offer process pursuant to Title XXV of the Chilean Securities Market Law; (c) in the placement of newly issued shares upon the incorporation of the issuer; (d) in the placement of newly issued shares, originated in a capital increase after the incorporation of the issuer; and (e) in the exchange of convertible bonds (in which case the option price is considered to be the price of the shares). In this case, gains exempted from Chilean taxes shall be calculated using the criteria set forth in the Chilean Income Tax Law; or
- within 90 days after the shares ceased to be significantly traded on stock exchange. In such case, gains in an amount up to the average price per share of the last 90 days will be exempted from Chilean taxes on capital gains. Any gains above the average price will be subject to the first category tax.

Such exemption will not apply to shares received in exchange for ADSs.

Article 18 bis of the Chilean Income Tax Law sets forth an exemption for the payment of income tax by foreign institutional investors, such as mutual funds, pension and other funds, that obtain capital gains in the sales through a Chilean stock exchange, a tender offer or any other system authorized by the Superintendency of Securities and Insurance, of shares of publicly traded corporations that are significantly traded in stock exchanges.

For the purposes of this exemption, foreign institutional investors are those entities that meet the characteristics or conditions set forth in Article 18 bis of the Income Tax Law, or that fulfill the requirements of the Regulations issued for this purpose for each category of investors, with the prior report of the Superintendency of Securities and Insurance and from the Chilean Internal Revenue Service.

For the same purpose, “Other Funds” are those that comply with the requirements of Article 18 bis of the Income Tax Law and that, at the same time, share the essential financial and equity characteristics of mutual funds and pension funds. In order to be entitled to the exemption, foreign institutional investors, during the time in which they operate in Chile, must:

- be organized abroad and not be domiciled in Chile (i.e. not organized in Chile and having no permanent establishment in Chile);
- not participate, directly or indirectly, in the control of the issuers of the securities in which it invests and not hold, directly or indirectly, 10.0% or more of such companies’ capital or profits;
- execute an agreement in writing with a Chilean bank or securities broker in which the intermediary is responsible for the execution of purchase and sale orders and for the verification, at the time of the respective remittance, that such remittances relate to capital gains that are exempt from income tax in Chile or, if they are subject to income tax, that the applicable withholdings have been made; and
- register in a special registry with the Chilean Internal Revenue Service.

Other Chilean Taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by gift of shares of Santander-Chile’s common stock by a Foreign Holder. No Chilean stamp, issue, registration or similar taxes or duties apply to Foreign Holders of shares or ADSs.

Withholding Tax Certificates

Upon request, Santander-Chile will provide to foreign holders appropriate documentation evidencing the payment of Chilean withholding taxes.

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of the Depositary and will be subject to the Chilean withholding tax currently at the rate of 35% (subject to credits in certain cases as described above). Owners of the ADSs will not be charged any dividend remittance fees by the Depositary with respect to cash or stock dividends.

U.S. Federal Income Tax Considerations

The following is a discussion of material U.S. federal income tax consequences of purchasing, owning and disposing of shares or ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire such securities. The discussion applies only if you hold shares or ADSs as capital assets for U.S. federal income tax purposes and it does not address special classes of holders, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities or foreign currencies;
- persons holding shares or ADSs as part of a hedge, straddle or conversion transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organizations;
- persons holding shares or ADSs that own or are deemed to own ten percent or more of our voting stock; or
- persons who acquired our ADSs or shares pursuant to the exercise of any employee stock option or otherwise as compensation.

This discussion is based on the Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decision and final, temporary and proposed Treasury regulations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. It is also based in part on representations by the depository and assumes that each obligation under the Deposit Agreement and any related agreement will be performed in accordance with its terms. Please consult your own tax advisers concerning the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of shares or ADSs in your particular circumstances.

The discussion below applies to you only if you are a beneficial owner of shares or ADSs and are, for U.S. federal tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, if you hold ADSs, you will be treated as the holder of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for United States holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of Chilean taxes and the availability of the reduced rate for dividends received by certain non-corporate holders, each described below, could be affected by future actions that may be taken by the parties to whom the ADSs are pre-released.

Taxation of Distributions

Distributions paid on ADSs or shares, other than certain pro rata distributions of common shares, will be treated as dividends to the extent paid out of Santander-Chile's current or accumulated earnings and profits (as determined under United States federal income tax principles). Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, dividends received by certain noncorporate United States Holders of ADSs or shares in taxable years beginning before January 1, 2009, may be subject to U.S. federal income tax at a maximum rate of 15%. You should consult your own tax advisers regarding applicability of this maximum rate in your particular circumstances. The amount of the dividend will include any amounts withheld by us or our paying agent in respect of Chilean taxes at the effective rate as described above under "– Chilean Taxation". The amount of the dividend will be treated as foreign source dividend income to you and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Dividends paid in Chilean pesos will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your (or in the case of ADSs, the depositary's) receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the amount of such dividend is not converted into U.S. dollars on the date of its receipt.

Subject to applicable limitations that may vary depending upon your circumstances and the discussion above regarding concerns expressed by the U.S. Treasury, Chilean taxes withheld from cash dividends on shares or ADSs at the effective rate described above under “–Chilean Taxation” will be creditable against your U.S. federal income tax liability. Instead of claiming a credit, you may, at your election, deduct such Chilean taxes in computing your taxable income, subject to generally applicable limitations under U.S. law. You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits.

Sale and Other Disposition of Shares or ADSs

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of shares or ADSs will be capital gain or loss, and will be long-term capital gain or loss if you held the shares or ADSs for more than one year. The amount of your gain or loss will be equal to the difference between your tax basis in the shares or ADSs disposed of and the amount realized on the disposition. Such gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes. Consequently, you may not be able to utilize a credit for Chilean withholding taxes imposed on gain from shares or ADSs. You should consult your own tax advisers regarding the availability of foreign tax credits upon the sale or other disposition of your shares or ADSs.

Passive Foreign Investment Company Rules

Based on proposed Treasury regulations, which are proposed to be effective for taxable years after December 31, 1994, we believe that we were not a “passive foreign investment company” (“PFIC”) for United States federal income tax purposes for the year ended December 31, 2005 and we do not anticipate becoming PFIC thereafter. However, since the regulations may not be finalized in their current form and PFIC status depends upon the composition of a company's income and assets and the market value of its assets (including, among others, less than 25 percent owned equity investments) from time to time, there can be no assurance that we will not be considered a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which you held an ADS or a share, certain adverse tax consequences could apply to you.

If we are treated as a PFIC for any taxable year, gain recognized by you on a sale or other disposition of an ADS or share would generally be allocated ratably over your holding period for the ADS or share. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of ADSs or shares in excess of 125 percent of the average of the annual distributions on ADSs or shares received by you during the preceding three years or your holding period, whichever if shorter, would be subject to taxation as described above. Certain elections may be available (including a mark to market election) to you that may help mitigate these adverse tax consequences. In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non-corporate shareholders would not apply.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) you are a corporation or other exempt recipient or (ii), in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the Internal Revenue Service.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents concerning Santander-Chile which are referred to in this Annual Report may be inspected at our offices at Bandera 140 Santiago, Chile. We are, and Santiago and Old Santander-Chile were, subject to the information reporting requirements of the Exchange Act, except that, as a foreign issuer, we are not subject to the proxy rules or the short-swing profit and disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports and other information filed or furnished by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's Regional Office at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60611-2511. Copies of such material may be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Section by calling the SEC at 1-800-732-0330. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports and information statements and other information regarding us. The reports and information statements and other information about us can be downloaded from the SEC's website and can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Introduction

This section describes the market risks that we are exposed to, the tools and methodology used to control these risks, the portfolios over which these market risk methods were applied and quantitative disclosure that demonstrate the level of exposure to market risk that we are assuming. This section also discloses the derivative instruments that we use to hedge exposures and offer to our clients.

The principal types of risk inherent in Santander-Chile's business are market, liquidity, operational and credit risks. The effectiveness with which we are able to manage the balance between risk and reward is a significant factor in our ability to generate long-term, stable earnings growth. Toward that end, our senior management places great emphasis on risk management.

Market Risk

Market risk is the risk of losses due to unexpected changes in interest rates, foreign exchange rates, inflation rates and other rates or prices. We are exposed to market risk mainly as a result of the following activities:

- trading in financial instruments, which exposes us to interest rate and foreign exchange rate risk;
- engaging in banking activities, which subjects us to interest rate risk, since a change in interest rates affected gross interest income, gross interest expense and customer behavior;
- engaging in banking activities, which exposes us to inflation rate risk, since a change in expected inflation affects gross interest income, gross interest expense and customer behavior;
- trading in the local equity market, which subjects us to potential losses caused by fluctuations of the stock market; and
- investing in assets whose returns or accounts are denominated in currencies other than the Chilean peso, which subjects us to foreign exchange risk between the Chilean peso and such other currencies.

Market Risk Exposure Categories

Inflation

Although Chilean inflation has moderated in recent years, Chile has experienced high levels of inflation in the past. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on our business, financial condition and results of operations. In 2005, inflation reached 3.7% due to rising internal demand and higher international oil prices.

UF-denominated Assets and Liabilities. The "Unidad de Fomento" (UF) is revalued in monthly cycles. On every day in the period beginning the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect each day a proportional amount of the prior calendar month's change in the CPI. One UF was equal to Ch\$16,920.00, Ch\$17,317.05 and Ch\$17,974.81 at December 31, 2003, 2004 and 2005, respectively. The effect of any changes in the nominal peso value of our UF-denominated assets and liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest revenue and expense, respectively.

Peso-Denominated Assets and Liabilities. Rates of interest prevailing in Chile during any period reflect in significant part the rate of inflation during the period and expectations of future inflation. The Central Bank in the first half of 2002 announced that all bonds with a maturity of up to 5 years will be denominated in nominal rates. Previously most notes with a maturity greater than one year were indexed to the UF. The majority of short-term fixed-income instruments with a maturity of less than 1 year are denominated in nominal terms.

Interest Rates

Interest rates earned and paid on Santander-Chile's assets and liabilities reflect to a certain degree inflation and expectations regarding inflation as well as shifts in short-term rates related to the Central Bank's monetary policies. The Central Bank manages short-term interest rates based on its objectives of balancing low inflation and economic growth. In 2005, the Central Bank tightened monetary policy in response to better consumption and investment growth figures

accompanied by higher inflation and rising international rates. As of December 2005, the interbank reference rate set by the Central Bank was set at 4.50% compared to 2.25% as of December 31, 2004.

Foreign Exchange Fluctuations

Changes in the value of the Chilean peso against the U.S. dollar could adversely affect the financial condition and results of operations of Santander-Chile. Santander-Chile had a policy of minimizing the effect of the fluctuation of the exchange rate on its results and balance sheet. The Chilean peso has been subject to large devaluation in the past, including a decrease of 14.7% in 2001 and 8.6% in 2002, and may be subject to significant fluctuations in the future. In 2003, the Chilean peso appreciated 15.9% against the dollar. In 2004 and 2005 the Chilean peso appreciated 6.6% and 8.1% against the U.S. dollar, respectively.

Asset and Liability Management

Our policy with respect to asset and liability management is to capitalize on our competitive advantages in treasury operations, maximizing our net interest revenue and return on assets and equity with a view to interest rate, liquidity and foreign exchange risks, while remaining within the limits provided by Chilean banking regulations. Subject to these constraints, we occasionally take mismatched positions with respect to interest rates and foreign currencies. Our asset and liability management policies are developed by the Asset and Liability Committee (the “ALCO”) following guidelines and limits established by our Board of Directors, Banco Santander Central Hispano’s Global Risk Department and our Market Risk and Control Department. The ALCO is composed of the Chairman of the Board, three members of the Board, the Chief Executive Officer, the Manager of the Finance Division and the Financial Controller. Senior members of Santander Chile’s Finance Division meet daily and, on a formal basis, weekly with the Asset and Liabilities Management Committee and outside consultants. In addition, our Controller reports weekly on all of our positions to the ALCO. Our limits and positions are reported on a daily basis to Banco Santander Central Hispano’s Global Risk Department. The ALCO reports as often as deemed necessary to our Board of Directors. The risk limits set by the ALCO are implemented by our Finance Division and are controlled by the Market Risk and Control Department, which establishes guidelines and policies for risk management on a day-to-day basis. For a further discussion of the ALCO and its role in market risk management, *See “Item 11: Quantitative and Qualitative Disclosure About Market Risk.”*

The composition of our assets, liabilities and shareholders’ equity at December 31, 2005 by currency and term is as follows:

December 31, 2005

	Ch\$	UF	Foreign Currency	Total	Percentage
(in millions of constant Ch\$ as of December 31, 2005 except percentages)					
Assets					
Cash and due from banks	299,643	-	925,319	1,224,962	9.4%
Other assets:(1)					
Less than one year	2,849,065	1,069,919	815,057	4,734,041	36.1%
From one to three years	853,043	1,079,112	150,299	2,082,454	15.9%
More than three years	470,581	3,905,707	200,985	4,577,273	34.9%
Bank premises and equipment and other	542,530	2,897	80,530	625,957	4.8%
Allowance for loan losses	(147,866)	-	-	(147,866)	(1.1%)
Total	4,866,996	6,057,635	2,172,190	13,096,821	100%
Percentage of total assets	37.2%	46.2%	16.6%	100.0%	
Liabilities and Shareholders' Equity					
Non-interest bearing deposits	1,873,669	163,493	131,648	2,168,810	16.6%
Other liabilities:(1)					
Less than one year	2,780,625	2,150,963	2,285,264	7,216,852	55.1%
From one to three years	84,852	908,843	212,118	1,205,813	9.2%
More than three years	7,732	880,618	535,164	1,423,514	10.9%
Shareholders' equity	842,122	-	-	842,122	6.4%
2005 net income	239,710	-	-	239,710	1.8%
Total	5,828,710	4,103,917	3,164,194	13,096,821	100%
Percentage of total liabilities and shareholders' equity	44.5%	31.3%	24.2%	100.0%	

(1) Other assets include our rights under foreign exchange contracts, and other liabilities include our obligations under foreign exchange contracts. For purposes of our financial statements, our rights and obligations under foreign exchange contracts are included on a net basis. Mortgage finance bonds issued by us are included as other liabilities and mortgage finance bonds held in our financial investment portfolio (issued by third parties) are included as other assets.

We have generally maintained more peso-denominated liabilities than peso-denominated assets and more UF-denominated assets than UF-denominated liabilities. In the context of a rising CPI, this has in the past had a positive impact on our net income by generating net income from adjustments of the UF that exceeds losses arising from price-level restatements. This effect is expected to decrease significantly if rates of inflation decrease.

Interest Rate Sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest revenue due to the maturity or repricing characteristics of interest earning assets and interest bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets and liabilities mature or reprice in that period. Any mismatch of interest earning assets and interest bearing liabilities is known as a gap position. A positive gap denotes asset sensitivity and means that an increase in interest rates would have a positive effect on net interest revenue while a decrease in interest rates would have a negative effect on net interest revenue.

Our interest rate sensitivity strategy takes into account not only the rates of return and the underlying degree of risk, but also liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios, withdrawal and maturity of deposits, capital costs and additional demand for funds. We monitor our maturity mismatches and manage them within established limits.

The following table sets forth the repricing of our interest earning assets and interest bearing liabilities at December 31, 2005 and may not reflect interest rate gap positions at other times. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to the differing repricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held.

As the following table reflects, we have a negative gap for most periods of one year or less as our main source of funding are short-term time deposits. The majority of assets and liabilities with a maturity of 90 days or less are denominated in nominal pesos. Ninety days or more is also the most common repricing period for UF-denominated time deposits. In the case of interest earning assets and interest-bearing liabilities denominated in UF, our exposure to changes in interest rates is reduced by the fact that a significant portion of the interest rate earned or paid on such assets or liabilities is indexed to reflect the daily effect of inflation, and as a result our gap position is limited to variations in the real interest rate among such assets and liabilities. Moreover, mortgage loans which have 8 to 20-year terms were generally financed through bonds issued for the same terms and in the same currency.

	As of December 31, 2005							
	Up to 30 days	31-60 days	61-90 days	91-180 days	181-365 days	1-3 years	Over 3 years	Total
	(in millions of constant Ch\$ as of December 31, 2005, except for percentages)							
Interest-earning assets:								
Interbank deposits	211,105	-	-	-	-	-	-	211,105
Financial investments	106,634	98,379	14,785	56,160	10,945	173,515	789,077	1,249,495
Loans	1,757,007	375,831	274,576	610,894	671,222	1,544,889	3,239,119	8,473,538
Mortgage loans	6,401	5,112	5,101	15,527	31,307	113,301	457,974	634,723
Contingent loans	142,258	123,238	55,106	114,708	152,310	250,748	91,104	929,472
Past due loans	106,540	-	-	-	-	-	-	106,540
Total interest-earning assets	2,329,945	602,560	349,568	797,289	865,784	2,082,453	4,577,274	11,604,873
Interest-bearing liabilities:								
Deposits	1,983,455	726,115	523,654	1,212,170	539,550	842,367	79,400	5,906,711
Central Bank borrowings	170,145	1,203	327	3,238	4,948	-	-	179,861
Investment under agreements to repurchase	48,751	175	853	-	-	-	-	49,779
Mortgage finance bonds	57,531	3,198	3,127	18,298	35,035	129,823	421,949	668,961
Other obligations	44,131	173,289	37,301	329,496	484,373	122,609	752,661	1,943,860
Total interest-bearing liabilities	2,304,013	903,980	565,262	1,563,202	1,063,906	1,094,799	1,254,010	8,749,172
Asset/liability gap	25,932	(301,420)	(215,694)	(765,913)	(198,122)	987,654	3,323,264	2,855,701
Cumulative gap	25,932	(275,488)	(491,182)	(1,257,095)	(1,455,217)	(467,563)	2,855,701	

Exchange Rate Sensitivity

The regulations of the Central Bank do not permit the difference, whether positive or negative, between a bank's assets and liabilities denominated in foreign currencies (including assets and liabilities denominated in U.S. dollars but payable in pesos, as well as those denominated in pesos and adjusted by the variation of the U.S. dollars exchange rate) to exceed 20% of the bank's paid-in capital and reserves; *provided* that if its assets are higher than its liabilities, it may exceed 20% in an amount equal to its allowances and reserves in foreign currency (excluding those that correspond to profits to be remitted abroad). Santander-Chile has set an absolute limit on the size of its net foreign currency trading position. As of December 31, 2005, this was equal to US\$200 million. The average net position of the Bank's consolidated foreign currency trading portfolio was a positive gap of US\$75 million in 2005. The Bank also uses a sensitivity analysis to limit the potential loss in fluctuations of US interest rates on interest income and a VaR model to limit foreign currency risk (*See Item 11 Market Risk*). In the years ended December 31, 2003, 2004 and 2005, the gap between foreign currency denominated assets and foreign currency denominated liabilities, including forward contracts was Ch\$62,430 million, Ch\$(35,767) million and Ch\$(6,269) million, respectively.

In recent years, our results of operations have benefited from fluctuations in the exchange rate between the Chilean peso and the U.S. dollar in part due to our policy and Central Bank regulations relating to the control of material exchange rate mismatches. However, the rate of devaluation or appreciation of the peso against the U.S. dollar could also be expected to have the following principal effects:

- (i) If we maintain a net asset position in U.S. dollars and a devaluation of the peso against the dollar occurs, we would record a related gain, and if an appreciation of the peso occurs, we would record a related loss;
- (ii) If we maintain a net liability position in U.S. dollars and a devaluation of the peso against the dollar occurs, we would record a related loss, and if an appreciation of the peso occurs, we would record a related gain;

(iii) If the inflation rate for a period exceeded the devaluation of the peso against the U.S. dollar during the same period, this would mean that in real terms the peso appreciated against the U.S. dollar. Therefore, we would record a related gain if we had a net asset position in UFs that exceeded a net liability position in U.S. dollars, and we would record a related loss if we had a net liability position in U.S. dollars that exceeded a net asset position in UFs; and

(iv) If the inflation rate for a period were lower than the rate of devaluation of the peso against the U.S. dollar during the same period, this would mean that in real terms the peso depreciated against the U.S. dollar. Therefore, we would record a related gain if it maintained a net asset position in U.S. dollars and a net liability position in UFs and would record a related loss if it had a net liability position in U.S. dollars and a net asset position in UFs.

We enter into foreign exchange forward contracts and interest rate swap contracts as part of our asset and liability management. We enter into two fundamental types of foreign forward exchange contracts: (i) transactions covering two foreign currencies and (ii) transactions covering only Chilean pesos and UFs against U.S. dollars. We use the first type for hedging purposes, such as when we take a liability position in foreign currency other than the U.S. dollar, and use the second type, which is carried out only in the Chilean local market, to take foreign currency positions, subject to the regulatory requirement that the forward foreign currency exposure must be included in the maximum net foreign currency position permitted by applicable regulations. See “Item 4D: Business Overview—Regulation and Supervision” and “Item 5D: Asset and Liability Management—Selected Statistical Information—Average Balance Sheets and Interest Rate Data.”

The Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. As noted above, substantially all of our forward contracts are made in U.S. dollars against the Chilean peso or the UF. We may enter into foreign currency forward contracts with companies organized and located outside of Chile, including foreign subsidiaries of Chilean companies. Management believes that as the market for forward contracts deepens, our client base in Chile as well as our relationship with Banco Santander Central Hispano will give us an advantage in positioning ourselves within this new market.

Statistical Tools for Measuring and Managing Risk

We use a variety of mathematical and statistical models, including value at risk (VaR) models, volume limits and scenario simulations to measure, monitor, report and manage market risk. We follow the recently adopted local regulatory guidelines regarding market risk as well as guidelines established by our parent company. Below are a description of the different models we use to measure market risk and the results of these models.

New Chilean Regulations Regarding Market Risk

In 2005 the Chilean Superintendency of Banks introduced new market risk limits and measures for Chilean banks. On an *unconsolidated* basis the Banks must separate its balance sheet in two separate categories: trading portfolio (*Libro de Negociación*) and unconsolidated non-trading, or permanent portfolio (*Libro de Banca*). The trading portfolio as defined by the Superintendency of Banks includes all instruments valued at market prices, free of any restrictions for their immediate sale and that are frequently bought and sold by the bank or are maintained with the intention of selling them in the short-term in order to profit from short-term price variations. The non-trading portfolio is defined as all instruments in the balance sheet not considered in the trading portfolio.

Statistical Tools for Measuring and Managing Risk: Regulatory Method

The Superintendency of Banks has defined various market risk measures and limits that must be disclosed by banks. Santander-Chile is required to calculate and disclose the following market risk measures and limits:

1) EMR limit. A bank's regulatory capital must be greater or equal to the sum of the exposure to market risk multiplied by the minimum capital adequacy ratio defined in the General Banking Law. In other words:

$$RC - ((k * RWA) + EMR) \geq 0$$

Where:

- RC: Regulatory capital as defined by the General Banking Law.
K: Minimum capital adequacy ratio. If a bank is required to have a capital adequacy ratio above the minimum, as is the case for Santander-Chile, then the minimum capital adequacy ratio to be used could be increased up to 10%.
RWA: Consolidated risk weighted assets as defined by the General Banking Law.
EMR: Exposure to market risk. The EMR as defined by the Superintendency of Banks is the sum of the interest rate risk of the trading portfolio and the total foreign currency risk of the unconsolidated balance sheet. The Superintendency of Banks permits banks to define their own model to calculate EMR, which must be approved by the Superintendency of Banks and the Board of Directors. Santander-Chile's EMR is equal to the total market risk of its unconsolidated trading portfolio. This includes interest rate risk, foreign currency risk and risks derived from options.

2) Limit on exposure to short term interest rate and inflation risk of the non-trading portfolio. Santander Santiago's exposure to short term interest rate and inflation risk of the non-trading portfolio cannot exceed 20% of its unconsolidated net interest income plus fees sensitivity to interest rate volatility.

3) Limit on exposure to long-term interest rate risk of a bank's non-trading portfolio. Santander Santiago's exposure to long-term interest rate risk of the unconsolidated non-trading portfolio cannot exceed 25% of its regulatory capital.

4) Santander-Chile must also inform the following absolute risk levels:

Trading portfolio:
Exposure to interest rate risk
Exposure to foreign currency risk
Market risk exposure of options

Non-trading portfolio:

Exposure to short-term interest rate risk
Exposure to inflation risk
Exposure to long-term interest rate risk

The following is a description of the models adopted by local regulators for measuring market risks.

Interest rate risk of trading portfolio: Regulatory method

The interest rate risk of the trading portfolio as defined by the Central Bank of Chile is equal to the sum of:

- 1) The sensitivity analysis of the trading portfolio
- 2) Vertical adjustment factor
- 3) Horizontal adjustment factor

The sensitivity factor of the trading portfolio is calculated using the following formula:

$$\text{Sensitivity} = \sum_m \left| \sum_{t=1}^{14} (\alpha_{mt} * A_{mt} - \alpha_{mt} * L_{mt}) \right|$$

Where:

A_{mt} = Trading Assets (pesos, inflation linked and foreign currency)
 L_{mt} = Liabilities funding trading positions (pesos, inflation linked and foreign currency)
 α_{mt} = Sensitivity factor to rise in interest rates
 t = Time period
 M = Currency (pesos, inflation linked and foreign currency)
 Σ = Summation
 $|$ = Absolute value

The vertical adjustment factor is calculated in the following manner

$$\text{Vertical adjustment} = \sum_M \sum_{T=1}^{14} \beta * \text{Compensated net position}$$

$$\text{Compensated net position} = \sum_M \sum_{T=1}^{14} \text{Min}(\alpha_{mt} * A_{mt} ; \alpha_{mt} * L_{mt})$$

Where:

A_{mt} = Trading Assets (pesos, inflation linked and foreign currency)
 L_{mt} = Liabilities funding trading positions (pesos, inflation linked and foreign currency)
 α_{mt} = Sensitivity factor to rise in interest rates
 t = Time period
 M = Currency (pesos, inflation linked and foreign currency)
 β = Vertical adjustment factor = 10%

A horizontal adjustment must be made following the vertical adjustment. To determine the horizontal adjustment one must multiply the horizontal adjustment factor by the compensated net position for Zones 1, Zone 2, Zone 3, Zones 1 and 2, Zones 2 and 3 and Zones 1 through 3

	Horizontal adjustment =	λ * Adjusted net position
Compensated net position Zone 1,2 or 3		Min(Σ Adjusted net asset position; Σ absolute value of Adjusted net liability position in Zone)
Compensated net position Zones 1 and 2		Min(Σ Adjusted net asset position in Zones 1 and 2 , Σ absolute value of adjusted net liability position in Zones 1 and 2)
Compensated net position Zones 2 and 3		Min[Σ Adjusted net asset position in Zone 3 and Zone 2 (deducting adjusted net asset position that have been compensated with net liability positions in Zone 1) , Σ absolute value of adjusted net liability position in Zone 3 and Zone 2 (deducting adjusted net liability positions that have been compensated with net liability positions in Zone 1)]
Compensated net position Zones 1 – 3		Min[Σ Adjusted net asset position in Zone 3 and Zone 1 (deducting adjusted net asset position that have been compensated with net liability positions in Zone 2) , Σ absolute value of adjusted net liability position in Zone 3 and Zone 1 (deducting adjusted net liability positions that have been compensated with net liability positions in Zone 2)]

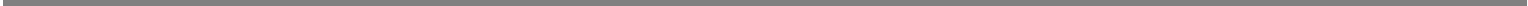


Zone	t	Period	Change in interest rate (bp)			Sensitivity factor (α_{mt})			Vertical adjustment factor	Horizontal adjustment factor	
			peso	UF	FX	Peso	UF	FX	(β)	(λ)	
Zone 1	1	Up to 30 days	125	350	125	0.0005	0.0014	0.0005	40%		
	2	31 days to 3 mth	125	300	125	0.0019	0.0047	0.0020			
	3	3 – 6 mths	125	250	125	0.0042	0.0088	0.0044			
	4	6 – 9 mths	125	200	125	0.0069	0.0116	0.0072			
	5	9 mths – 1 year	125	175	125	0.0095	0.0140	0.0100			
Zone 2	6	1-2 years	100	125	100	0.0124	0.0166	0.0133	10%	30%	100%
	7	2-3 years	100	100	100	0.0191	0.0211	0.0211			
	8	3-4 years	100	100	100	0.0248	0.0281	0.0281			
Zone 3	9	4-5 years	75	75	75	0.0221	0.0258	0.0258	30%		40%
	10	5-7 years	75	75	75	0.0263	0.0320	0.0320			
	11	7-10 years	75	75	75	0.0307	0.0401	0.0401			
	12	10-15 years	75	75	75	0.0332	0.0486	0.0486			
	13	15-20 years	75	75	75	0.0317	0.0534	0.0534			
	14	> 20 years	75	75	75	0.0278	0.0539	0.0539			

Currency: pesos										Vertical adjustment	
Zone	Time period	Asset	Liability	Sensitivity factor α	Adjusted assets	Adjusted liabilities	Adjusted Net position	Compensated net position	Adjustment factor β	Adjustment	
1	1	0 - 1m	560,000,000	430,000,000	0.0005	280,000	215,000	65,000	215,000	10%	21,500
	2	1-3m	390,000,000	310,000,000	0.0019	741,000	589,000	152,000	589,000	10%	58,900
	3	3-6m	260,000,000	200,000,000	0.0042	1,092,000	840,000	252,000	840,000	10%	84,000
	4	6-9m	160,000,000	100,000,000	0.0069	1,104,000	690,000	414,000	690,000	10%	69,000
	5	9m - 1a	80,000,000	50,000,000	0.0095	760,000	475,000	285,000	475,000	10%	47,500
2	6	1 - 2a	75,000,000	20,000,000	0.0124	930,000	248,000	682,000	248,000	10%	24,800
	7	2-3a	15,000,000	20,000,000	0.0191	286,500	382,000	(95,500)	286,500	10%	28,650
	8	3-4a	25,000,000	1,000,000	0.0248	620,000	24,800	595,200	24,800	10%	2,480
3	9	4-5a	20,000,000	-	0.0221	442,000		442,000		10%	
	10	5-7a	-	-	0.0263					10%	
	11	7-10a	-	-	0.0307					10%	
	12	10-15a	-	-	0.0332					10%	
	13	15-20a	-	-	0.0317					10%	
	14	> 20a	-	-	0.0278		-	-	-	10%	-
Exposure							2,791,700		336,830		
Total interest rate risk peso trading portfolio		3,157,180									

Horizontal adjustment											
Independent Zones (1,2,3)			Zone 1 and 2			Zone 2 and 3			Zones 1 - 3		
Compensated net position in Zone	Adjustment factor β	Adjustment	Compensated net position in Zone	Adjustment factor β	Adjustment	Compensated net position in Zone	Adjustment factor β	Adjustment	Compensated net position in Zone	Adjustment factor β	Adjustment
	0.4			40.0%							
95,500	0.3	28,650								100%	

0.3	0		0.4		
	28,650	-	-	-	



Interest rate and inflation risk of non-trading portfolio: Regulatory method

The short-term interest rate risk and inflation risk of the non-trading portfolio as defined by the Central Bank of Chile is equal to:

Sensitivity = $\frac{M}{M} \left| \sum_{t=1}^5 (A_{mt} - L_{mt}) * \mu_t \right| + \left| NP_{ur} * \tau \right| + \left| \Delta \phi \right|$

The long-term interest rate risk of the non-trading portfolio is calculated according to the following formula:

Sensitivity = $\frac{M}{m} \left| \sum_{t=1}^{14} (A_{mt} - L_{mt}) * \rho_t \right|$

Where:

- A_{mt} = Non-trading Assets (pesos, inflation linked and foreign currency)
- L_{mt} = Non-Trading Liabilities (pesos, inflation linked and foreign currency)
- μ_t = Sensitivity factor associated with interest rate movement scenario
- NP_{ur} = Net position in inflation linked instruments, including those subject to price level restatement
- τ = Factor that measures the sensitivity of to movements in the inflation index. This factor is equal to 2%
- ΔΦ = Effect on fees from shifts on interest rate. Each bank must determine which fees are sensitive to shifts in interest rates and assumes a 200 basis points movement.
- ρ_t = Sensitivity factor to rise in interest rates
- t = Time period
- M = Currency (pesos, inflation linked and foreign currency)
- Σ = Summation
- | | = Absolute value

The following table illustrates the value of the different factors used for calculating the interest and inflation rate risks of the non-trading portfolio.

Table 2 Sensitivity Factors Trading Portfolio								
t	Period	Change in interest rate (bp)			Sensitivity factor long-term (pt)			Sensitivity factor short-term
		peso	UF	FX	peso	UF	FX	(μ _t)
1	Up to 30 days	200	400	200	0.0008	0.0016	0.0008	0.0192
2	31 days to 3 mth	200	400	200	0.0030	0.0063	0.0031	0.0167
3	3 – 6 mths	200	400	200	0.0067	0.0140	0.0070	0.0125
4	6 – 9 mths	200	400	200	0.0110	0.0231	0.0116	0.0075
5	9 mths – 1 year	200	400	200	0.0152	0.0320	0.0160	0.0025
6	1-2 years	200	400	200	0.0248	0.0399	0.0266	
7	2-3 years	200	400	200	0.0382	0.0422	0.0422	
8	3-4 years	200	400	200	0.0496	0.0563	0.563	
9	4-5 years	200	400	200	0.0591	0.0690	0.0690	
10	5-7 years	200	400	200	0.0702	0.0856	0.0856	
11	7-10 years	200	400	200	0.0823	0.1076	0.1076	
12	10-15 years	200	400	200	0.0894	0.1309	0.1309	
13	15-20 years	200	400	200	0.0860	0.1450	0.1450	
14	> 20 years	200	400	200	0.0762	0.1480	0.1480	

Foreign currency risk: local method

The foreign currency risk as defined by the Central Bank of Chile is equal to:

Maximum [(Σ NAP_i * σ_i + Σ NAP_j * σ_j) ; (Σ NLP_i * σ_i + Σ NLP_j * σ_j)] + | NP_{gold} * σ_i |

Where:

- NAP = Net asset position
- NLP = Net liability position
- NP_{gold} = Net position in gold
- σ_i = Sensitivity factor
- Max = Maximum value
- Σ = Summation
- | | = Absolute value

The following table illustrates the value of the different factors used for calculating foreign currency risk.

Table 3 Sensitivity Factors Foreign Currency Risk		
Currency Group	Description	Sensitivity factor (σ _i)
i	All currencies of countries with a AAA sovereign rating	8%
j	All other currencies	35%

Options risk: Regulatory method

The exposure to market risk of options is calculated using sensitivity factors delta, gamma and vega.

Delta

Delta of a derivative security is the rate of change of its price relative to the price of the underlying asset. It is the first derivative of the curve that relates the price of the derivative to the price of the underlying security. When delta is large, the price of the derivative is sensitive to small changes in the price of the underlying security.

Gamma

Gamma of a derivative security is the rate of change of delta relative to the price of the underlying asset; i.e., the second derivative of the option price relative to the security price. When gamma is small, the change in delta is small. The Gamma impact is calculated using the following formula.

Gamma impact = Gamma * (Variation of underlying security)^2 / 2

When the underlying security for an interest rate options is a debt instrument then the variation of the value of the underlying security will be calculated using the sensitivity factors established in Tables 1 and 2 above. When the underlying security is an interest rate then the change in interest rates assumed will be those used in Table 1 and 2 above. Finally, for foreign exchange options, the variation of the underlying security will be calculated using the factors used in Table 3 above.

Vega

Vega is one of the factor sensitivities used to measure sensitivity to the implied volatilities of the underlying security. Vega is the rate of change in the price of a derivative security relative to the volatility of the underlying security. When vega is large the security is sensitive to small changes in volatility. In general, a long option position will benefit from rising implied volatilities and suffer from declining implied volatilities. Short option positions display opposite behavior. As defined by the Central Bank of Chile, the Vega Risk is the sum in absolute value of the vega impacts for each option a bank holds. These impacts will be calculated assuming a change of 25%in the volatility rate.

Assumptions and Limitations of Scenario Simulations/Sensitivity Analysis (Regulatory method)

Our scenario simulation methodology should be interpreted in light of the limitations of our models, which include:

- The scenario simulation assumes that the volumes remain on balance sheet and that they are always renewed at maturity, omitting the fact that credit risk considerations and pre-payments may affect the maturity of certain positions.
- This model assumes set shifts in interest rates and sensitivity factors for different time periods and does not take into consideration any other scenario for each time period or other sensitivity factors.
- The model does not take into consideration the sensitivity of volumes to these shifts in interest rates.
- The model does not take into consideration our subsidiaries which are subject to market risks.

Quantitative Disclosures about Market Risk: Regulatory Method

The following table illustrates as of December 31, 2005 our market risk exposure according to the methodology described above. This report is sent to the Superintendency of Banks and is published on our website on a quarterly basis.

	For the period ended December 31, 2005 Ch\$ million
Regulatory Market Risk	
Market risk of Trading portfolio	
Interest rate risk of trading portfolio	80,423
Foreign currency risk of trading portfolio	2,984
Risk from interest rate options	23,753
Risk form foreign currency options	9,182
Total Market risk of trading portfolio	116,342
10% x Risk weighted assets	946,201
Sub-total	1,062,543
Limit = Regulatory Capital	1,209,635
Available margin	147,093
Non-trading portfolio market risk	
Short-term interest rate risk	24,281
Inflation risk	22,172
Long-term interest rate risk	289,675
Total market risk non-trading portfolio	336,128
Regulatory limit of exposure to short-term interest rate and inflation risk	
Short-term exposure to interest rate risk	24,281
Exposure to inflation risk	22,172
Limit: 20% of net interest income + fees sensitive to interest rates	89,929
Available margin	43,476
Regulatory limit of exposure to long-term interest rate risk	
Long-term exposure to interest rate risk	289,675
Limit: 25% of regulatory capital	302,409
Available margin	12,734

Internal Regulations Regarding Market Risk

Our relationship with Banco Santander Central Hispano has allowed us to take advantage of Banco Santander Central Hispano's banking policies, procedures and standards, especially with respect to credit approval and risk management. Banco Santander Central Hispano has successfully used these policies and expertise in the Spanish and other banking markets, and our management believes that such policies and expertise have a beneficial effect upon our operations. Below is a qualitative and quantitative description of our market risks according to our internal guidelines. These guidelines were established previous to those required by local authorities and are still being used.

The main difference between the regulatory and internal methods is that the internal measures divide the Bank's balance sheet into three categories and impose limits based on these categories. Our internal methods also takes into account Santander S.A. Agente de Valores. As a result the sensitivity analysis performed incorporates a broader range of instruments and portfolios. The internal method also incorporates a value at risk methodology for measuring the market risk of our consolidated trading positions.

Value at Risk: Consolidated Trading Portfolio (*Cartera de Negociación*)

The VaR model is mainly used to measure the market risk of our trading portfolio. The Finance Division manages trading activities following the guidelines set by the ALCO and Banco Santander Central Hispano's Global Risk Department. The Market Risk and Control Department's activities consist of (i) applying VaR techniques (as discussed above) to measure interest rate risk; (ii) marking to market our trading portfolios and measuring daily profit and loss from trading activities; (iii) comparing actual trading VaR and other limits against the established limits; (iv) establishing control procedures for losses in excess of such limits; and (v) providing information about trading activities to the ALCO, other members of senior management, the Finance Division and Banco Santander Central Hispano's Global Risk Department.

The Bank has a consolidated trading position comprised of fixed income trading, foreign currency trading and a minor equity trading position. The market risk of this trading portfolio is measured using a VaR technique. The composition of this portfolio mainly consisted of Central Bank bonds, mortgage bonds and low risk Chilean corporate bonds issued locally. There is also an equity portfolio that represents less than 5% of the total trading portfolio. Under Chilean GAAP, a bank must separate its unconsolidated financial investment portfolio between "trading" and "permanent" investment portfolios. Under Chilean GAAP, the unrealized holding gains (losses) related to investments classified as permanent have been included in equity. The size of the permanent portfolio is limited to an amount equal to such bank's capital. Any amount above this must be considered as "trading"; the unrealized gains (losses) related to investments classified as "trading" are included in operating results. The ALCO, in order to be conservative, has limited even further the Finance Division's actual trading portfolio. This portfolio is denominated "*Cartera de Negociación*". The market risk of the portfolio defined as "trading" for accounting purposes is measured using the regulatory method.

VaR Model

All VaR measurements try to determine the distribution function for the change in value of a given portfolio, and once this distribution is known to calculate a percentile linked to the confidence level required which will be equal to the VaR under those parameters. Therefore, if the distribution function of the change in value of a portfolio is known and given by $f(x)$, where x is the random variable of the change in value of the portfolio, then the VaR for a determined level of confidence of $k\%$, is given by the number such that:

$$k\% = \int_{VaR}^{\infty} f(x)dx$$

or:

$$1 - k\% = \int_{-\infty}^{VaR} f(x)dx$$

As calculated by Santander-Chile, VaR is an estimate of the expected maximum loss in the market value of a given portfolio over a one-day horizon at a one-tailed 99.00% confidence interval. It is the maximum one-day loss that Santander-Chile would expect to suffer on a given portfolio 99.00% of the time, subject to certain assumptions and limitations discussed below. Conversely, it is the figure that Santander-Chile would expect to exceed only 1.0% of the time. VaR provides a single estimate of market risk that is comparable from one market risk to the other. Volatility is calculated utilizing 520 historical observations. A one-day holding period is utilized.

Santander-Chile uses VaR estimates to alert senior management whenever the statistically expected losses in its trading portfolio exceeds prudent levels. Limits on VaR are used to control exposure on the fixed-income trading portfolio, the net foreign currency trading position and the equity trading portfolio. Santander-Chile's trading portfolio is mainly comprised of government bonds, mortgage finance bonds, mortgage finance bonds, the foreign currency trading position and a minor position in equities through Santander S.A. Agente de Valores. A daily VaR is calculated for the trading portfolio.

Assumptions and Limitations of VaR Model

Our VaR model assumes that changes in the market risk factors have a normal distribution and that the parameters of this joint distribution (in particular, the standard deviation of risk factor changes and the correlation between them) have been estimated accurately. The model assumes that the correlation and changes in market rates/prices included in our historical databases are independent and identically distributed random variables, and provide a good estimate of correlation and rate/price changes in the future.

Our VaR methodology should be interpreted in light of the limitations of our models, which include:

- Changes in market rates and prices may not be independent and identically distributed random variables or have a normal distribution. In particular, the normal distribution assumption may underestimate the probability of extreme market moves.
- The historical data we use in our VaR model may not provide the best estimate of the joint distribution of risk factor changes in the future, and any modifications in the data may be inadequate. In particular, the use of historical data may fail to capture the risk of possible extreme adverse market movements independent of the time range utilized. For example, the use of extended periods of historical data might erroneously lead to an important decrease in volatility especially after the Asian crisis. We typically use 520 historical observations of market data depending on circumstances, but also monitor other ranges of market data in order to be more conservative. However, reliable historical risk factor data may not be readily available for certain instruments in our portfolio.
- A one-day time horizon may not fully capture the market risk positions that cannot be liquidated or hedged within one day. It would not be possible to liquidate or hedge all positions in one day.
- At present, we compute VaR at the close of business and trading positions may change substantially during the course of the trading day.

Quantitative Disclosures: Market Risk Consolidated Trading Portfolio (VaR)



We did not exceed our daily VaR in 2005. For Santander-Chile's trading portfolio, the average, high and low amounts of the VaR in 2005 were the following:

Trading Portfolio	Daily VaR in US\$ million
High	9.2
Low	4.6
Average	6.6

Sensitivity Analysis: Consolidated Non-Trading Portfolios

The Bank divides its consolidated non-trading portfolio into two categories: Financial Management (*Gestión Financiera*) and Directional Portfolio (*Cartera Direccional*). The Financial Management portfolio includes the majority of the Bank's assets and liabilities that are not trading, including the loan portfolio. Investment and funding decisions are heavily influenced by commercial strategies. The Directional Portfolio is a smaller portfolio that is not considering trading, but is managed by the Treasury in order to maximize net interest income.

We use a sensitivity analysis to measure the market risk of the various consolidated local and foreign currency non-trading portfolios. We perform a scenario simulation by calculating the potential loss over the entire balance from an increase (or decrease) of 100 basis points in the entire yield curve in terms of local rates. All local currency positions indexed to inflation are additionally adjusted for a sensitivity factor. The same scenario is performed for the net foreign currency position and U.S. dollar interest rates. We set limits as to the maximum loss these types of movements in interest rates can have over our capital and net financial income budgeted for the year. These limits are calculated according to the formulas discussed below.

Scenario Simulation (Net Financial Income)

To determine the percentage of our budgeted net financial income for the year that is at risk of being lost with a sudden 100 basis point movement in the entire yield curve, we utilize the following equation:

$$\text{Sensitivity} = \frac{\sum_{i=1}^n \text{GAP}_i \times \Delta r \times (365 - t_i)}{365}$$

n: Number of intervals in which sensitivity is measured.

t_i: Average maturity (or duration) for each interval being measured.

Δr: Change in interest rate. A 100-basis point increase (decrease) in the yield curve is used.

GAP: Difference between assets and liabilities that are sensitive to interest rates for each period.

Scenario Simulation (Capital and Reserves)

To determine the percentage of our capital and reserves that is at risk of being lost with a sudden 100 basis point movement in the entire yield curve, we utilize the following equation:

$$\text{Sensitivity} = \sum_{i=1}^N \text{GAP}_i \times \Delta r \times (\text{Dm}_i)$$

N: Number of intervals in which sensitivity is measured.

Dm_i: Modified duration for interval i.

Δr: Change in interest rate. A 100-basis point increase (decrease) in the yield curve is used.

GAP: Difference between assets and liabilities that are sensitive to interest rates for each period.

Consolidated limits:

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial income loss limit and the loss limit over capital and reserves using the following formula:

$$\text{Consolidated limit} = \sqrt{a^2 + b^2 + 2ab}$$

a: limit in local currency.

b: limit in foreign currency.

Since correlation is assumed to be 0, $2ab = 0$.

Assumptions and Limitations of Scenario Simulations/Sensitivity Analysis

The most important assumption is the usage of a 100 basis point shift in the yield curve. We use a 100 basis point shift since a sudden shift of this magnitude is considered realistic, but not an everyday occurrence given historical movements in the yield curve, and significant in terms of the possible effects a shift of this size could have on our performance. The Global Risk Department in Spain has also set comparable limits by country in order to be able to compare, monitor and consolidate market risk by country in a realistic and orderly manner.

Our scenario simulation methodology should be interpreted in light of the limitations of our models, which include:

- The scenario simulation assumes that the volumes remain on balance sheet and that they are always renewed at maturity, omitting the fact that credit risk considerations and pre-payments may affect the maturity of certain positions.
- This model assumes an equal shift throughout the entire yield curve and does not take into consideration different movements for different maturities.
- The model does not take into consideration the sensitivity of volumes to these shifts in interest rates.
- The limits to the loss of the budgeted financial income are calculated over an expected financial income for the year which may not be obtained, signifying that the actual percentage of financial income at risk could be higher than expected.

Quantitative Disclosure: Market Risk Non-Trading Portfolio (Sensitivity Analysis/Scenario Simulations)

The Finance Division manages the risk management of the consolidated non-trading portfolios under guidelines approved by the ALCO and Banco Santander Central Hispano's Global Risk Department. In carrying out its market risk management functions, the Finance Division manages interest rate risk that arises from any mismatches with respect to rates, maturities, repricing periods, notional amounts or other mismatches between our interest-earning assets and our interest-bearing liabilities.

The Market Risk and Control Department: (i) applies scenario simulations (as discussed below) to measure the interest rate risk of the local currency activities and the potential loss as forecast by these simulations; and (ii) provides the ALCO, the Finance Division and Banco Santander Central Hispano's Global Risk Department with risk/return reports.

Financial Management Portfolio: Local currency

The potential loss in the market value of our local currency Financial Management balance sheet resulting from a 100 basis point shift in the yield curve was set at approximately Ch\$60,000 million of equity in 2004. In September of 2004 this limit was temporarily increased to Ch\$80,000 million as the demand for longer term financing increased, especially mortgage lending. In 2005 this limit was set back to Ch\$60,000 million. By December 2005 the Bank was above this internally set limit as the mortgage portfolio continued to increase at a rapid pace. Despite this, the Bank remained within the consolidated limit for this portfolio that is set by the ALCO. At the same time, the variation in net interest income caused by the 100 basis point shift of the local yield curve cannot be greater than Ch\$20,000 million and Santander-Chile was within the limits established in 2005. This limit is internally set by the ALCO. The following table, which contemplates a 100 basis point shift in the relevant interest rate.

100 Basis Point Shift Ch\$ million	Local Currency Financial Management Portfolio	
	Financial Income	Capital and Reserves
Loss limit as of December 31, 2005	20,000	60,000
High	10,537	61,958
Low	115	36,592
Average 2005	2,642	51,389

Financial Management Portfolio: Foreign currency

For our net foreign currency position in the Financial Management portfolio, any loss caused by a 100 basis point shift in U.S. dollar interest rates cannot be greater than US\$45 million of equity and US\$30 million of budgeted net interest income. These limits are internally imposed limits set by the ALCO.

100 Basis Point Shift US\$ million	Foreign Currency Financial Management Portfolio	
	Financial Income	Capital and Reserves
Loss limit as of December 31, 2005	30.0	45.0
High 2005	14.1	30.0
Low 2005	0.0	1.4
Average 2005	3.7	20.2

Financial Management Portfolio: Combined local and foreign currency

We track a consolidated indicator to track the total interest risk of the local and foreign currency Financial Management portfolio. The consolidated loss limit for equity at risk was set at Ch\$60,000 million for 2005. In December 2005 it was increased to Ch\$66,000 million to accommodate for rapid loan growth and the calculated loss reached Ch\$62,624 million. At the same time, the variation in net interest income caused by the 100 basis point shift of the local yield curve cannot be greater than Ch\$30,000 million. This limit is internally set by the ALCO. The following table, which contemplates a 100 basis point shift in the relevant interest rate, indicates that Santander-Chile was within the limits established in 2005. These limits are an internally imposed limit set by the ALCO and Santander Central Hispano's Global Risk Department

100 Basis Point Shift Ch\$ million	Combined Financial Management Portfolio	
	Financial Income	Capital and Reserves
Loss limit as of December 31, 2005	30,000	66,000
High 2005	12,059	62,624
Low 2005	599	39,866
Average 2005	3,764	52,969

Directional Portfolio: Local currency

The potential loss in the market value of our local currency Directional Portfolio resulting from a 100 basis point shift in the yield curve was set at approximately Ch\$50,000 million of equity in 2005. This limit was not breached in 2005. At the same time, the variation in net interest income caused by the 100 basis point shift of the local yield curve cannot be greater than Ch\$20,000 million. This limit is internally set by the ALCO. The following table, which contemplates a 100 basis point shift in the relevant interest rate, indicates that Santander-Chile was within the limits established in 2005.

100 Basis Point Shift Ch\$ million	Local Currency Directional Portfolio	
	Financial Income	Capital and Reserves
Loss limit as of December 31, 2005	20,000	50,000
High	6,653	32,976
Low	350	3,551
Average 2005	2,505	13,303

Directional Portfolio: Foreign currency

For our net foreign currency position in the Directional Portfolio, any loss caused by a 100 basis point shift in U.S. dollar interest rates cannot be greater than US\$45 million of equity and US\$30 million of budgeted net interest income. These limits are internally imposed limits set by the ALCO.

100 Basis Point Shift US\$ million	Foreign Currency Directional Portfolio	
	Financial Income	Capital and Reserves
Loss limit as of December 31, 2005	30.0	45.0
High 2005	8.1	34.9
Low 2005	0.4	0.1
Average 2005	2.5	4.9

Directional Portfolio: Combined local and foreign currency

We track a consolidated indicator to track the total interest risk of the local and foreign currency Financial Management portfolio. The consolidated loss limit for equity at risk was set at Ch\$50,000 million for 2005 and was not breached in this period. At the same time, the variation in net interest income caused by the 100 basis point shift of the local yield curve cannot be greater than Ch\$30,000 million and was not breached in the year. This limit is internally set by the ALCO. The following table, which contemplates a 100 basis point shift in the relevant interest rate. These limits are an internally imposed limit set by the ALCO and Santander Central Hispano's Global Risk Department

100 Basis Point Shift Ch\$ million	Combined Directional Portfolio	
	Financial Income	Capital and Reserves
Loss limit as of December 31, 2005	30,000	50,000
High 2005	7,237	33,263
Low 2005	1,401	3,842
Average 2005	3,093	14,106

Volume Limits

We have also developed Volume Limits which place a cap on the actual size of the different portfolios being controlled.

Fixed Income: Volume-Equivalent. This system is considered to be an additional limit to the size of our consolidated fixed-income trading portfolio. This measure seeks to homogenize the different instruments in our fixed income trading portfolio and convert the portfolio into a single instrument of known duration. Santander-Chile limits the size of this volume-equivalent portfolio. The equivalent instrument is assumed to have a duration of one year. The equivalent volume is calculated by the Market Risk and Control Department and limits are set by the ALCO with respect to size of the volume-equivalent portfolio.

Net Foreign Currency Trading Position: Maximum Net Position. We also set an absolute limit to the size of Santander-Chile's consolidated net foreign currency trading position. As of December 31, 2005, this was equal to US\$200 million. The average foreign currency trading position in 2005 was a positive gap of US\$75 million. The limit to the size of the net foreign currency position is determined by the ALCO and is calculated and monitored by the Market Risk and Control Department.

Liquidity Management

The Central Bank also requires us to comply with the following liquidity limits:

- The sum of the liabilities with a maturity of less than 30 days cannot exceed the sum of the assets with maturity of 30 days by more than an amount greater than one times our capital. This limit must be calculated in local currency and foreign currencies together as one gap.

As of December 31, 2005 ours was as follows:

30 day liquidity limit	Limit used
As of December 31, 2005	52%

- The sum of the liabilities with a maturity of less than 90 days cannot exceed the sum of the assets with a maturity of less than 90 days by more than 2 times a bank's capital. This limit must be calculated in local currency and foreign currencies together as one gap.

90 day liquidity limit	Limit used
As of December 31, 2005	79%

We have also set internal liquidity limits. The Market Risk Control Department measures two other liquidity indicators:

1. Net accumulated liquidity ratio (NALR):

Local Currency NALR

$$\frac{\Sigma ((\text{Assets with maturity up to 30 days}) - (\text{Liabilities with maturity up to 30 days}))}{\Sigma (\text{Liabilities with maturity up to 30 days})} \geq \text{Ch\$ } 0$$

NALR (Total)	NALR Ch\$ million
At December 31, 2005	193
Average 2005	29.2

2. Liquidity coefficient (LC):

Liquid assets (at liquidation value) / (Total liabilities - capital + contingent) \geq 2%

LC	Local currency	Foreign currency
At December 31, 2005	4.4%	29.3%
Average 2005	4.9%	22.5%

Other Subsidiaries

For VaR measurements and scenario simulations, our consolidated trading and consolidated non-trading portfolios do not consolidate the asset-liability structure of the following subsidiaries:

- Santiago Leasing S.A.
- Santiago Corredores de Bolsa Ltda.
- Santander Santiago S.A. Administradora General de Fondos
- Santander Santiago S.A. Sociedad Securitizadora
- Santander Santiago Corredora de Seguros Santander Ltda.

The balance sheets of these subsidiaries are mainly comprised of non-sensitive assets and liabilities, fixed assets and capital and in total only represent 6.5% of our total consolidated assets.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

As of December 31, 2005, the Bank, under the supervision and with the participation of the Bank management, including the Chief Executive Officer and the Chief Financial Officer, performed an evaluation of the effectiveness of the Bank's disclosure controls and procedures. The Bank's management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding management's control objectives. Based on this evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures are effective at the reasonable assurance level for gathering, analyzing and disclosing the information the Bank is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms.

There has been no change in the Bank's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting. We have committed, and will continue to commit, considerable resources to our efforts to improve and strengthen our internal controls. In particular the following is worth noting:

- We are continuing our efforts to be able to comply on a timely basis with the requirements of Section 404 of the Sarbanes-Oxley Act. All departments concerned within our organization are continuing their documentation and have begun, and in some cases, completed testing activities.
- We have developed and adopted additional uniform control standards that are applicable to all of our continuing operations and that cover a variety of topics.
- Our management assessment of internal controls is projected to be completed by June 30, 2007 with audit procedures commencing thereon.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that two of the members of our Audit Committee, Benigno Rodríguez Rodríguez and Víctor Arbulú Crousillat, meet the requirements of an "audit committee financial expert" in accordance with SEC rules and regulations, in that they have an understanding of Chilean GAAP, the ability to assess the general application of Chilean GAAP in connection with the accounting for estimates, accruals and reserves, experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our consolidated financial statements, an understanding of internal controls over financial reporting, and an understanding of audit committee functions. All three members of our Audit Committee have experience overseeing and assessing the performance of Santander-Chile and its consolidated subsidiaries and our external auditors with respect to the preparation, auditing and evaluation of our consolidated financial statements.

All three members of our Audit Committee are considered to be independent according to applicable NYSE criteria and all three members are relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B), which allows an otherwise independent director to serve on both the audit committee of the issuer and the board of directors of an affiliate.

ITEM 16B. CODE OF ETHICS

The Bank has adopted a code of ethics that is applicable to all of the Bank's employees and a copy is included as an exhibit hereto. We will provide to any person without charge, upon request, a copy of our code of ethics. Please email rmorenoh@santandersantiago.cl to request a copy.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Amounts paid to the auditors for statutory audit and other services were as follows:

	2004 MCh\$	2005 MCh\$
Audit Services		
- Statutory audit	554	788
- Audit-related regulatory reporting	-	-
Tax Fees		
- Compliance Services	-	-
- Advisory Services	-	-
All Other Services	-	-
Total	554	788

Statutory audit: Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements that are provided by Deloitte in 2005 and PricewaterhouseCoopers in 2004 in connection with statutory and regulatory filings or engagements, and attest services.

Audit-related regulatory reporting: Consists of fees billed for assurance and related services that were specifically related to the performance of the audit and review of our filings under the 1933 Act.

Auditors are pre-approved by the Audit committee. The selection of external auditors is subject to approval by shareholders at the Annual Shareholders' Meeting. All proposed payments have been presented to our Audit Committee, which has determined that they are reasonable and consistent with internal policies.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

In 2005, neither Santander-Chile nor any of its affiliates purchased any of Santander-Chile's equity securities.

PART III

17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as a part of this Annual Report.

ITEM 19. EXHIBITS**(a) Index to Financial Statements**

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(b) Index to Exhibits:

Exhibit Number	Description
1A.1	Restated Articles of Incorporation of Santander-Chile (Spanish Version) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1A.2	Restated Articles of Incorporation of Santander-Chile (English Version) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1B.1	Amended and Restated By-Laws (<i>estatutos</i>) of Santander-Chile (Spanish Version) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
1B.2	Amended and Restated By-Laws (<i>estatutos</i>) of Santander-Chile (English Version) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
2A.1	Form of Amended and Restated Deposit Agreement, dated August 1, 2002, among Banco Santander-Chile (formerly known as Banco Santiago), the Bank of New York (as depositary) and Holders of American Depositary Receipts (incorporated by reference to our Registration Statement on Form F-6 (Registration No. 333-97303) filed with the Commission on July 26, 2002).
2A.2	Form of Foreign Investment Contract among Banco Santiago, JPMorgan Chase Bank and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs (accompanied by an English translation) (Incorporated by reference to our Registration Statement on Form F-1 (Registration No. 333-7676) filed with the Commission on October 23, 1997).

- 2A.3 Copy of the Central Bank Chapter XXVI Regulations Related to the Acquisition of Shares in Chilean Corporations and the Issuance of Instrument on Foreign Stock Exchanges or under Other Terms and Conditions of Issue (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 2B.1 Agreement for the Issuance of Bonds dated November 26, 1996 between Old Santander-Chile and Banco Security (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 2B.2 Indenture dated December 9, 2004 between Santander-Chile and Deutsche Bank Trust Company Americas, as trustee, providing for issuance of securities in series (filed herewith).
- 2B.3 Indenture dated March 16, 2001, as amended on May 30, 2003, October 22, 2004, May 3, 2005, and September 20, 2005 between Santander-Chile and Banco de Chile, as trustee, relating to issuance of UF14 million senior notes (copy to be furnished upon request).
- 4A.1 Automatic Teller Machines Participation Agreement dated October 1, 1988 between Banco Espanol-Chile (predecessor to Old Santander-Chile) and REDBANC (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 4A.2 Outsourcing agreement between Banco Santiago and IBM de Chile S.A.C. dated June 30, 2000 (including English summary) (incorporated by reference to Banco Santiago's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-4554) filed with the Commission on December 31, 2000).
- 4A.3 Systems and Technology Service and Consulting Agreement between Santander-Chile and Altec dated December 30, 2003 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14554) filed with the Commission on December 31, 2004).
- 4A.4 Purchase-Sale Contract between Santander-Chile and Empresas Almacenes París dated December 6, 2004 (English translation) (filed herewith).
- 7.1 Statement explaining Calculation of Ratios (incorporated by reference to Old Santander-Chile's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-13448) filed with the Commission on June 28, 2001).
- 8.1 List of Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.1 Code of Conduct for Executive Personnel of Banco Santander-Chile and Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.2 Code of Conduct for all Grupo Santander Personnel (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 12.1 Section 302 Certification by the Chief Executive Officer.
- 12.2 Section 302 Certification by the Chief Financial Officer.
- 13.1 Section 906 Certification.

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Banco Santander-Chile.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO SANTANDER-CHILE

By: /s/ Gonzalo Romero A.

Name: Gonzalo Romero A.

Title: General Counsel

Date: April 12, 2006.

BANCO SANTANDER CHILE
CONSOLIDATED FINANCIAL STATEMENTS

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Ch\$ - Chilean pesos

MCh\$ - Millions of Chilean pesos

US\$ - United States dollars

ThUS\$ - Thousands of United States dollars

UF - A UF is a daily-indexed, peso-denominated monetary unit. The UF rate is set daily in advance based on the previous month's inflation rate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Banco Santander Santiago

We have audited the accompanying consolidated balance sheets of Banco Santander Santiago and its subsidiaries (collectively referred to as “Banco Santander Chile” or the “Bank”) as of December 31, 2005, and the related consolidated statements of income, cash flows and changes in shareholders’ equity for the year ended December 31, 2005, all expressed in millions of constant Chilean pesos. These financial statements (including the related Notes) are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Banco Santander Chile for the years ended December 31, 2003 and 2004 were audited by other auditors whose report, dated June 28, 2005 (except for the restatement to constant Chilean pesos of December 31, 2005, for which the date is February 23, 2006) expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank at December 31, 2005 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Chile and the rules of the Superintendencia de Bancos e Instituciones Financieras.

Certain reclassifications have been made to the financial statements previously filed with the Superintendencia de Bancos e Instituciones Financieras solely for the convenience of readers outside Chile.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of shareholders’ equity as of December 31, 2005, and the determination of net income for the year ended December 31, 2005, to the extent summarized in Note 27 to the consolidated financial statements.

Our audit also comprehended the translation of Chilean Peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. r. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

/s/ Deloitte

Santiago, Chile
February 28, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Banco Santander Chile

We have audited the accompanying consolidated balance sheet of Banco Santander Chile (formerly Banco Santiago) and its subsidiaries (the “Bank”) as of December 31, 2004 and the related consolidated statements of income, of cash flows and of shareholders’ equity for each of the two years ended December 31, 2004, all expressed in millions of constant Chilean pesos. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Banco Santander Chile (formerly Banco Santiago) and its subsidiaries as of December 31, 2004 and the results of their operations and their cash flows for each of the two years ended December 31, 2004, in conformity with accounting principles generally accepted in Chile and the rules of the regulatory agencies referred to in Note 1.

Accounting principles generally accepted in Chile vary in certain important respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements.

/s/ PricewaterhouseCoopers

Santiago, Chile
June 28, 2005, except for the restatement to
constant Chilean pesos of December 31, 2005,
for which the date is February 23, 2006.

BANCO SANTANDER CHILE

CONSOLIDATED BALANCE SHEETS

Adjusted for general price-level changes and expressed
in millions of constant Chilean pesos (MCh\$) as of
December 31, 2005 and thousands of US dollars (ThUS\$)

	At December 31,		
	2004	2005	2005
	MCh\$	MCh\$	ThUS\$ (Note 1 r)
ASSETS			
CASH AND DUE FROM BANKS (Note 3)			
Non - interest bearing	797,469	1,013,857	1,971,679
Interbank deposits-interest bearing	185,107	211,105	410,542
Total cash and due from banks	982,576	1,224,962	2,382,221
INVESTMENTS (Note 4)			
Government securities	972,661	460,181	894,928
Investments under agreements to resell	24,516	23,120	44,962
Other financial investments	470,961	674,976	1,312,647
Investment collateral under agreements to repurchase	593,366	91,218	177,394
Total investments	2,061,504	1,249,495	2,429,931
LOANS, NET (Note 5)			
Commercial loans	3,266,027	3,655,101	7,108,187
Consumer loans	1,119,006	1,392,012	2,707,089
Mortgage loans	954,370	634,723	1,234,365
Foreign trade loans	512,429	511,756	995,228
Interbank loans	135,725	194,652	378,546
Leasing contracts (Note 6)	520,401	663,862	1,291,033
Other outstanding loans	1,385,583	2,056,155	3,998,668
Past due loans	135,813	106,540	207,192
Contingent loans	902,317	929,472	1,807,573
Allowance for loan losses (Note 7)	(179,559)	(147,866)	(287,560)
Total loans, net	8,752,112	9,996,407	19,440,321
OTHER ASSETS			
Bank premises and equipment, net (Note 8)	221,611	221,375	430,515
Assets received in lieu of payment	32,097	17,948	34,904
Assets to be leased	19,135	32,015	62,261
Investments in other companies (Note 9)	5,068	6,696	13,021
Other (Note 10)	433,378	347,923	676,617
Total other assets	711,289	625,957	1,217,318
TOTAL ASSETS	12,507,481	13,096,821	25,469,791

The accompanying Notes are an integral part of these consolidated financial statements.

BANCO SANTANDER CHILE

CONSOLIDATED BALANCE SHEETS

Adjusted for general price-level changes and expressed
in millions of constant Chilean pesos (MCh\$) as of
December 31, 2005 and thousands of US dollars (ThUS\$)

	At December 31,		
	2004 MCh\$	2005 MCh\$	2005 ThUS\$ (Note 1 r)
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS			
Non-interest bearing			
Current accounts	1,335,113	1,455,924	2,831,380
Bankers' drafts and other deposits	1,027,091	712,886	1,386,371
	<hr/>	<hr/>	<hr/>
Total non-interest bearing	2,362,204	2,168,810	4,217,751
Interest bearing			
Savings accounts and other deposits	4,629,313	5,906,711	11,486,963
	<hr/>	<hr/>	<hr/>
Total deposits	6,991,517	8,075,521	15,704,714
OTHER INTEREST BEARING LIABILITIES (Note 11)			
Chilean Central Bank borrowings			
Credit lines for renegotiations of loans	9,662	6,655	12,943
Other Central Bank borrowings	340,959	173,206	336,839
	<hr/>	<hr/>	<hr/>
Total Chilean Central Bank borrowings	350,621	179,861	349,782
Investments under agreements to repurchase	448,464	49,779	96,807
Mortgage finance bonds	993,146	668,961	1,300,949
Other borrowings			
Bonds	370,565	415,243	807,536
Subordinated bonds	549,876	385,751	750,182
Borrowings from domestic financial institutions	29,778	2,528	4,917
Foreign borrowings	495,572	1,098,246	2,135,793
Other obligations	41,221	42,092	81,858
	<hr/>	<hr/>	<hr/>
Total other borrowings	1,487,012	1,943,860	3,780,286
Total other interest bearing liabilities	3,279,243	2,842,461	5,527,824
	<hr/>	<hr/>	<hr/>
OTHER LIABILITIES			
Contingent liabilities (Note 10)	904,058	931,318	1,811,163
Other (Note 10)	262,235	164,225	319,372
	<hr/>	<hr/>	<hr/>
Total other liabilities	1,166,293	1,095,543	2,130,535
CONTINGENCIES AND COMMITMENTS (Note 21)			
MINORITY INTEREST	1,325	1,464	2,846
	<hr/>	<hr/>	<hr/>
Total liabilities	11,438,378	12,014,989	23,365,919
SHAREHOLDERS' EQUITY (Note 14)			
Capital and reserves	863,112	842,122	1,637,701
Income for the year	205,991	239,710	466,171
	<hr/>	<hr/>	<hr/>
Total shareholders' equity	1,069,103	1,081,832	2,103,872
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<hr/>	<hr/>	<hr/>
	12,507,481	13,096,821	25,469,791
	<hr/>	<hr/>	<hr/>

The accompanying Notes are an integral part of these consolidated financial statements.

BANCO SANTANDER CHILE

CONSOLIDATED STATEMENTS OF INCOME

Expressed in millions of constant Chilean pesos (MCh\$) as of
December 31, 2005 and thousands of US dollars (ThUS\$)

	Year ended December 31,			
	2003	2004	2005	2005
	MCh\$	MCh\$	MCh\$	ThUS\$
				(Note 1 r)
INTEREST REVENUE AND EXPENSE				
Interest revenue	651,540	812,032	985,669	1,916,860
Interest expense	(330,119)	(326,743)	(439,790)	(855,273)
Net interest revenue	321,421	485,289	545,879	1,061,587
PROVISIONS FOR LOAN LOSSES (Note 7)	(71,592)	(83,677)	(63,532)	(123,554)
FEES AND INCOME FROM SERVICES (Note 16)				
Fees and other services income	145,491	153,720	169,786	330,188
Other and other services expenses	(26,729)	(27,707)	(31,420)	(61,103)
Total fees income and expenses from services, net	118,762	126,013	138,366	269,085
OTHER OPERATING INCOME				
Gains from trading activities	113,210	115,074	89,906	174,843
Losses from trading activities	(84,057)	(77,131)	(81,502)	(158,499)
Foreign exchange transactions, net	161,363	7,915	2,684	5,220
Other operating income	8,435	11,276	4,752	9,241
Other operating expenses	(29,578)	(36,578)	(28,354)	(55,141)
Total other operating income (loss), net	169,373	20,556	(12,514)	(24,336)
OTHER INCOME AND EXPENSES				
Non-operating income (Note 17)	20,948	34,836	20,869	40,585
Non-operating expenses (Note 17)	(20,418)	(39,408)	(42,882)	(83,395)
Income attributable to investments in other companies (Note 9)	1,772	556	678	1,319
Minority interest	(170)	(190)	(133)	(258)
Total other income and (expenses), net	2,132	(4,206)	(21,468)	(41,749)
OPERATING EXPENSES				
Personnel salaries and expenses	(133,973)	(137,824)	(139,220)	(270,745)
Administrative and other expenses	(89,128)	(100,038)	(100,585)	(195,611)
Depreciation and amortization	(42,648)	(40,127)	(39,248)	(76,327)
Total operating expenses	(265,749)	(277,989)	(279,053)	(542,683)
NET LOSS FROM PRICE-LEVEL RESTATEMENT (Note 23)	(8,179)	(12,417)	(18,140)	(35,277)
INCOME BEFORE INCOME TAXES	266,168	253,569	289,538	563,073
Income taxes (Note 20)	(46,382)	(47,578)	(49,828)	(96,902)
NET INCOME FOR THE YEAR	219,786	205,991	239,710	466,171

The accompanying Notes are an integral part of these consolidated financial statements.

BANCO SANTANDER CHILE
CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in millions of constant Chilean pesos (MCh\$) as of
December 31, 2005 and thousands of US dollars (ThUS\$)

	Year ended December 31,			
	2003 MCh\$	2004 MCh\$	2005 MCh\$	2005 ThUS\$ (Note 1r)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year	219,786	205,991	239,710	466,171
Charge (credit) to income not representing cash flows:				
Provision for loan losses	107,612	133,394	109,633	213,207
Depreciation and amortization	42,648	40,127	39,248	76,327
Market value of financial investments (trading portfolio)	5,485	(657)	4,267	8,298
(Gain) loss on sales of bank premises and equipment	161	(201)	(203)	(395)
(Gain) loss on sales of goods received in lieu of payment	(5,737)	(4,434)	(4,525)	(8,800)
Net changes in other assets and liabilities	(40,561)	(70,054)	(23,996)	(46,666)
Share of profit in equity method investments	(1,773)	(557)	(678)	(1,319)
Minority interest	170	190	133	259
Write-offs of assets received in lieu of payment	13,173	21,691	20,990	40,820
Net change in interest accruals	(62,145)	57,958	(82,679)	(160,788)
Price-level restatement	8,179	12,417	18,140	35,277
Other	21,903	16,110	6,644	12,921
NET CASH PROVIDED BY OPERATING ACTIVITIES	308,901	411,975	326,684	635,312
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in loans	357,571	(1,063,922)	(1,080,445)	(2,101,175)
Net change in goods received in lieu of payment	40,264	43,260	47,601	92,571
Purchases of bank premises and equipment	(17,714)	(19,598)	(21,477)	(41,767)
Investments in other companies	-	(303)	(1,337)	(2,599)
Net increase in securities purchased under agreements to resell	10	-	(97,912)	(190,413)
Net change in other financial investments	89,771	(15,140)	480,844	935,112
Proceeds from sales of bank premises and equipment	5,170	754	3,609	7,018
Dividends received from equity investments	4,447	927	768	1,493
Net cash (used in) provided by investing activities	479,519	(1,054,022)	(668,349)	(1,299,760)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in current accounts	10,584	137,267	115,422	224,465
Net increase (decrease) in savings accounts and time deposits	(637,762)	713,624	1,368,192	2,660,765
Net increase (decrease) in bankers drafts and other deposits	102,735	70,333	(362,909)	(705,760)
Net increase (decrease) in investments sold under agreements to repurchase	(179,561)	37,567	(173,826)	(338,044)
Increase in mortgage finance bonds	290,746	70,689	17,875	34,762
Repayments of mortgage finance bonds	(611,393)	(402,270)	(480,620)	(934,676)
Proceeds from bond issues	-	405,906	111,317	216,482
Repayments of bond issues	(75,044)	(152,364)	(239,797)	(466,341)
Short-term funds borrowed	4,025	99,765	221,136	430,051
Short-term borrowings repaid	(78,193)	(431,110)	600,715	1,168,229
Proceeds from issuance of long-term borrowings	200,115	(90,307)	(41,257)	(80,234)
Central Bank borrowings	357,214	338,759	(349,247)	(679,192)
Dividends paid	(165,940)	(219,962)	(206,310)	(401,217)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(782,474)	577,897	580,691	1,129,290
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND DUE FROM BANKS	(9,646)	1,746	3,360	6,534
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(3,700)	(62,404)	242,386	471,376
CASH AND DUE FROM BANKS, BEGINNING OF YEAR	1,048,680	1,044,980	982,576	1,910,845
CASH AND DUE FROM BANKS, END OF YEAR	1,044,980	982,576	1,224,962	2,382,221

SUPPLEMENTAL CASH FLOW INFORMATION:

Non cash movements (assets received in lieu payment)	50,496	40,140	28,768
Cash paid during the year for:			
Interest	425,417	436,889	469,085
Taxes	3,624	2,761	1,583

The accompanying Notes are an integral part of these consolidated financial statements.

BANCO SANTANDER CHILE

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Expressed in millions of constant Chilean pesos (MCh\$) as of December 31, 2005
(except for number of shares)

	Number of Shares	Paid-in share capital	Legal Reserve	Financial Investment Reserve	Net income for the year	Total
	Millions	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balances at January 1, 2003, (historical)	188,446.1	695,921	101,843	8,126	157,315	963,205
Retained earnings	-	-	157,315	-	(157,315)	-
Dividend paid	-	-	(157,315)	-	-	(157,315)
Price-level restatement	-	6,630	3,520	-	-	10,150
Unrealized losses in financial investment classified as permanent	-	-	-	(5,623)	-	(5,623)
Net Income for the year	-	-	-	-	212,108	212,108
Balances as of December 31, 2003	188,446.1	702,551	105,363	2,503	212,108	1,022,525
Balance at December 31, 2003 restated in constant Chilean pesos of December 31, 2005	188,446.1	727,983	109,177	2,594	219,786	1,059,540
Balances at of January 1, 2004, (historical)	188,446.1	702,551	105,363	2,503	212,108	1,022,525
Retained earnings	-	-	212,108	-	(212,108)	-
Dividend paid	-	-	(212,108)	-	-	(212,108)
Price-level restatement	-	17,423	2,448	-	-	19,871
Unrealized gains in financial investment classified as permanent	-	-	-	2,671	-	2,671
Net Income for the year	-	-	-	-	198,795	198,795
Balances as of December 31, 2004	188,446.1	719,974	107,811	5,174	198,795	1,031,754
Balance at December 31, 2004, restated in constant Chilean pesos of December 31, 2005	188,446.1	746,037	111,714	5,361	205,991	1,069,103
Balances as of January 1, 2005, (historical)	188,446.1	719,974	107,811	5,174	198,795	1,031,754
Retained earnings	-	-	198,795	-	(198,795)	-
Dividends paid	-	-	(198,795)	-	-	(198,795)
Price-level restatement	-	26,063	3,585	-	-	29,648
Unrealized losses in financial investment classified as permanent	-	-	-	(20,485)	-	(20,485)
Net Income for the year	-	-	-	-	239,710	239,710
Balances as of December 31, 2005	188,446.1	746,037	111,396	(15,311)	239,710	1,081,832

The accompanying Notes are an integral part of these consolidated financial statements.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Expressed in millions of constant Chilean pesos (MCh\$)
of December 31, 2005 (except as indicated)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

Through resolution No.79 dated July 26, 2002 the Chilean *Superintendencia de Bancos e Instituciones Financieras* (the “Superintendency of Banks”) approved the merger agreed upon by the Extraordinary Shareholders’ Meetings of the former Banco Santander-Chile and Banco Santiago, both held on July 18, 2002.

On August 1, 2002, the legal merger agreed upon by Banco Santiago with former Banco Santander-Chile took place, through the contribution of the assets of the latter to Banco Santiago, which assumed the total liabilities. The merger was accounted for under Chilean GAAP in a manner commonly referred to as a “pooling of interests” on a prospective basis from January 1, 2002. As such, the financial statements of the former Banco Santander-Chile were retroactively combined with those of Banco Santiago at book values at January 1, 2002.

By virtue of the merger, Banco Santiago later changed its name to Banco Santander Chile. The shareholders of the former Banco Santander-Chile became shareholders of the merged bank, receiving 3.55366329 shares of the merged Bank in exchange for each share of the former Banco Santander-Chile.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile and regulations of the Superintendency of Banks, collectively referred to as “Chilean GAAP.” For the convenience of the reader, the consolidated financial statements have been translated into English, certain reclassifications have been made and certain subtotals and clarifying account descriptions have been added.

The Bank has issued its statutory consolidated financial statements in Spanish and in conformity with accounting principles generally accepted in Chile, which include certain notes and additional information required by the Superintendency of Banks for statutory purposes. Management believes that these additional notes and information are not essential for the complete understanding of the consolidated financial statements and, accordingly, these notes and additional information have been excluded from the accompanying financial statements.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The consolidated financial statements include Banco Santander Chile and its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The majority interests of Banco Santander Chile as of December 31, 2004 and 2005 were as follows:

Subsidiary	Percentage Owned					
	2004			2005		
	Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santiago Leasing S.A.	99.50	-	99.50	99.50	-	99.50
Santiago Corredores de Bolsa Ltda.	99.19	0.81	100.00	99.19	0.81	100.00
Santander Santiago S.A. Administradora General de Fondos	99.96	0.02	99.98	99.96	0.02	99.98
Santander S.A. Agente de Valores	99.03	-	99.03	99.03	-	99.03
Santander Santiago S.A. Sociedad Securitizadora	99.64	-	99.64	96.64	-	99.64
Santander Santiago Corredora de Seguros Ltda.	99.99	-	99.99	99.99	-	99.99

b) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold, or in the case of a liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where available quoted market prices in active markets have been used as the basis for the measurement. Where quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including using modeling and other valuation techniques.

We have established allowances to cover probable loan losses in accordance with regulations issued by the Chilean Superintendency of Banks. These regulations require us to estimate allowances based on an individual and group classification system as explained in Note 1 (I). As further explain in Note 1 (I), Superintendency of Banking rules for the year ended December 31, 2003 required us to estimate the allowance for loan losses based on individual and global specifications.

As described above, the allowance for loan losses requires us to make estimates and, consequently, we regularly evaluate our allowance for loan losses by taking into consideration factors such as changes in the nature and volume of our loan portfolio, trends in forecasted portfolio credit quality and economic conditions that may affect our borrowers' ability to pay. Increases in our allowance for loan losses are reflected as provisions for loan losses in our income statement. Loans are charged off when management determines that the loan or a portion thereof is uncollectible. Charge-offs are recorded as a reduction of the allowance for loan losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

c) Price-level restatements

The consolidated financial statements are prepared on the basis of general price-level accounting in order to reflect the effect of changes in the purchasing power of the Chilean peso during each year. At the end of each reporting period, the consolidated financial statements are restated in terms of the general purchasing power of the Chilean peso ("constant pesos") using changes in the Chilean consumer price index ("CPI") as follows:

- Non-monetary assets, liabilities and shareholders' equity accounts are restated in terms of year-end purchasing power.
- Consistent with general banking practices in Chile, no specific purchasing power adjustments of income statement amounts are made.
- Monetary items are not restated as such items are, by their nature, stated in terms of current purchasing power in the financial statements.
- The price-level restatement credit or charge in the income statement represents the monetary gain or loss in purchasing power from holding monetary assets and liabilities exposed to the effects of inflation.
- All the amounts contained in the accompanying consolidated financial statements have been restated in Chilean pesos of general purchasing power of December 31, 2005 ("constant pesos") applied under the "prior month rule", as described below, to reflect changes in the CPI from the financial statement dates to December 31, 2005. This updating does not change the prior years' statements or information in any way except to update the amounts to constant pesos of similar purchasing power.

The general price-level restatements are calculated using the official CPI of the Chilean National Institute of Statistics and are based on the "prior month rule", in which the inflation adjustments at any balance sheet date are based on the consumer price index at the close of the preceding month. The CPI is considered by the business community, the accounting profession and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The values of the CPI used for price-level restatement purposes are as follows:

Year	Index *	Change in index
		%
2003	114.44	1.00%
2004	117.28	2.50%
2005	121.53	3.62%

* Index as of November 30 of each year, under the prior month rule described above.

The price-level adjusted consolidated financial statements do not purport to represent appraised values, replacement cost, or any other current value of assets at which transactions would take place currently and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

d) Index-linked assets and liabilities

Certain of the Bank's interest-earning assets and interest-bearing liabilities are expressed in index-linked units of account. The principal index-linked unit used in Chile is the Unidad de Fomento (UF), a unit of account which changes daily from the tenth day of the current month to the ninth day of the next month, to reflect the changes in the Chilean CPI over the previous month. The carrying amounts of such assets and liabilities change with the changes in the UF and serve to offset the price-level restatement gains or losses from holding such assets and liabilities. As the Bank's UF assets exceed its UF liabilities, any increase in the index results in a net gain on indexation. Values for the UF as of December 31 of each year are as follows in historical Chilean pesos:

Year	Ch\$
2003	16,920.00
2004	17,317.05
2005	19,974.81

e) Interest revenue and expense recognition

Interest revenue and expense are recognized on an accrual basis using the effective interest method. The carrying amounts of loans, investments and liabilities are stated at their cost, adjusted for accrued interest and the indexation adjustment applicable to such balances that are index-linked. The effect of charges in the index-linked on interest-earning assets and interest earning liabilities is reflected in the income statement as an increase or decrease in interest revenue or expense.

The Bank suspends the accrual of interest and indexation adjustments of principal on loan installment payments due beginning on the first day that such loan installment payments are overdue. The Bank continues to accrue interest and indexation on the principal payments not yet overdue for those loans that have installments overdue unless the Bank believes those amounts are uncollectible. Interest accrued prior to the loan becoming overdue remains on the Bank's books and is considered to be a part of the loan balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

when determining the allowance for loan losses. Payments received on overdue loans are first applied to reduce the recorded balance of accrued interest receivable, if any, and thereafter are recognized as income to the extent of interest earned but not recorded. Accrued interest and indexation adjustments are included in the Bank's recorded investment in the loan for the purpose of determining the required allowance for loan losses.

f) Foreign currency and derivative activities

The Bank enters into forward foreign exchange contracts and spot exchange contracts for its own accounts and the accounts of its customers. The Bank's forward contracts are valued monthly using the observed rates reported by the Central Bank of Chile at the balance sheet date. The initial premium or discount on these contracts is deferred and included in determining net income over the life of the contract. The Bank's interest rate and cross-currency swap agreements are treated as off-balance-sheet financial instruments and the net interest effect, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that such differences originate.

In addition, the Bank makes loans and accepts deposits in amounts denominated in foreign currencies, principally the US dollar. Such assets and liabilities are translated at the observed rate reported by the Central Bank of Chile at the balance sheet date.

The amount of net gains and losses on foreign exchange includes the recognition of the effects that variations in the exchange rates have on assets and liabilities denominated in foreign currencies and the gains or losses on foreign exchange spot and forward transactions undertaken by the Bank.

g) Financial investments

Financial investments that have a secondary market are carried at market value. The Bank's financial investments are classified as trading or permanent in accordance with the regulations of the Superintendency of Banks with unrealized gains and losses on trading investments included in Other operating income (expenses), and unrealized gains and losses on permanent investments included in a separate component of Shareholders' equity. Investment securities maintained by the Bank's subsidiaries are carried at the lower of price-level restated cost or market value.

The Bank enters into security repurchase agreements as a form of borrowing. In this regard, the Bank's investments that are sold subject to a repurchase obligation and that serve as collateral for the borrowing are reclassified as "investment collateral under agreements to repurchase" and carried at market value. The liability for the repurchase of the investment is classified as "investments under agreements to repurchase" and is carried at cost plus accrued interest.

The Bank also enters into resale agreements as a form of investment. Under these agreements the Bank purchases securities, which are included as assets under the caption "investments under agreements to resell" and are carried at cost plus accrued interest.

All other financial investments are carried at acquisition cost plus accrued interest and UF-indexation adjustments, as applicable.

h) Leasing contracts

The Bank leases certain property that meets the criteria for direct financing leases. At the time of entering into a direct financing lease transaction, the Bank records the gross finance receivable, unearned income and estimated residual value of leased equipment. There are no significant residual values assumed by the Bank. Unearned income represents the excess of the gross finance receivable plus the estimated residual value over the cost of the property acquired. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. The net investment in financing leases is included in the account "Lease Contracts" in the loan section of the consolidated balance sheet.

i) Factored receivables

Factoring receivable loans are value at the amount disbursed to the borrower. The price difference between the amounts disbursed and the actual value of the receivables is earned and recorded as interest income over the financing period. The borrowers are responsible for the payments of the loans if the receivables are not collected.

j) Premises and equipment

Premises and equipment are stated at acquisition cost net of accumulated depreciation and have been restated for price-level changes. Depreciation is calculated on a straight-line method over the estimated useful lives of the underlying assets.

The costs of maintenance and repairs are charged to expense. The costs of significant refurbishment and improvements are capitalized and are then amortized over the period of the benefit on a straight-line basis.

k) Investments in other companies

Shares or rights in companies that are integral to the operations of the Bank, where the Bank holds a less than majority interest, are accounted for under the equity method. Other minority investments are carried at cost restated for price-level changes.

l) Allowance for loan losses

The Bank has set up allowances for probable loan losses in accordance with the instructions issued by the Superintendency of Banks and the models for rating and evaluating credit risk approved by the Bank's Board of Directors. The instructions issued by the Superintendency of Banks were changed with an effective date of January 1, 2004 (See Note 2).

The following describes the calculation of the allowance for loan losses subsequent to December 31, 2003.

Allowances for individual evaluations on commercial loans

The Bank assigns a risk category level to each borrower and its respective loans.

The Bank considers the following risk factors within the analysis: industry or sector of the borrower, owners or managers of the borrower, their financial situation, their payment capacity and payment behavior.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Bank assigns one of the following risk categories to each loan and borrower upon finishing the analysis:

- i. Classifications A1, A2 and A3, correspond to borrowers with no apparent credit risk.
- ii. Classifications B, correspond to borrowers with some credit risk but no apparent deterioration of payment capacity.
- iii. Classifications C1, C2, C3, C4, D1 and D2 correspond to borrowers whose loans have deteriorated.

For loans classified as A1, A2, A3 and B, the board of directors of the Bank is authorized to determine the levels of required reserves. For loans classified in Categories C1, C2, C3, C4, D1 and D2, the bank must have the following levels of reserves:

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

Allowances for group evaluations

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

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

- i. A model based on the characteristics of the borrowers and their outstanding loans. Borrowers and their loans with similar characteristics will be placed into groups and each group will be assigned a risk level.
- ii. A model based on the behavior of a group of loans. Loans with analogous past payment histories and similar characteristics will be placed into groups and each group will be assigned a risk level.

Additional reserves

Under the new regulations, banks are permitted to establish reserves above the limits described above only to cover specific risks that have been authorized by their board of directors. The concept of voluntary reserves has been eliminated by the new regulation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

For purposes of the financial information presented in this report, as of and for the year ended December 31, 2003, the Bank applied regulations of the Chilean Superintendency of Banks applicable at the time. These regulations required the Bank to estimate the allowance for loan losses based on a global and individual allowance methodology prescribing application of risk indices to calculate the global allowance and requiring 100% provisioning of uncollateralized loans over 90 days overdue.

Until December 31, 2003, the allowance for loan losses was determined as follows:

Global loan loss allowance

A global allowance was calculated by multiplying the Bank's outstanding loans by the greater of its "risk index" and 0.75% . The Bank's risk index was based upon a classification of a portion of its customers' outstanding loans into five categories based upon risk of loss for commercial loans and overdue status for consumer and residential mortgage loans. The classifications for risk index purposes must include the largest commercial loans that represent at least 75% of the commercial loan portfolio and 100% of consumer and residential mortgage loans. Once the customers' outstanding loans have been classified, certain required percentage allowances applicable to the relevant categories are applied. The resulting weighted-average allowance rate is the risk index utilized in the calculation of the global loan loss allowance.

Individual loan loss allowance

Once a loan was overdue for 90 days or more, a specific allowance was calculated for 100% of the uncollateralized portion of the loan. Individual loan loss allowances were required only to the extent that, in the aggregate, they exceed the global loan loss allowance.

Voluntary loan loss allowance

The Bank has made a provision for a voluntary allowance in addition to those required by the rules of the Superintendency of Banks. Such voluntary allowances address additional risk inherent in the portfolio.

Charge-offs

In accordance with the regulations of the Superintendency of Banks the Bank charges off loans or portions thereof when collection efforts have been exhausted. Under the rules and regulations established by the Superintendency of Banks, charge-offs must be made within the following maximum prescribed limits:

- 24 months after a loan is past due (3 months for consumer loans) for loans without collateral;
- 36 months after a loan is past due for loans with collateral.

The Bank will also charge-off commercial loans prior to the meeting of this criteria when the Bank no longer considers such loans or portions thereof to be collectible.

Loan loss recoveries

Recoveries on charged-off loans as well as recoveries on loans which were reacquired from the Chilean Central Bank (the "Central Bank"), are recorded directly to income.

m) Fees and expenses related to loans and services

Fees and expenses related to loans, as well as fees for services rendered, are deferred and recognized to income over the term of the loans to which they relate, and to the period that the services are performed.

n) Income taxes

Income taxes are recognized in an amount that approximates the amount due on the respective income tax return pursuant to Chilean tax legislation.

Deferred taxes are recorded in accordance with Technical Bulletin No. 60 and the complementary technical bulletins thereto issued by the Chilean Association of Accountants.

o) Staff severance indemnities

The Bank has recorded a liability for long-term severance indemnities in accordance with employment contracts it has with certain employees. The liability, which is payable to specified voluntarily retiring employees with more than 20 years of service is recorded at the present value of the accrued benefits, is calculated by applying a real discount rate to the benefit accrued as of year-end over the estimated average remaining service period. For the year ended December 31, 2003, the obligation was discounted using a real interest rate of 7.2% . As of December 31, 2004 and 2005, the Bank does not have liabilities for severance indemnities.

p) Assets received in lieu of payment

Assets received in lieu of payment are carried at the lower of price-level restated cost and the market value of such assets, considered as a whole. Assets that have not been sold within one year are written-off on a straight-line basis over 12 months for assets received until December 31, 2003 and over 6 months for assets received after that date until December 31, 2005, as instructed by the Superintendency of Banks.

q) Statement of cash flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks. For the years ended December 31, 2003, 2004 and 2005, the consolidated statements of cash flows have been prepared in accordance with Technical Bulletin No. 65 of the Chilean Association of Accountants.

r) Convenience translation to U.S. dollars

The Bank maintains its accounting records and prepares its consolidated financial statements in Chilean pesos. The US dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader at the December 31, 2005 observed exchange rate of Ch\$514.21 per US\$1.00. This translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into U.S. dollars at such a rate or at any other rate.

s) Reclassifications

Certain balances from prior years have been reclassified to conform to the current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 2. ACCOUNTING CHANGES

Starting on January 1, 2004, the Superintendency of Banks new guidelines and rules regarding Provisioning for Credit Risk became effective. This new classification system is based on internally developed models for rating and evaluating credit risk, which was presented and approved by the Bank's Board of Directors on October 21, 2003, as recorded in the minutes of Board Meeting No. 348.

Under the new methodology, the level of required loan loss reserves was not significantly modified and as a result had no significant effect on 2004 results.

NOTE 3. CASH AND DUE FROM BANKS

In accordance with the rules of the Superintendency of Banks, the Bank must maintain certain non interest-bearing balances in its account with the Central Bank. The required balances are based upon specified financial criteria, including the level of the Bank's assets, the amount of its foreign borrowings and its average liabilities. Restricted amounts totaled MCh\$ 243,306 and MCh\$ 233,461 as of December 31, 2004 and 2005, respectively.

NOTE 4. INVESTMENTS

A summary of financial investments is as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Central Bank and government securities		
Marketable debt securities (1)	972,661	460,181
Investment under agreements to repurchase (2)	542,336	56,967
Investment purchased under agreements to resell	24,516	23,120
Subtotal	1,539,513	540,268
Corporate securities		
Marketable securities (1)	431,061	617,010
Investment collateral under agreements to repurchase (2)	51,030	34,251
Subtotal	482,091	651,261
Time deposits in Chilean institutions	39,900	57,966
Total	2,061,504	1,249,495

(1) Including market value adjustment.

(2) Under Chilean GAAP, investment securities that are sold subject to repurchase agreements are reclassified from their investment category to "investments under agreements to repurchase".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Financial investments are classified at the time of the purchase, based on management's intentions, as either trading or permanent. The related amounts are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Permanent	586,432	563,090
Trading	1,475,072	686,405
Total	2,061,504	1,249,495

NOTE 5. LOANS

The loans on the accompanying consolidated balance sheets are comprised of the subcategories as described below.

Commercial loans are long-term and short-term loans made to companies and businesses. These loans are granted in Chilean pesos on an adjustable or fixed rate basis to finance working capital or investments.

Consumer loans are loans to individuals granted in Chilean pesos, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. Credit card balances subject to interest charges are also included in this category.

Mortgage loans are inflation-indexed, fixed rate, long-term loans with monthly payments of principal and interest collateralized by a real property mortgage. These loans are specifically funded through the issuance of mortgage finance bonds, which are bonds generally issued to third party investors in order that the Bank finance its loans to property owners. At the time of issuance, the amount of a mortgage loan cannot exceed 75% of the value of the property.

Foreign trade loans are fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Lease contracts are agreements to finance the acquisition of capital equipment and other property.

Other outstanding loans principally include current account overdrafts, bills of exchange and mortgage loans that are financed by the Bank's general borrowings.

Past due loans include, with respect to any loan, the amount of principal or interest that is 90 days or more overdue, and do not include the installments of such loan that are not overdue or that are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan.

Contingent loans mainly consist of open and unused letters of credit together with guarantees granted by the Bank in Ch\$, UF and foreign currencies (principally U.S. dollars).

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarizes the most significant loan concentrations, expressed as a percentage of total loans, excluding contingent loans and before the reserve for loan losses.

	As of December 31,	
	2004	2005
Community, social and personal services	18.8%	18.9%
Residential mortgage loans	23.3%	25.0%
Consumer credit	14.1%	15.2%
Financial services	10.4%	10.4%
Commerce	9.0%	8.4%
Manufacturing	6.8%	6.0%
Construction	7.3%	6.5%
Agriculture, livestock, agribusiness, fishing	4.6%	4.7%
Electricity, gas and water	1.1%	0.8%
Transport, storage and communications	3.2%	3.4%
Mining and petroleum	1.4%	0.7%
Total	100.0%	100.0%

A substantial amount of the Bank's loans are to borrowers doing business in Chile.

NOTE 6. LEASE CONTRACTS

The amounts shown as leasing contracts are amounts receivable under lease agreements and have the following maturities as of December 31, 2004 and 2005. Unearned income presented in the table corresponds to the interest to be earned in each period.

	As of December 31, 2004			As of December 31, 2005		
	Total receivable	Unearned income	Net lease receivable	Total receivable	Unearned income	Net lease receivable
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Years						
Due within one year	32,832	(2,389)	30,443	199,497	(29,792)	169,705
Due after 1 year but within 2 years	61,610	(4,032)	57,578	158,074	(23,921)	134,153
Due after 2 years but within 3 years	71,197	(5,783)	65,414	114,251	(17,596)	96,655
Due after 3 years but within 4 years	79,480	(7,171)	72,309	78,094	(13,249)	64,845
Due after 4 years but within 5 years	53,678	(6,353)	47,325	58,009	(10,103)	47,906
Due after 5 years	332,116	(84,784)	247,332	186,817	(36,219)	150,598
Total	630,913	(110,512)	520,401	794,742	(130,880)	663,862

Leased assets consist principally of real estate, industrial machinery, vehicles and computer equipment.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 7. ALLOWANCE FOR LOAN LOSSES

The changes in the allowance for loan losses are as follows:

	Year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Balance as of January 1,	179,727	178,639	179,559
Price-level restatement (1)	(1,695)	(4,693)	(6,273)
Charge offs	(106,434)	(123,770)	(136,733)
Allowances established	132,966	150,221	161,278
Allowances released	(25,925)	(20,838)	(49,965)
Balance as December 31,	178,639	179,559	147,866

(1) Reflects the effect of inflation on the allowance for loan losses at the beginning of each period, adjusted to constant pesos of December 31, 2005.

The allowance for loan losses included in the results of operations for the periods indicated is as follows:

	Year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Provision established	132,966	150,221	161,278
Provision established (released)			
for assets received in lieu of payment	(106)	1,005	(709)
Direct charge-offs	677	3,006	(971)
Provision released	(25,925)	(20,838)	(49,965)
Recovery of loans previously charge off	(36,020)	(49,717)	(46,101)
Net charge to income	71,592	83,677	63,532

Recovery of loans previously charged-off includes the following items:

	Year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Loans previously charged-off	36,004	49,717	46,101
Recoveries of loans purchased by the Central Bank	16	-	-
Total	36,020	49,717	46,101

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 8. BANK PREMISES AND EQUIPMENT, NET

The major categories of Bank premises and equipment, net of accumulated depreciation, are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Land and buildings	192,234	192,926
Furniture and fixtures	6,978	7,460
Machinery and equipment	13,549	14,184
Vehicles	699	1,053
Others	8,151	5,752
Total bank premises and equipment, net	221,611	221,375

NOTE 9. INVESTMENTS IN OTHER COMPANIES

Investments in other companies consist of the following:

	As of December 31,						
	Ownership interest		Participation net income			Book Value	
	2004 %	2005 %	2003 MCh\$	2004 MCh\$	2005 MCh\$	2004 MCh\$	2005 MCh\$
Cobranzas y Recaudaciones Ltda.	-	-	939	-	-	-	-
Santiago Factoring, Ltda.	-	-	(58)	-	-	-	-
Redbank S.A.	33.42	33.42	405	188	183	1,204	1,200
Centro de Compensación Automática	33.33	33.33	48	31	34	196	213
Transbank S.A.	32.71	32.71	257	257	258	1,681	1,680
Sociedad Interbancaria de Depósito de Valores S.A.	29.28	29.28	63	58	57	374	303
Tarjetas Inteligentes S.A.	26.67	-	(46)	(138)	(42)	(17)	-
Nexus S.A.	12.90	12.90	76	89	91	552	572
Camara de Compensacion Alto Valor S.A.	18.16	11.66	-	(18)	(23)	286	281
Adm Financ. Transantiago	-	20.00	-	-	(123)	-	1,265
Bolsa de Comercio de Santiago (Stock Exchange)	4.17	4.17	89	91	228	575	578
Bolsa Electrónica de Chile.	2.50	2.50	-	-	28	67	70
Bolsa de Comercio de Valparaíso	2.22	2.22	-	-	(2)	10	10
Cámara de Compensación	0.15	0.15	-	-	(1)	3	3
Total investments in other companies accounted for under the equity method			1,773	558	688	4,931	6,175
Other investments carried at cost			(1)	(2)	(10)	137	521
Total investments in other companies			1,772	556	678	5,068	6,696

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 10. OTHER ASSETS AND OTHER LIABILITIES

a) Other assets

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Amounts receivable under spot foreign exchange transactions	199,639	48,315
Amounts receivable from forward contracts	-	28,447
Credit card charges in process	23,843	29,839
Deferred income taxes (Note 20)	49,808	45,133
Prepaid and deferred expenses	62,246	54,460
Transactions in process	9,014	7,267
Recoverable taxes	6,938	7,687
Stamp taxes recoverable	614	506
Receivable on sales of assets received in lieu of payment	4,019	1,846
Real time gross settlement (RTGS) receivable	40,929	21,052
Guarantees issued	20,198	34,503
Others	16,130	68,868
	<u>433,378</u>	<u>347,923</u>

b) Other liabilities

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Amounts payable under spot foreign exchange transactions	99,699	74,634
Amounts payable from forward contracts, net	53,871	-
Deferred income taxes (Note 20)	3,629	5,297
Transactions in process	6,341	3,529
Provision for staff benefits	9,674	11,682
Income taxes	26,517	8,363
Value added tax payable	3,174	4,523
Deferred fees	4,965	7,915
Real time gross settlement (RTGS) payable	35,129	5,209
Provisions for lawsuits and others	16,018	32,253
Others	3,218	10,820
	<u>262,235</u>	<u>164,225</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

c) Contingent liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees by the Bank in Chilean pesos, UF's and foreign currencies (principally US dollars). The liability represents the Bank's obligations under such agreements. The Bank's rights under these agreements are recognized as assets under the caption "Contingent loans" (Note 5). Since many of these commitments to extend credit may expire without being drawn upon, the total contingent liabilities do not necessarily represent future cash obligations.

NOTE 11. OTHER INTEREST BEARING LIABILITIES

The Bank's long-term and short-term borrowings are summarized below. Borrowings are generally classified as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are classified as long-term, including the amounts due within one year on such borrowings.

	December 31, 2004		
	Long-term	Short-term	Total
	MCh\$	MCh\$	MCh\$
Central bank borrowings (a)	-	340,959	340,959
Credit loans for renegotiations of loans (a)	9,662	-	9,662
Investment under agreements to repurchase	-	448,464	448,464
Mortgage finance bonds	798,612	194,534	993,146
Bonds (c)	370,565	-	370,565
Subordinated bonds (d)	432,695	117,181	549,876
Borrowings from domestic financial institutions	-	29,778	29,778
Foreign borrowings	244,068	251,504	495,572
Other obligations	14,773	26,448	41,221
Total borrowings	1,870,375	1,408,868	3,279,243

	December 31, 2005		
	Long-term	Short-term	Total
	MCh\$	MCh\$	MCh\$
Central bank borrowings (a)	-	173,206	173,206
Credit loans for renegotiations of loans (a)	6,655	-	6,655
Investment under agreements to repurchase	-	49,779	49,779
Mortgage finance bonds (b)	551,772	117,189	668,961
Bonds (c)	413,525	1,718	415,243
Subordinated bonds (d)	385,751	-	385,751
Borrowings from domestic financial institutions	-	2,528	2,528
Foreign borrowings (e)	64,243	1,034,003	1,098,246
Other obligations (f)	11,751	30,341	42,092
Total borrowings	1,433,697	1,408,764	2,842,461

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

a) Central Bank borrowings

Central Bank borrowings include credit lines for the renegotiations of loans and other Central Bank borrowings. These credit lines were provided by the Central Bank for the renegotiations of loans due to the need to refinance debts as a result of the economic recession and crisis of the banking system in the early 1980's. The credit lines for the renegotiations, which are considered long-term, are related with mortgage loans linked to the UF index and bear an annual interest rate of 5.2% and 3.6% at December 31, 2004 and 2005. The maturities of the outstanding amounts due to the Central Bank are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Total credits lines for renegotiations of loans	9,662	6,655

The maturities of MCh\$6,655 due under these long-term credit lines, are due within one year.

(b) Mortgage finance bonds

These bonds are used to finance mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and bear a weighted-average annual interest rate of 5.5% .

	As of December 31,	
	2005	
	MCh\$	
Due within 1 Year	117,189	
Due after 1 year but within 2 years	66,969	
Due after 2 years but within 3 years	62,854	
Due after 3 years but within 4 years	59,276	
Due after 4 years but within 5 years	56,949	
Due after 5 years	305,724	
Total mortgage finance bonds	668,961	

(c) Bonds

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Santiago bonds, Series A,B,C,D and F	45,456	11,115
Santander Bonds linked to the UF	93,957	161,694
Santander Bonds denominated in US\$	231,152	242,434
	370,565	415,243

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Santiago bonds include series A, B, C and F issued by the former Santiago S.A. and series B and D issued by the former Banco O'Higgins, prior to its merger with the Bank in 1997. These bonds are intended to finance loans that have a maturity of greater than one year, are linked to the UF index and bear a weighted-average annual interest rate of 7.0% with interest and principal payments due semi-annually.

On December 17, 2004 Santiago Leasing S.A., ceded through public deed a total of UF 3,041,102 (MCh\$52,663 at December 31, 2004) in bonds to Banco Santander Chile, this bonds are linked to the UF index and bear an annual interest rate of 5.6% . As of December 31, 2004, the balance is included in Santander bonds linked to the UF.

Santander bonds were issued by the former Banco Santander-Chile. These bonds are intended to finance loans that have a maturity of greater than one year, are linked to the UF index and bear a weighted average annual interest rate of 6.5% .

On December 9, 2004, the Bank issued senior bonds, denominated in U.S. dollars, for a total of US\$400 million. These bonds carry a nominal interest rate of LIBOR plus 0.35% per annum (5.67% and 4.81% at December 31, 2004 and 2005), quarterly interest payments and one repayment of principal after a term of 5 years.

The maturities of these bonds are as follows:

	As of December 31,
	2005
	MCh\$
Due within 1 Year	1,718
Due after 1 year but within 2 years	12,172
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	205,280
Due after 4 years but within 5 years	105,443
Due after 5 years	90,630
Total bonds	415,243

d) Subordinated bonds

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Santiago bonds denominated in US\$ (1)	46,310	43,131
Santander bonds denominated in US\$ (2) (6)	297,291	259,872
Old Santander bonds denominated in US\$ (3)	117,181	-
Santiago Bonds linked to the UF (4)	58,084	53,354
Santander Bonds linked to the UF (5)	31,010	29,394
Total subordinated bonds	549,876	385,751

- (1) On July 17, 1997, the former Banco Santiago issued subordinated bonds, denominated in U.S. dollars, for a total of US\$300 million. The bonds carry a nominal interest rate of 7.0% per annum, semi-annual interest payments and one repayment of principal after a term of 10 years.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

- (2) On January 16, 2003, the Bank completed the voluntary exchange of its new subordinated bonds, which will mature in 2012. A total of US\$ 221,961,000 in principal of the Santiago bonds was offered and redeemed by the Bank. The bonds carry a nominal interest rate of 7.375% per annum, semi-annual interest payments and one repayment of principal after a term of 10 years.
- (3) On October 30, 1998, the former Banco Santander-Chile issued subordinated bonds, denominated in U.S. dollars, for a total of US\$200 million. The bonds carry a nominal interest rate of 6.5% per annum, semi-annual interest payments and one repayment of principal after a term of 7 years. This bond was due and paid in November 2005.
- (4) The Series C and E Bonds outstanding as of December 31, 2004 and 2005 are intended for the financing of loans with a maturity of greater than one year. They are linked to the UF index and carry an annual interest rate of 7.5% and 6.0% respectively, with interest and principal payments due semi-annually.
- (5) The Series C, D and E Bonds outstanding as of December 31, 2004 and 2005 are intended for the financing of loans with a maturity of greater than one year. They are linked to the UF index and carry an annual interest rate of 7.0% with interest and principal payments due semi-annually.
- (6) On December 9, 2004, the Bank issued subordinated bonds, denominated in U.S. dollars, for a total of US\$ 300 million. These bonds carry a nominal interest rate of 5.375% per annum, semi-annual interest payments and one repayment of principal after a term of 10 years.

The maturities of these bonds, which are considered long-term, are as follows:

	As of December 31,
	2005
	MCh\$
Due within 1 Year	-
Due after 1 year but within 2 years	43,131
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	342,620
Total subordinated bonds	385,751

e) Foreign borrowings

These are short-term and long-term borrowings from foreign banks. The maturities of these borrowings are as follows:

	As of December 31,
	2005
	MCh\$
Due within 1 Year	1,034,003
Due after 1 year but within 2 years	54,820
Due after 2 years but within 3 years	6,080
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	3,343
Total foreign borrowings	1,098,246

The foreign borrowings are denominated principally in U.S. dollars, and are principally used to fund the Bank's foreign trade loans and bear an annual average interest rate of 1.6% and 3.7% at December 31, 2004 and 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

f) Other obligations

Other obligations are summarized as follows:

	As of December 31,
	2005
	MCh\$
Due within 1 Year	2,045
Due after 1 year but within 2 years	4,518
Due after 2 years but within 3 years	1,887
Due after 3 years but within 4 years	1,629
Due after 4 years but within 5 years	1,263
Due after 5 years	2,454
	<hr/>
Total long term obligations	13,796
	<hr/>
Short-term obligations:	
Amounts due to credit card operators	21,564
Acceptance of letters of credit	6,732
	<hr/>
Total short – term obligations	28,296
	<hr/>
Total other obligations	42,092
	<hr/>

NOTE 12. DISCLOSURES REGARDING DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into transactions involving derivative instruments, particularly foreign exchange contracts, as part of its asset and liability management, and in acting as a dealer in order to satisfy its clients' needs. The notional amounts of these contracts are carried off-balance sheet.

Foreign exchange forward contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These contracts are generally standardized contracts, normally for periods between 1 and 180 days and are not traded in a secondary market; however, in the normal course of business and with the agreement of the original counterparty, they may be terminated or assigned to another counterparty.

When the Bank enters into a forward exchange contract, it analyses and approves the credit risk (the risk that the counterparty might default on its obligations). Subsequently, on an ongoing basis, it monitors the possible losses involved in each contract. To manage the level of credit risk, the Bank deals with counterparties of good credit standing, enters into master netting agreements whenever possible and when appropriate, obtains collateral.

The Chilean Central Bank requires that foreign exchange forward contracts be made only in US dollars and other major foreign currencies. In the case of the Bank, most forward contracts are made in US dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Unrealized gains, losses, premiums and discounts arising from foreign exchange forward contracts are shown on a net basis under the captions “Other assets and Other liabilities” (see Note 10).

During 2004 and 2005, the Bank entered into interest rate and cross currency swap agreements to manage exposure to fluctuation in currencies and interest rates. The differential between the interest paid or received on a specified notional amount is recognized under the caption “Amounts payable from forward contracts, net”. The fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates are not recognized in the consolidated financial statements.

The Bank’s foreign currency futures and forward operations and other derivative products outstanding at December 31, 2004 and 2005 are summarized below:

(a) Foreign currency and interest rate contracts:

	Number of Contracts		Notional amounts			
	2004	2005	Up to 3 months		Over 3 months	
			2004	2005	2004	2005
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Chilean market:						
Future purchase of foreign currency with Chilean pesos	865	956	1,348,734	5,198,228	4,156,016	3,418,092
Future sale of foreign currency with Chilean pesos	1,371	2,146	1,104,042	3,077,468	2,842,398	3,490,314
Futures or other interest rate contracts	199	340	104,596	6,119,545	3,419,526	1,273,247
Foreign currency forwards	112	253	34,127	289,972	20,230	226,011
Foreign markets:						
Foreign currency swaps	109	129	51,245	573,982	22,670	199,397
Interest rate swaps	120	107	86,100	1,305,457	2,487,128	2,558,182

The notional amounts refer to the US dollars bought or sold or to the US dollar equivalent of foreign currency bought or sold for future settlement. The contract terms correspond to the duration of the contracts as from the date of the transaction to the date of the settlement.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(b) Contracts expressed in the UF index:

	Number of contracts		Notional amounts			
			Up to 3 months		Over 3 months	
	2004	2005	2004	2005	2004	2005
			UF	UF	UF	UF
Forwards in UF/Ch\$ sold	28	19	2,200,000	2,100,000	3,700,000	3,300,000
Forwards in UF/Ch\$ purchased	32	36	1,600,000	3,600,000	5,600,000	5,400,000

(c) Options:

In US\$ths.			30 days	31 to 60 days	61 to 90 days	> 90 days
Call	Bought	Currency				50,000
		Interest rate				
	Sold	Currency				
		Interest rate				
Put	Bought	Currency				10,000
		Interest rate				
	Sold	Currency				10,000
		Interest rate				

NOTE 13. MINIMUM CAPITAL REQUIREMENTS

The Superintendency of Banks requires Chilean Banks to maintain a minimum capital of 800,000 UF, equivalent to MCh\$ 14,380 as of December 31, 2005. In addition, Banks are required to maintain a minimum basic capital of at least 3% of total assets after deductions for mandatory provisions, while effective net equity may not be lower than 8% of its risk weighted assets. However, as a result of the merger in 2002, the Chilean Superintendency of Banks and Financial Institutions determined that the actual equity of the merged bank could not be lower than 11% of its risk-weighted assets (12% for the years as of December 31, 2004 and 2003). Effective net equity is defined as basic equity, plus voluntary loan loss allowances, up to a maximum of 1.25% of risk-weighted assets, and the qualifying proportion of subordinated bonds with scheduled maturities in excess of six years, for which early repayment is not permitted. Chilean Banks are permitted to include in effective net equity principal subordinated bond amounts up to a maximum of fifty percent of the basic capital.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Bank's actual qualifying "net capital base" and "effective equity" to support the Bank's risk-weighted assets as of December 31, 2004 and 2005, are shown in the following table:

	As of December 31,	
	2004 MCh\$	2005 MCh\$
Net capital base	863,112	842,122
3% of total assets net of provisions	(376,324)	(394,078)
Excess over minimum required equity	486,788	448,044
Net capital base as a percentage of the total assets, net of provisions	6.88%	6.41%
Effective equity	1,275,642	1,206,421
11% of the risk-weighted assets (12% in 2004)	(1,027,403)	(1,029,863)
Excess over minimum required equity	248,239	176,558
Effective equity as a percentage of the risk-weighted assets	14.90%	12.89%

NOTE 14. SHAREHOLDERS' EQUITY

a) Share capital

As of December 31, 2004 and 2005 the Bank's paid-in capital consisted of 188,446,126,794 authorized issued and outstanding shares with no fixed nominal value.

b) Dividends

The distributions of dividends related to net income for the years 2003 and 2004 as approved by the Annual Shareholders' Meeting of Banco Santander Chile, are as follows:

Shareholders Meeting	Dividend Paid	Percentage Paid
Apr-04	219,786	100%
Apr-05	205,991	100%

(1) Dividend paid has been restated in constant Chilean pesos of December 31, 2005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 15. TRANSACTIONS WITH RELATED PARTIES

In accordance with the Chilean General Banking Law and the rules of the Superintendency of Banks, related parties are defined as individuals and companies who are directors, officers or shareholders who own more than one percent of the Bank's shares. Companies in which a director, officer or shareholder of the Bank holds more than a 5% interest and companies that have common directors with the Bank are also considered to be related parties. In the following table, trading or manufacturing companies are defined as operating companies, and companies whose purpose is to hold shares in other companies are defined as investment companies.

a) Loans granted to related parties

Related party loans, all of which are current, are as follows:

	As of December 31,			
	2004		2005	
	Loans	Collateral Pledged	Loans	Collateral Pledged
	MCh\$	MCh\$	MCh\$	MCh\$
Operating companies	59,664	26,375	141,538	72,812
Investment companies (1)	156,474	73,429	293,473	65,990
Individuals (2)	16,087	14,841	20,236	18,886
Total	232,225	114,645	455,247	157,688

(1) Includes companies whose purpose is to hold shares in other companies.

(2) Includes debt obligations that are individually equal to or greater than UF 3,000, equivalent to MCh\$ 54 as of December 31, 2005.

The activities in the balances of loans to related parties are as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Balance as of January 1,	221,840	232,225
New loans	293,333	669,047
Repayments	(288,426)	(437,913)
Price-level restatements	5,478	(8,112)
Balance as of December 31,	232,225	455,247

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

b) Other transactions with related parties

During the years ended December 31, 2003, 2004 and 2005 the Bank had the following significant income (expenses) from services provided to (by) related parties:

	Years Ended December 31,		
	2003	2004	2005
	Income/Expense	Income/Expense	Income/Expense
	MCh\$	MCh\$	MCh\$
Redbanc S.A.	(3,409)	(3,308)	(3,540)
Transbank S.A.	(5,410)	(4,671)	(5,860)
Sixtra Chile S.A.	(71)	(45)	(33)
Santander G.R.C. Ltda.	283	553	(1,122)
Santander Chile Holding S.A.	125	85	142
Santander Factoring S.A.	60	54	50
Bansa Santander S.A.	807	(2,357)	1,121
A.F.P. Bansander S.A.	210	148	152
Altec S.A.	(3,214)	(5,815)	(6,509)
Santander Investment Chile S.A.	-	88	88
Altavida Cia. De Seguro De Vida S.A.	3,497	6,815	11,752
Plaza El Trebol S A	(106)	(109)	(197)
Others	(346)	(427)	(507)
Total	(7,574)	(8,989)	(4,463)

Article 89 of the Chilean Companies Law requires that the Bank's transactions with related parties be on a market basis or on terms similar to those customarily prevailing in the market.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 16. FEES AND INCOME FROM SERVICES

Fees and income from services and the related expenses are summarized as follows:

	Year ended December 31,					
	Income			Expenses		
	2003	2004	2005	2003	2004	2005
Fees and income from services:	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Payment agency services	6,587	4,100	2,821	(32)	-	-
Checking accounts	38,894	36,429	38,130	(3,432)	(3,890)	(4,951)
Credit cards	34,597	24,635	27,613	(19,128)	(11,449)	(13,789)
Automatic teller cards	13,161	20,612	22,000	(1,588)	(7,861)	(8,428)
Letters of credit, guarantees, pledges and other contingent loans	3,474	4,728	2,757	-	-	-
Lines of credit	3,247	2,127	8,643	-	-	(275)
Underwriting	3,889	6,191	2,333	(86)	-	-
Bank drafts and fund transfers	252	255	253	-	-	-
Sales and purchases of foreign currencies	5,963	5,770	6,909	(653)	(608)	(428)
Insurance brokerage	6,433	8,808	10,563	(1,307)	(2,160)	(2,332)
Custody and trust services	570	578	690	-	-	(52)
Mutual fund services	13,488	18,691	18,875	-	-	-
Saving accounts	763	256	239	-	-	-
Agreements of administration and collection	12,991	17,327	20,170	-	-	-
Stock brokerage	1,162	1,512	1,682	-	(127)	(63)
Others	20	1,701	6,108	(503)	(1,612)	(1,102)
Total income (expense)	145,491	153,720	169,786	(26,729)	(27,707)	(31,420)

NOTE 17. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses are set forth below:

	Year Ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Non-operating income:			
Gain on sale of Bank premises and equipment	867	309	315
Gain on sales of assets received in lieu of payment previously charged-off	8,526	6,893	16,618
Rental income	636	1,144	1,209
Recovery of expenses	598	198	114
Recovery of previous-year expenses	7,072	3,425	2,582
Gain on sale of credit division Santiago Express (1)	-	22,614	-
Other	3,249	253	31
Total non-operating income	20,948	34,836	20,869

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

- (1) On December 6, 2004, the contract regarding the sale of the Bank's Santiago Express Division to Empresas Almacenes París S.A. was signed. This contract included the sale and transfer of financial assets comprised of loans given by Santiago Express and intangible assets that permit for this Division to continue operating. The final sale price was MCh\$ 118,299 that generated a profit of MCh\$22,614.

	Year Ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Non-operating expenses:			
Charge-offs of assets received in lieu of payment	13,173	21,691	21,085
Provision for contingencies with vendors	-	3,788	3,656
Loss on sales of bank premises and equipment	1,028	108	55
Other	6,217	13,821	18,086
Total non-operating expenses	20,418	39,408	42,882

NOTE 18. DIRECTORS' EXPENSES AND REMUNERATION

The following items were charged to expense for services provided by the members of the Board:

	Year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Remuneration established by the General Shareholders' meeting, including attendance fees	333	344	407

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 19. FOREIGN CURRENCY POSITION

The consolidated balance sheets include assets and liabilities denominated in foreign currencies which have been translated into Chilean pesos at the applicable exchange rates as of December 31, 2004 and 2005, and assets and liabilities which are denominated in Chilean pesos subject to exchange rate fluctuations, as detailed below.

	As of December 31, 2004			As of December 31, 2005		
	Denominated in			Denominated in		
	Foreign currency	Chilean pesos	Total	Foreign currency	Chilean pesos	Total
	MCh \$	MCh \$	MCh \$	MCh \$	MCh \$	MCh \$
Assets						
Cash and due from banks	234,908	134	235,042	925,319	-	925,319
Financial investments	483,578	488,712	972,290	114,462	124,668	239,130
Loans (including contingents loans)	1,077,925	26,600	1,104,525	1,050,956	22,469	1,073,425
Other assets	4,188,939	-	4,188,939	5,896,779	3	5,896,782
Total assets	5,985,350	515,446	6,500,796	7,987,516	147,140	8,134,656
Liabilities						
Deposits	1,023,314	18	1,023,332	1,183,221	455	1,183,676
Contingents liabilities	568,561	-	568,561	477,286	-	477,286
Due to domestic	10,745	-	10,745	9,445	913	10,358
Due to foreign bank	495,572	-	495,572	1,098,246	-	1,098,246
Other liabilities	4,213,240	225,113	4,438,353	5,370,510	849	5,371,359
Total liabilities	6,311,432	225,131	6,536,563	8,138,708	2,217	8,140,925
Net assets (liabilities) in foreign currency	(326,082)	290,315	(35,767)	(151,192)	144,923	(6,269)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 20. INCOME TAXES

a) Deferred taxes

The Bank records the effects of deferred taxes on its consolidated financial statements in accordance with Technical Bulletin No. 60 and the complementary technical bulletins thereto issued by the Chilean Association of Accountants.

As described in that accounting standard, beginning January 1, 1999, the Bank recognized the consolidated tax effects generated by the temporary differences between financial and tax values of assets and liabilities. At the same date, the net deferred tax asset/liability determined was completely offset against a net “complementary” account. Such complementary deferred tax balances are being amortized over the estimated reversal periods corresponding to the underlying temporary differences as of January 1, 1999. In accordance with Technical Bulletin No. 60, deferred tax asset and liability amounts are presented net of the related unamortized complementary account balances in the consolidated balance sheet. Deferred income tax balances were as follows:

	Complementary accounts as of		Deferred taxes as of	
	December 31,		December 31,	
	2004	2005	2004	2005
	MCh\$	MCh\$	MCh\$	MCh\$
Assets				
Interest and indexation for tax purposes	-	-	2,650	6,432
Assets received in lieu of payment	-	-	2,795	1,595
Foreign exchange	-	-	409	758
Global allowance for loan losses	-	-	22,347	16,191
Other provisions	-	-	7,295	10,702
Forward contracts	-	-	(168)	989
Leasing assets	-	-	10,274	8,449
Others	-	-	4,206	17
Total	-	-	49,808	45,133
Liabilities				
Valuation of investments	-	-	(165)	21
Deferred expenses	-	-	(1,613)	(1,504)
Others	(27)	-	(1,851)	(3,814)
Total	(27)	-	(3,629)	(5,297)
Net difference			46,179	39,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

b) Income tax expenses for the years ended December 31, 2003, 2004 and 2005 were as follows:

	Year ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Amortization of deferred tax complementary accounts	(332)	78	(26)
Deferred tax for the period	(214)	12,637	(4,730)
Net benefit (charge) to deferred taxes	(546)	12,715	(4,756)
Income tax provision – current	(44,891)	(58,687)	(44,773)
Other taxes	(945)	(1,606)	(297)
Net income tax-expense	(46,382)	(47,578)	(49,828)

NOTE 21. CONTINGENCIES AND COMMITMENTS

a) Committed resources:

At December 31, 2005, the Bank placed a lien on financial investments for approximately MCh\$44,336 (U.F.2,446,570), on guaranties associated with business operations, which at year-end have not been yet set up.

b) Contingencies:

On August 28, 1996, Banco Español de Crédito filed a complaint against Auca Forestal S.A. and O'Higgins Corredores de Bolsa Ltda. (currently Santiago Corredores de Bolsa Ltda.). The Bank's management and its legal counsel, believe that the resolution of this contingency is not likely to result in significant losses to the subsidiary. As of December 31, 2005, the subsidiary maintained a provision of MCh\$265 which covers this contingency.

Our subsidiary Santander S.A. Agente de Valores has a pending suit with "Orsini con Orsini y Otros". On December 18, 2001 the courts ruled against our subsidiary. On November 4, 2005 the Appeals Court ruled in favor of Santander S.A. Agente de Valores, but this ruling has been appealed to the Supreme Court. This legal contingency has not been provisioned as the amount of the claim cannot be estimated at this time.

On August 26, 1992, a suit was filed by the Chilean internal Revenue Service against the Bank and is still pending. The Appeals Court partially resolved in favor of Banco Santander Chile and substantially reduced the amount of the tax difference. In the opinion of our legal advisors, these claims are not likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations and as of December 31, 2005 the Bank maintained a provision of Ch\$519 million, which covers the totality of this claim.

In addition, we are subject to certain claims and are party to certain legal and arbitration proceedings incidental to the normal course of our business including claims for alleged operational errors. We do not believe that the liabilities related to such claims and proceedings are likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations, however, based on management individual analysis of each proceeding, we have provisioned the amount in "Provisions for lawsuit and other" in Note 10 (b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

There are no material proceedings in which any of our directors, any members of our senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

In order to guarantee obligations for bond issuances, the subsidiary Santiago Leasing S.A. has delivered leasing contracts as collateral in the amount of MCh\$2,045.8 (MCh\$2,045.8 in 2004), with unpaid capital of MCh\$1,772.1 (MCh\$1,772.1 in 2004). On December 17, 2004, the guaranteed bonds were ceded to Banco Santander Chile and the guarantees were maintained.

As of December 31, 2005 and 2004, the subsidiary Santiago Leasing S.A. leased property with deferred customs duties. The subsidiary may eventually have to pay such duties, amounting to MUS\$72 and MUS\$873, respectively, on behalf of the leaseholder, if not paid by the latter. Leased assets subject to deferred custom duties amounts to MCh\$54.8 as of December 31, 2005 (MCh\$4,649.7 in 2004).

The subsidiary Santander S.A. Agente de Valores, maintains a claim for indemnity of losses named “Orsini con Orsini y Otros”, Rol N°1452-2000, before the 28° Civil Court of Santiago.

The final sentence in first instance, dated December 18, 2001, was unfavorable for the Agent; therefore it filed an annulment action against the judicial decision, and an appeal.

On November 4, 2005, the Court of Appeals rejected the annulment action against the judicial decision, however it accepted the appeal filed by the Agent, repealing the first instance sentence and rejecting the claim filed against Santander S.A. Agente de Valores.

The defendant filed, before the Supreme Court, an annulment action against the judicial decision, which is in process.

An appropriate provision will be recorded once these actions are resolved, and if they are settled unfavorably against the subsidiary. Up to the current phase of the process, their cost cannot be estimated.

c) Guarantees from operations:

In order to ensure the correct and full compliance of all its obligations as Securities Agent, in conformity with article No 30, and subsequent articles of Law 18.045 on the Securities Market, the subsidiary Santander S.A. Agente de Valores established a guaranty for UF 4,000 for the insurance policy N° 205110264, underwritten by Compañía de Seguros de Crédito Continental S.A. whose maturity is December 19, 2006.

In conformity with the General Character Regulation N°125, the subsidiary Santander Santiago S.A. Administradora General de Fondos designated the Bank as the representative of the benefits of guarantees set up per each of its funds administered for UF 1,108,278.12. In addition to these bank guarantees, other guarantees were entered into for approximately ThCh\$ 93,115,378 for the Mutual Funds' guaranteed profitability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 22. FIDUCIARY ACTIVITIES

The following items are recorded in memorandum accounts by the Bank and represent fiduciary safekeeping and custody services:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Securities held in safe custody	7,164,266	9,211,863
Amount to be collected on behalf of local third parties	206,273	126,339
Amount to be collected on behalf of foreign third parties	214,756	201,475
Total	7,585,295	9,539,677

NOTE 23. PRICE-LEVEL RESTATEMENT

The price-level restatement loss is determined by restating the following non-monetary assets, liabilities and equity:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Restatement of non monetary accounts based on Consumer Price Index:			
Bank premises and equipment, net	1,973	5,421	8,961
Investments in other companies	131	88	347
Other nonmonetary assets and liabilities	496	2,664	2,200
Shareholders' equity	(10,779)	(20,590)	(29,648)
Loss from price-level restatement, net	(8,179)	(12,417)	(18,140)

NOTE 24. SALES AND PURCHASE OF LOANS

From time to time, the bank sells and purchases loans based on specific requirements from customers. During the years ended December 31, 2003, 2004 and 2005, the Bank sold loans in the amount of MCh\$66,349, MCh\$161,307 and MCh\$91,551, respectively; however, the Bank does not enter into loans for future sale. During the years ended December 31, 2003, 2004 and 2005, the Bank purchased loans totaling MCh\$16,441 MCh\$27,944 and MCh\$22,272 respectively. Any gains or losses on such transactions are recognized in results of operations at the time of the transactions.

The aggregate gains (losses) on sales of loans were MCh\$286, MCh\$22,614 and MCh\$618 for the years ended December 31, 2003, 2004 and 2005, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 25. SUBSEQUENT EVENTS

Between December 31, 2005 and the date of the publication of these financial statements, no significant subsequent event exists that could materially affect these financial statements.

NOTE 26. RECENT ACCOUNTING PRONOUNCEMENTS

In accordance with Circular N°3345 issued by the Superintendency of Banks and Financial Institutions, effective January 1, 2006, the accounting criteria for valuing financial instruments acquired for negotiation or investment purposes, derivative instruments, hedges and disposals from the financial assets on the balance sheets, will be amended. The instructions of Circular N°3345 will become effective starting on June 30, 2006, with valuation differences arising from prior years' investments being adjusted directly against the Bank's equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 27. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following is a description of the significant differences between accounting principles generally accepted in Chile and accounting principles of the Superintendency of Banks (collectively, "Chilean GAAP"), and accounting principles generally accepted in the United States ("U.S. GAAP").

References below to "SFAS" are to United States Statements of Financial Accounting Standards. Pursuant to Chilean GAAP, the Bank's consolidated financial statements recognize certain effects of inflation.

The cumulative inflation rate in Chile as measured by the CPI for the three-year period ended December 31, 2005 was approximately 7.21% . Chilean GAAP requires that financial statements of banks be restated to reflect the total effect of the loss in the purchasing power of the Chilean peso on the financial position and results of the operations of reporting entity. The method, described in Note 1 (c), is based on a model which enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of local currency, by restating all non-monetary accounts in the financial statements. The model prescribes that the historical cost of such accounts be restated for general price-level changes between the date of origin of each item and the end of the period. As permitted under Item 18 of Form 20-F of SEC Regulation S-X no adjustments have been made to reflect the elimination of price-level adjustments.

(a) Business Combinations

- (1) Under Chile GAAP, business combinations accounted for under the purchase accounting method do not require the pushdown of the associated goodwill to the acquired entity. Furthermore, prior to January 1, 2004, assets acquired and liabilities assumed were recorded at their carrying value upon acquisition with the excess of the purchase price over the carrying value recorded as goodwill. Additionally, "pooling of interests" treatment may be more widely applied than under U.S. GAAP.

Under U.S. GAAP, when following the purchase accounting method, pushdown accounting to the acquired entity is required for the goodwill generated in the business combination. Also, under U.S. GAAP, purchase accounting requires that the fair value of the assets acquired and the liabilities assumed be recorded with the excess of the purchase price over such fair values recorded as goodwill.

The following business combinations of the Bank were accounted for as follows thereby generating the differences noted in the Chile GAAP to U.S. GAAP reconciliations of net income and shareholders' equity based on the descriptions above:

On April 17, 1999, Banco Central Hispanoamericano S.A. ("BCH") merged into Banco Santander S.A. to create Banco Santander Central Hispano ("BSCH"). For Chile GAAP purposes, the merger was accounted for as a "pooling of interests". For U.S. GAAP purposes, purchase accounting was applied. Prior to April 17, 1999, BCH indirectly held a 21.75% investment in Banco Santiago through a 50% participation in Teatinos Siglo XXI ("Teatinos"). At the time, the other 50% of Teatinos was owned by Quiñenco S.A. ("Quiñenco"). A minority interest of approximately 35.5% was held by the Central Bank of Chile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On May 3, 1999, BSCH purchased the 50% of Teatinos that it did not already own from Quiñenco. Purchase accounting was applied under both Chile GAAP and U.S. GAAP.

The total goodwill generated under U.S. GAAP was pushed down to the acquired entities' (predecessor entities to the Bank) books. Certain fair value amounts were recorded for assets acquired and liabilities assumed under U.S. GAAP which were recorded at carrying value on the Chile GAAP books.

- (2) Under Chilean GAAP, mergers of common control entities are recorded under the "pooling of interests" method. Should the minority interest be bought out, purchase accounting is not applied to that percentage. Additionally, historical financial statements for periods prior to the merger are not restated under the "as if" pooling of interests methodology.

Under U.S. GAAP, mergers of common control entities are also recorded under the "pooling of interests" method. However, under U.S. GAAP, in certain circumstances, the step acquisition of a minority interest would be required to be accounted for under purchase accounting (which step acquisition goodwill would also require "pushdown" as mentioned in (1)). Additionally, US GAAP requires the restatement of prior period financial statements under the "as if" pooling of interests methodology.

The following transactions were structured such that they generated the above differences resulting in adjustments in the Bank's Chile GAAP to U.S. GAAP reconciliations of net income and shareholders' equity:

On April 22, 2002, the Central Bank sold its remaining 35.44% participation in Banco Santiago to Teatinos, the primary shareholder of the former Banco Santander-Chile and a wholly owned subsidiary of BSCH.

On August 1, 2002, Banco Santiago and the former Banco Santander-Chile merged. To effect the merger, the minority interest of 11% of Banco Santander-Chile was bought out through the issuance of former Banco Santiago shares (as Banco Santiago was considered the acquirer). As a result of the merger between the former Banco Santiago and the former Banco Santander-Chile, the former Banco Santiago issued 89,511,910,227 shares in exchange for all the outstanding common shares of the former Banco Santander-Chile using an exchange ratio of 3.55366329 for each former Banco Santander-Chile share.

Certain predecessor entities to Banco Santander Chile (including Banco Santiago and Banco Santander-Chile), for U.S. GAAP purposes, maintained goodwill or fair value adjustments between their Chilean GAAP books and their U.S. GAAP books prior to the Banco Santiago-Banco Santander-Chile merger for acquisitions which they had made. See (q) below for a description of these transactions.

The Bank did not record deferred taxes under either Chile GAAP or U.S. GAAP on any goodwill or intangible asset acquired as the result of the acquisition as these items do not generate temporary differences as defined in either Chile GAAP nor U.S. GAAP accounting pronouncements.

(b) Amortization of Goodwill and Intangible Asset

The Bank adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", ("SFAS 142") as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under the new standard, beginning January 1, 2002, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually. The Bank has not amortized any U.S. GAAP goodwill since the provisions of SFAS N°142, became effective.

The Bank has performed the impairment test of goodwill and intangible assets with indefinite lives as required by the standard, which did not result in any impairment.

(c) Income taxes

Under Chilean GAAP, prior to 1999, the Bank did not record the effects of deferred income taxes. Effective January 1, 1999, and in accordance with the new accounting standard under Chilean GAAP (Technical Bulletin No. 60), the Bank was required to record the effects of deferred tax assets and liabilities based on the liability method, with deferred tax assets and liabilities established for temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized. As a transitional provision to reduce the impact of adoption of this standard, the Bank was permitted to record a contra ("complementary") asset or liability as of the date of implementation of the new accounting standard, i.e. January 1, 1999, related to the effects of deferred income taxes from prior years. These complementary assets and liabilities are to be amortized over the average estimated period of reversal of the temporary differences which generate the future income tax asset or liability. During 2005, these complementary accounts were fully amortized.

Under SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"), income taxes are recognized using the balance sheet method (since 1999) in a manner similar to Chilean GAAP, however US GAAP did not adopt transitional provisions equivalent to the "complementary accounts" mentioned in the previous paragraph, but instead, flowed any adoption effects directly through the income statements in "Cumulative Effect of a Change in Accounting Principle".

The effects of elimination of the complementary assets and liabilities and their respective amortization as well as effects of recording deferred income taxes on U.S. GAAP adjustments are included in the reconciliation of consolidated net income and shareholders' equity in paragraph (t) below. Additional disclosures required under SFAS 109 are further described in paragraph (w) below.

(d) Mandatory dividends

As required by Chilean General Banking Law, unless otherwise decided by a two-thirds vote of the issued and subscribed shares, the Bank must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, and record that dividend against retained earnings or current year income in shareholders' equity when it has been approved by the Annual Shareholders' meeting subsequent to year-end unless a higher legally binding commitment to distribute dividends exists, or unless and except to the extent the Bank has unabsorbed prior year losses. Under the provisions issued by the AICPA International Practice Task Force, such mandatory dividends, as of the year end reporting date, represent and are reported as "temporary equity" however, when, as allowed by

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

regulation, actions of shareholders are taken prior to the date of financial statement issuance, evidencing that such minimum dividend will not be fully distributed, the reclassification of such dividend may be limited to such lesser amount authorized by shareholder ratification. The effect of recording mandatory dividends in accordance with U.S. GAAP is included in the reconciliation of net income and shareholders' equity in paragraph (t) below.

(e) Interest income recognition on non-accrual loans

Under Chilean GAAP the Bank suspends the accrual of interest on loans when is determined to be a loss or when it becomes past due. Previously accrued but uncollected interest on overdue loans is not reversed at the time the loan ceases to accrue interest. Under U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. Any accrued but uncollected interest is reversed against interest income at that time.

In addition, under Chilean GAAP, any payment received on overdue loans is treated as income to the extent of interest earned but not recorded, after reducing any recorded accrued interest receivable. Any remaining amount is then applied to reduce the outstanding principal balance. Under U.S. GAAP, any payment received on loans when the collectibility of the principal is in doubt is treated as a reduction of the outstanding principal balance of the loan until such doubt is removed. The effect of the difference in interest recognition on non accrual loans is considered not material to the Bank's financial position and results of its operations.

(f) Repurchase agreements

The Bank enters into repurchase agreements as a source of financing. In this regard, the Bank's investments which are sold subject to repurchase agreements are reclassified from their investment category to "investment collateral under agreements to repurchase". Under U.S. GAAP, no such reclassification would be made, since, in substance, the investment securities serve only as collateral for the borrowing. For purposes of presentation of balance sheet in accordance with U.S. GAAP and in format required by the Securities and Exchange Commission under rules 210.9 to 210.9 -07 of Regulation S-X ("Article 9"), which is included in paragraph (v) to this note, investments which collateralize such borrowings are shown as trading investments.

(g) Contingent assets and liabilities

In accordance with Chilean GAAP, the Bank recognizes rights and obligations with respect to contingent loans as contingent assets and liabilities. Contingent liabilities consist of open, unused and standby letters of credit, together with guarantees by the Bank in Chilean peso, UF and foreign currencies (principally US dollars). The liabilities represent the Bank's obligations under such agreements. Under U.S. GAAP, such contingent amounts are not recognized on the consolidated balance sheets, however, they are disclosed. The reclassification to eliminate the contingent assets against the contingent liabilities recorded under Chile GAAP has been included in the balance sheets Article 9 in paragraph (v) below.

Within contingent assets and liabilities the Bank includes financial guarantees. Disclosures required in accordance with FIN 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" are included in paragraph (ab) below. Therefore, for neither contingencies nor guarantees is there recorded an adjustment to the U.S. GAAP reconciliation of net income or shareholders' equity.

(h) Investment securities

Under Chilean GAAP the Bank classifies their financial investments as "trading" or "permanent". Financial investments held by the Bank with a secondary market are stated at fair market value with unrealized gains and losses included in a separate component of shareholders' equity for those classified as permanent and with unrealized/realized gains and losses included in other operating results for those classified as trading. Some subsidiaries do not recognize fair value adjustment of trading investments with maturity lower than 90 days if the adjustment results in a gain. All other financial investments are carried at acquisition cost plus accrued interest and UF indexation adjustments. Investment securities maintained by the former Banco Santander-Chile's subsidiaries were carried at the lower of price-level restated cost or market value. Additionally, during 2001 the former Banco Santander-Chile received permission from the Superintendency of Banks to record at amortized cost (i.e. not adjusted to market value) a portion of its portfolio of Chilean Government securities, which are hedged by specific interest rate swap agreements. During 2005, the aforementioned portfolio of Chilean government securities was completely amortized. Similarly, under Chilean GAAP interest rate swap agreements are not recorded at fair value (see paragraph (m) below).

Under U.S. GAAP, SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115") requires that debt and equity securities be classified in accordance with the Bank's intent and ability to hold the security, as follows:

- Debt securities for which the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost. As of December 31, 2004 and 2005 the Bank did not classify any security as held-to-maturity.
- Debt and equity securities that are bought and held by the Bank, principally for the purpose of selling them in the near term, are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Based upon these criteria, the Bank has classified its portfolio of investments in debt and equity securities, as of December 31, 2004 and 2005 as either “available-for-sale” or “trading”.

The effect of recording the market value adjustment for investments stated at the lower of price-level restated cost or market value, consistent with the valuation criteria of the Bank, the effect of the adjustment to fair value of trading investments with maturity dates less than 90 days held by certain subsidiaries and the market value adjustment to the Chilean Government securities portfolio hedged by various interest rate swap agreements, is included in the reconciliation of consolidated net income and shareholders’ equity in paragraph (t) below.

Under Chilean GAAP, the unrealized holding gains (losses) related to investments classified as permanent have been included in equity, which does not differ from the treatment as “available-for-sale” under U.S. GAAP.

The following are required disclosures for investments classified as available-for-sale in accordance with SFAS 115 and based on Article 9 balance sheet under U.S. GAAP. Realized gains and losses are determined using the proceeds from sales less the cost (specific identification method) of the investments identified to be sold. Additionally, any unrealized gain/loss recorded in equity for these investments is reversed through the income statements. Gross gains and losses realized on the sale of available-for-sale securities for the years ended December 31, 2004 and 2005 are as follows:

	Years ended December 31,	
	2004	2005
	MCh\$	MCh\$
Proceeds from sales of “available-for-sale” securities generating realized gains	975,582	665,513
Realized gains	23,067	7,453
Proceeds from sales of “available-for-sale” securities generating realized losses	263,916	308,959
Realized losses	1,716	2,500

(i) Other than temporary impairment of available for sale securities

Under Chilean GAAP the Bank is not required to evaluate if marketable securities are considered to be other than temporarily impaired. Under US GAAP, SFAS 115 requires that the Bank determines for individual securities classified as available for sale whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in earnings (that is, accounted for as a realized loss). The new cost basis does not change when subsequent recoveries in fair value occur. Subsequent increases in the fair value of available for sale securities are included in other comprehensive income and subsequent decreases in fair value, if not an other than temporary impairment, also are included in other comprehensive income.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The bank reviewed securities with unrealized losses as of December 31, 2003, 2004 and 2005 and concluded that there was no other than temporary impairment as of December 31, 2003 and 2005. This review consisted of evaluating the economic reasons for the decline, credit rating of the issuers of the securities and on the management's intention and ability to hold the securities until the unrealized loss is recovered.

The carrying value and market value of securities available-for-sale as of December 31, 2003, 2004 and 2005 are as follows:

Year ended December 31, 2005				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
Available-for-Sale Investments:	MCh\$	MCh\$	MCh\$	MCh\$
Central Bank Securities	84,920	362	(957)	84,325
Chilean Treasury Bonds	34,449	690	(201)	34,938
Chilean Financial institutions	433,111	327	(18,227)	415,211
Foreign investments	29,058	-	(441)	28,617
Total	581,538	1,379	(19,826)	563,091
Year ended December 31, 2004				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
Available-for-Sale Investments:	MCh\$	MCh\$	MCh\$	MCh\$
Central Bank Securities	116,269	945	(217)	116,997
Chilean Treasury Bonds	160,638	6,178	(33)	166,783
Other securities of Chilean institutions	125,868	418	(695)	125,591
Chilean Financial institutions	116,327	660	(882)	116,105
Foreign investments	49,344	446	(467)	49,323
Total	568,446	8,647	(2,294)	574,799
Year ended December 31, 2003				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
Available-for-Sale Investments:	MCh\$	MCh\$	MCh\$	MCh\$
Central Bank Securities	393,436	1,984	(122)	395,298
Chilean Treasury Bonds	204,044	2,834	(123)	206,755
Other securities of Chilean institutions	122,128	342	(717)	121,752
Chilean Financial institutions	380,890	3,143	(1,387)	382,645
Foreign investments	31,423	495	(741)	31,177
Total	1,131,921	8,798	(3,090)	1,137,627

- (1) Investments with unrealized losses are disclosed and segregated in accordance with paragraph 21 of EITF 03-01. The unrealized losses were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Bank has the ability and intent to hold these investment until a recovery of fair value, which may be maturity, the bank does not consider these investments to be other than temporarily impaired as of December 31, 2005.
- (2) During the fourth quarter of 2004, the Bank determined that certain of its available-for-sale securities of Chilean institutions had declines in value that were considered other than temporary, recording a charge to net income of MCh\$ 3,006 to record these securities at their market values at that date. Future unrealized gains or losses will be recorded in other comprehensive income consistent with the accounting treatment for available-for-sale securities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table shows the unrealized loss position of the available-for-sale investments as of December 31, 2005:

	Less than 12 months			12 months or more			Total		
	Amortized cost	Fair value	Unrealized losses	Amortized cost	Fair value	Unrealized losses	Amortized cost	Fair value	Unrealized losses
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Central Bank Securities	67,199	66,242	(957)	18	18	-	67,217	66,260	(957)
Chilean Treasury Bonds	12,141	11,940	(201)	108	108	-	12,249	12,048	(201)
Chilean Financial institutions	403,066	384,863	(18,203)	558	534	(24)	403,624	385,397	(18,227)
Foreign investments	-	-	-	25,576	25,135	(441)	25,576	25,135	(441)
Total	482,406	463,045	(19,361)	26,260	25,795	(465)	508,666	488,840	(19,826)

(j) Contractual maturities and other disclosures

The contractual maturities of securities classified by the Bank as available-for-sale are as follows:

	Year ended December 31, 2005				
	Within one year	After one year but within five years	After five years but within ten years	After ten years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Available-for-Sale Investments:					
Central Bank Securities	12,971	50,745	20,580	29	84,325
Chilean Treasury Bonds	5,084	14,873	13,405	1,576	34,938
Chilean Financial institutions	83	6,543	51,969	356,616	415,211
Foreign investments	3,482	14,314	10,821	-	28,617
Total	21,620	86,475	96,775	358,221	563,091

Under U.S.GAAP, the Bank is required to disclose the amounts of unrealized holding gains and losses included in income on securities classified as trading. For the years ended December 31, 2003, 2004 and 2005, the Bank recognized in income net unrealized holding gains (losses) of MCh\$ 1,253, MCh\$ 2,572 and MCh\$ (1,580) respectively, on these securities.

During 2005, the bank has not recorded any charge to net income as result of other than temporary impairment of its available-for-sale portfolio.

(k) Allowance for loan losses

The determination of loan losses under U.S. GAAP differs from that under Chilean GAAP in the following respects:

1. Allowance for loan losses

Under Chilean GAAP, the allowance for loan losses is calculated according to specific guidelines set out by the rules of the Superintendency of Banks.

Under U.S. GAAP, allowances for loan losses should be adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates. The Bank has estimated its required allowance under U.S. GAAP in the following manner:

- All loans of the Bank were classified in accordance with the rules of the Superintendency of Banks.
- Allowances for commercial loans classified in loan risk category A1, A2, A3 or B, which were not considered impaired under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS 114") were analyzed by loan category and were adjusted where necessary to reflect the estimated inherent losses in the loan portfolio based upon the historical movements and trends in the Bank's loan classifications ("migration analysis").
- In addition, specific additional allowances were determined for commercial loans, i.e. those loans which were not considered above, on the following basis:
 - i. Commercial loans greater than MCh\$ 100, which were considered impaired in accordance with the criteria established by SFAS 114 were valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate, or at the fair value of the collateral if the loans were collateral dependent.
 - ii. Allowances for commercial loans which were under MCh\$ 100 (i.e. those loans which were not considered in the above SFAS 114 analysis), were calculated using the weighted average loan provision, by loan classification, as determined in (i). In addition, estimated incurred losses were adjusted based on results of a migration analysis referred to above.
 - iii. Allowance for loan losses for mortgage and consumer loans were determined based on historical loan charge-offs, after considering the recoverability of the underlying collateral.

Based on the preceding calculations under provisions of SFAS No.114 the Bank reduced the total loan loss allowance by MCh\$ 9,029 and MCh\$8,000 for the years ended December 31, 2004 and 2005, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Based on the loan losses allowance estimation process described above the Bank determined the allowance for loan losses under U.S. GAAP, and compared this estimate with the reported allowance determined in accordance with the guidelines established by the Superintendency of Banks. The recorded additional ("voluntary" under previous regulations) loan loss allowance, permitted under Chilean GAAP, was then deducted from the additional allowance requirements under U.S. GAAP to arrive at a cumulative U.S. GAAP adjustment for the Bank, as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
U.S. GAAP loan loss allowance	(170,530)	(139,866)
Chilean GAAP loan allowance required by the Superintendency of Banks	171,269	147,866
U.S. GAAP adjustment prior to voluntary loan loss allowance	739	8,000
Less: Chilean GAAP additional loan loss allowance (1)	8,290	-
Cumulative U.S. GAAP adjustment	9,029	8,000

(1) "Voluntary allowance" until December 31, 2003 and "Additional reserves" under the new regulations effective January 1, 2004.

The effect of accounting for loan losses in accordance with U.S. GAAP is included in the reconciliation of the net income and shareholders' equity in paragraph (t) below.

2. *Recognition of Income*

As of December 31, 2004 and 2005, the recorded investment in loans for which impairment has been recognized in accordance with SFAS 114 totaled to MCh\$ 316,849 and MCh\$ 252,385, respectively, with a corresponding valuation allowance of MCh\$ 146,528 and MCh\$ 115,249, respectively. For the years ended December 31, 2004 and 2005 the average recorded investment in impaired loans was MCh\$ 163,289 and MCh\$ 284,843, respectively. For the three years ended December 31, 2005, during the portion of the year that the loans were impaired the Bank recognized MCh\$ 19,579, MCh\$ 1,977 and MCh\$ 548 of interest on impaired loans. As of December 31, 2004 and 2005, the Bank had made provisions against all loans which it considered to be impaired.

3. *Loan loss recoveries*

Under U.S. GAAP recoveries of loans previously charged-off are presented as a reduction of the provision for loan losses. Under Chilean GAAP, until 2003, such recoveries were recognized as other income. Beginning 2004, such recoveries are presented as a reduction of the provision for loan losses. This reclassification is included in the Article 9 financial statements of the Bank presented in paragraph (v) below.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following presents an analysis under U.S. GAAP, for the year ended December 31, 2003, 2004 and 2005, of the changes in the reserve for loan losses during the years presented:

	As of December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Allowances for loan losses in accordance with U.S. GAAP, as of January 1	165,690	184,907	170,530
Price-level restatement (1)	(1,564)	(4,693)	(6,273)
Loan loss recoveries	36,020	49,718	46,101
Charge-offs	(106,434)	(123,770)	(136,733)
Provisions established	117,120	134,923	116,206
Provisions released	(25,925)	(70,555)	(49,965)
Allowances for loan losses in accordance with U.S. GAAP, as of December 31,	184,907	170,530	139,866

- (1) Reflects the effect of inflation on the allowance of loan losses under Chilean GAAP at the beginning of each period, adjusted to constant Chilean pesos of December 31, 2005.

4. *Charge-offs*

As discussed in Note 1 (l) of these financial statements, under Chilean GAAP the Bank charges-off loans when collection efforts have been exhausted. Under the rules and regulations established by the Superintendency of Banks, charge-offs must be made within the following maximum prescribed limits:

- 24 months after a loan is past due (3 months for consumer loans) for loans without collateral;
- 36 months after a loan is past due for loans with collateral.

Under U.S. GAAP, loans should be written-off in the period that they are deemed uncollectible. The Bank believes that the charge-off policies it applies in accordance with Chilean GAAP are substantially the same as those required under U.S. GAAP, and therefore the potential difference is not significant to the presentation of its financial statements.

(l) Investments in other companies

Under Chilean GAAP, certain long-term investments of less than 20% of the outstanding shares in other companies have been recorded using the equity method of accounting. Under U.S. GAAP those investments generally would have been recorded at cost. The effect of accounting for investments in other companies in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (t) below.

(m) Derivatives

Chilean banks are permitted to use foreign exchange forward contracts (covering either foreign currencies against the U.S. dollar, the UF against the Chilean peso or the UF and the Chilean peso against the U.S. dollar), forward rate agreements and interest rate swaps. Currently, the use of derivatives in Chile is regulated by the Chilean Central Bank, which requires that all foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

All derivative instruments are subject to market risk, which is defined as the risk that future changes in market conditions may make an investment more or less valuable. The Bank managed their individual exposure to market risk on a global basis in accordance with risk limits set by senior management by buying or selling instruments or entering into off-setting foreign exchange and interest rate positions.

The Bank enters into derivative transactions for its own behalf and to meet customers' risk management needs. Generally the Bank enters into forward contracts in U.S. dollars against the Chilean peso or the UF, however, occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary. Other derivative transactions include primarily interest rate swaps (pay fixed-receive floating) and rate lock agreements. These are used for hedging purposes in order to manage, among other risks, interest rate and fair value risk related to the Yankee bonds of Chilean companies, Chilean Government securities bought by the Bank and certain mortgage loans.

In order to manage any credit risk associated with its derivative products, the Bank grants lines of credit to its counterparties, in accordance with its credit policies, for each derivative transaction. The counterparty risk exposure is a function of the type of derivative, the term to maturity of the transaction and the volatility of the risk factors that affect the derivative's market value.

Under Chilean GAAP, the Bank accounts for forward contracts between foreign currencies and U.S. dollars at fair value with realized and unrealized gains and losses on these instruments recognized in other income. Forward contracts between the U.S. dollar and the Chilean peso or the UF are valued at the closing spot exchange rate of each balance sheet date, with the initial discount or premium being amortized over the life of the contract in accordance with Chilean hedge accounting criteria.

As described in Note 1, under Chilean GAAP the Bank records differences between interest income and interest expense on interest rate swap transactions, in net income in the period when cash settlements under the agreements are made. The fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates are not recognized at each period-close in the Chilean GAAP consolidated financial statements.

Beginning January 1, 2001, the Bank adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (collectively "SFAS 133"), which establishes comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on the purpose for which the derivative instrument was entered into and whether the derivative instrument qualifies as a hedge. The standards also require formal documentation of hedging relationships and effectiveness testing when hedge accounting is to be applied. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Under U.S. GAAP, the Bank records swap agreements at their estimated fair value and forward contracts between the U.S. dollar and the Chilean peso are valued at their fair value based on the forward exchange rate. Under the previously applied accounting standard, forward contracts were also recorded at fair value as they were considered operational in nature, and did not qualify for hedge accounting treatment.

Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Bank separately measures embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in earnings when they occur. Currently the only host contracts that the Bank has, which have implicit or explicit terms that must be separately accounted for at fair value, are service type contract related to computer service agreement and insurance agreements.

The effects of the adjustments with respect to foreign exchange contracts, interest rate and foreign currency swaps agreements on the net income and shareholders' equity of the Bank are included in paragraph (t) below. For the years ended December 31, 2003, 2004 and 2005 the effects of embedded derivatives were not significant.

Under Chilean GAAP, derivative instruments are presented on a net basis in the accounts "Other assets" and "Other liabilities". Under U.S. GAAP, such amounts would be netted only where a legal right to offset exists. The effect of this reclassification has been included in the presentation of the balance sheets of the Bank prepared in accordance with Article 9 presented in paragraph (v) below.

(n) Recoveries of loans previously charged-off

Under U.S. GAAP, recoveries of loans previously charged-off are reflected as decrease of the provision for loan losses; under Chilean GAAP, until 2003, they were presented as other income. Beginning in 2004, such recoveries are presented as a reduction of the provision for loan losses. This reclassification has been included in the Article 9 financial statements of the Bank, presented in paragraph (v) below. Certain timing differences exist in recording of recoveries caused by previous Chilean GAAP - U.S. GAAP accounting differences which have not yet reversed.

(o) Capitalization of interest costs

For Chilean GAAP purposes, the Bank does not capitalize interest costs on the assets that are constructed for its own use. Under SFAS No. 34, interest costs should be capitalized as they are considered part of the historical cost of acquiring these assets. The effect of accounting for capitalization of interest costs in accordance with U.S. GAAP is included in the reconciliation of net income and shareholders' equity in paragraph (t) below.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(p) Mortgage loans purchased

Banco Santander Chile acquired mortgage loans (so called ANAP portfolio) from former savings and loans institutions at a discount. In 1990, based on the then-existing regulations, the discount on a portion of the loans acquired was recognized as income. Under U.S. GAAP, such discount should be amortized over the life of the related loans. The effect of accounting for mortgage loans purchased in accordance with U.S. GAAP is included in the reconciliation of net income and shareholders' equity in paragraph (t) below.

(q) Acquisition of Financial Assets

The following business combinations took place prior to the merger of Banco Santiago and Banco Santander-Chile which continue to require adjustments between Chilean GAAP and U.S. GAAP in the net income and shareholders' equity reconciliations in (t):

(1) Acquisition of Banco O'Higgins

For Chilean GAAP purposes, the merger between the former Banco Santiago and Banco O'Higgins that took place during 1997 was accounted for using "pooling of interests". The assets acquired and liabilities assumed were combined at their carrying values on the books of the successor entity and the operations were accounted for as combined from January 1, 1997.

For U.S. GAAP purposes, the former Banco Santiago accounted for the business combination as a purchase of Banco O'Higgins. Consequently, goodwill was recorded as the difference between the purchase price and the fair value of the assets acquired and the liabilities assumed (which, in management's opinion, approximated book value).

The unamortized goodwill associated with this merger on the books of Banco Santiago, for U.S. GAAP purposes, as of the date of the merger with the former Banco Santiago Santander-Chile is implicitly included in the goodwill of Teatinos which had been acquired by BCSH as explained in (a).

(2) Acquisition of Banco Osorno y la Unión

During 1996, the former Banco Santander-Chile merged with Banco Osorno y la Unión ("Banco Osorno"). The treatment for both Chilean GAAP purposes and U.S. GAAP purposes was equivalent to the treatment for both U.S. GAAP and Chile GAAP in the Banco O'Higgins transaction in (1) with the exception that the acquisition of Banco Osorno was defined as a reverse acquisition. The Chile GAAP treatment was applied as of January 1, 1996.

(r) Assets received in lieu of payment

As instructed by the Superintendency of Banks, assets received in lieu of payment are carried at cost, less a global valuation allowance if the total of the fair value of those assets is lower than the carrying amount. If the asset is not sold within one year, then recorded asset amounts should be written-off on a straight-line basis over the following 12-month period (18-month period prior January 1, 2004).

Under U.S. GAAP, assets received in lieu of payment are initially recorded at fair value less any estimated costs to sell at the date of foreclosure, on an individual asset basis. Subsequent to foreclosure, valuations should be periodically performed to record any impairment. The effect of recording these assets in accordance with U.S. GAAP in the Bank is included in the reconciliation of net income and shareholders' equity in paragraph (t) below.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(s) Accrued interest and indexation adjustment

Under Chilean GAAP, accrued interest and indexation adjustment are presented with the principle amounts of the investments to which they accrete. Under U.S. GAAP accrued interest and indexation adjustment would be presented as separate line items in the balance sheet. The amount of this reclassification is not readily determinable.

(t) Summary of net income and shareholders' equity differences

The following is a reconciliation of net income under Chilean GAAP to the corresponding amounts under U.S. GAAP:

	Year Ended December 31,			
	2003 Total	2004 Total	2005 Total	2005 Total
	MCh\$	MCh\$	MCh\$	ThUS\$ (Note 1(r))
Net income in accordance with Chilean GAAP	219,786	205,991	239,710	466,171
Push-down accounting (Note 27 (a))				
Amortization of trademarks and other	(10,672)	(10,706)	(12,985)	(25,253)
Amortization of fair value increment of net assets	(3,767)	(3,769)	(3,770)	(7,332)
Deferred income taxes (Note 27(c))	(438)	25	27	53
Investment securities (Note 27(h))	(13,870)	650	2,524	4,909
Allowance for loan losses (Note 27(k))	(20,306)	15,299	(1,029)	(2,001)
Investments in other companies (Note 27(l))	46	(8)	8	16
Derivatives (Note 27(m))	14,054	(6,512)	6,862	13,345
Recoveries of loans (Note 27(n))	1,754	10	-	-
Capitalization of interest costs (Note 27(o))	(45)	(50)	(50)	(97)
Mortgage loans purchased (Note 27(p))	59	41	87	169
Assets received in lieu of payment (Note 27(r))	249	7,969	(4,717)	(9,173)
Deferred tax effect of U.S. GAAP adjustments	2,928	(2,810)	(625)	(1,215)
Net income in accordance with U.S. GAAP	189,778	206,130	226,042	439,592
Other comprehensive income, net of tax:				
Unrealized gain (losses) on available-for-sale securities (27 (x))	(5,150)	650	(22,835)	(44,408)
Comprehensive income in accordance with U.S. GAAP	184,628	206,780	203,207	395,184

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following is a reconciliation of shareholders' equity under Chilean GAAP to the corresponding amounts under U.S. GAAP:

	At December 31,		
	2004 MCh\$	2005 MCh\$	2005 ThUS\$ (Note 1(r))
Shareholders' equity in accordance with Chilean GAAP	1,069,103	1,081,831	2,103,870
Push Down Accounting (Note 27(a))			
Goodwill	490,837	490,837	954,546
Fair value of intangibles	89,460	76,475	148,723
Fair value increment of net assets	12,785	9,015	17,531
Deferred income taxes (Note 27(c))	(27)	-	-
Mandatory dividends (Note 27(d))	(61,798)	(71,913)	(139,851)
Investment securities (Note 27(h))	3,314	3,006	5,846
Allowance for loan losses (Note 27(k))	9,029	8,000	15,558
Investments in other companies (Note 27(l))	394	402	782
Derivatives (Note 27(m))	(8,741)	(1,879)	(3,654)
Recoveries of loans (Note 27(n))	(1,275)	(1,275)	(2,480)
Capitalization of interest costs (Note 27(o))	3,845	3,795	7,380
Mortgage loans purchased (Note 27(p))	(87)	-	-
Assets received in lieu of payment (Note 27(r))	8,339	3,622	7,044
Deferred tax effect of U.S. GAAP adjustments	(2,452)	(2,596)	(5,049)
Acquisition of financial assets (Note 27(q))	298,942	298,942	581,362
Shareholders' equity in accordance with U.S. GAAP	1,911,668	1,898,262	3,691,608

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following summarized the changes in the shareholders' equity of the Bank under U.S. GAAP during the years ended December 31, 2003, 2004 and 2005:

	As of December 31,			
	2003 Total	2004 Total	2005 Total	2005 Total
	MCh\$	MCh\$	MCh\$	ThUS\$ (Note (1r))
Balance at January 1,	1,917,506	1,920,774	1,911,668	3,717,680
Dividends paid	(166,019)	(220,023)	(206,498)	(401,584)
Mandatory dividends, previous date	50,594	65,935	61,798	120,180
Mandatory dividends, closing date	(65,935)	(61,798)	(71,913)	(139,851)
Unrealized gains on available-for-sale investments, net of tax	(5,150)	650	(22,835)	(44,408)
Net income in accordance with U.S. GAAP	189,778	206,130	226,042	439,592
Balance at December 31,	1,920,774	1,911,668	1,898,262	3,691,608

(u) Earnings per share

The following disclosure of net income per share information is not generally required for presentation in the financial statements under Chilean GAAP but is required under U.S. GAAP. Earnings per share are determined by dividing net income by the weighted average number of total shares outstanding.

	Years Ended December 31,		
	2003	2004	2005
Chilean GAAP (1)	Ch\$	Ch\$	Ch\$
Earnings per share	1.17	1.09	1.27
Weighted average number of total shares outstanding (in millions)	188,446.1	188,446.1	188,446.1
U.S. GAAP (1)			
Earnings per share from continuing operations	0.92	0.97	-
Earnings per share from discontinued operations	0.09	0.12	-
Net income per share	1.01	1.09	1.20
Weighted average number of total shares outstanding (in millions)	188,446.1	188,446.1	188,446.1

- (1) Basic earnings per share have been calculated by dividing net income by the weighted average number of common shares outstanding during the year. There are no potentially dilutive effects on the earnings of the Banco Santiago as it had not issued convertible debt or equity securities.

(v) Article 9 Income Statements and Balance Sheets

In addition to the adjustments to U.S. GAAP included in paragraph (t), the presentation of the consolidated financial statements differs significantly from the format required by the Securities and Exchange Commission under rules 210.9 to 210.9 -07 of Regulation S-X (Article 9). The following balance sheets and income statements have been restated in constant Chilean pesos of December 31, 2005 purchasing power using the adjustment factor arising from the CPI, and are presented in the format prescribed by Article 9 of Regulation S-X.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The principal reclassifications which were made to the primary Chilean GAAP consolidated financial statements in order to present them in the Article 9 format are as follows:

1. Elimination of contingent assets and liabilities from the balance sheet.
2. Reclassification of fees relating to contingent loans from interest income under Chilean GAAP to non interest income under Article 9.
3. Reclassification of the cash clearing account out of cash and due from banks.
4. Presentation of forward contracts classified based on the existence of legal right to offset.
5. Presentation in the Income Statements of the results of discontinued operations arising from the sale of the Santiago Express Division in 2004 and in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of long-Lived Assets".
6. Reclassification of repurchase agreements from investments to investments under agreements to repurchase.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following income statements have been prepared in accordance with U.S. GAAP and are presented in accordance with requirements of Article 9, except for the inclusion of price-level restatement permitted under Item 18 of form 20-F:

	Years ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Interest income			
Interest and fees on loans	688,005	695,039	892,021
Interest on investments	(64,588)	92,352	114,673
Interest on mortgage finance bonds	6,287	-	-
Interest on deposits with banks	1,252	446	2,372
Interest on investments under agreement to resell	5,267	1,845	1,487
Total interest income	636,223	789,682	1,010,553
Interest expense			
Interest on deposits	(131,634)	(128,666)	(243,605)
Interest on investments under agreement to repurchase	(79)	(17,863)	(15,964)
Interest on short-term debt	(19,053)	(27,331)	(46,862)
Interest on long-term debt	(177,482)	(130,956)	(127,894)
Interest on other borrowed funds	-	(7,588)	(4,967)
Price level restatement (1)	(8,179)	(12,446)	(18,140)
Total interest expense	(336,427)	(324,850)	(457,432)
Net interest income	299,796	464,832	553,121
Provision for loan losses	(91,093)	(67,493)	(64,561)
Net interest income after provision for loan losses	208,703	397,339	488,560
Other income			
Fees and commissions, net	80,878	84,693	85,612
Gain on trading activities	29,296	32,110	17,789
Net gains (losses) on foreign exchange activities	161,403	7,883	2,684
Other	24,829	29,112	21,642
Total other income	296,406	153,798	127,727
Other expenses			
Salaries	(131,339)	(135,117)	(139,219)
Net premises and equipment expenses	(34,321)	(49,340)	(49,406)
Administration expenses	(94,549)	(87,726)	(90,477)
Other expenses	(31,089)	(50,115)	(60,584)
Minority interest	(170)	(190)	(133)
Total other expenses	(291,468)	(322,488)	(339,819)
Income from continuing operations before income taxes	213,641	228,649	276,468
Income taxes from continuing operations	(40,588)	(45,630)	(50,426)
Income from continuing operations	173,053	183,019	226,042
Discontinued operations:			
Gain from discontinued operations of Santiago Express Division	20,029	5,230	-
Gain on disposal of Santiago Express Division	-	22,614	-
Income tax expense	(3,304)	(4,733)	-
Income from discontinued operations	16,725	23,111	-
Net income	189,778	206,130	226,042
Other comprehensive income	(5,150)	650	(22,835)
Comprehensive income	184,628	206,780	203,207

- (1) The price-level adjustment includes the effect of inflation primarily resulting from interest-earning assets and interest-bearing liabilities. As the Bank does not record the price-level adjustment for separate categories of assets and liabilities, such adjustment is presented as a component of interest expense.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following balance sheets as of December 31, 2004 and 2005 have been prepared in accordance with U.S. GAAP, except for the inclusion of price-level restatement permitted under item 18 of Form 20-F, and are presented in accordance with the requirements of Article 9.

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
ASSETS		
Cash and due from banks	355,477	869,466
Interest bearing deposits	236,895	296,128
Investments under agreements to resell	24,516	23,120
Investments:		
Trading Investments	1,413,715	581,268
Available-for-sale investments	574,799	563,091
Sub-total	2,605,402	2,333,073
Loans	8,176,916	9,373,723
Unearned income	(110,511)	(130,881)
Allowance for loan losses	(170,530)	(139,866)
Loans, net	7,895,875	9,102,976
Premises and equipment, net	246,506	258,647
Goodwill, net	789,779	789,779
Intangibles, net	89,460	76,475
Other assets	629,742	1,276,725
Total Assets	12,256,764	13,837,675
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non interest bearing	1,920,212	2,024,420
Interest bearing	4,631,098	5,907,998
Total deposits	6,551,310	7,932,418
Short-term borrowings	960,405	1,365,646
Investments sold under agreement to repurchase	448,464	49,779
Other liabilities	513,219	1,162,429
Long-term debt	1,870,374	1,427,677
Sub-total	3,792,462	4,005,531
Minority interest	1,324	1,464
Common stock	746,037	746,037
Other shareholders' equity	1,165,631	1,152,225
Total Liabilities and Shareholders' Equity	12,256,764	13,837,675

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Total assets set forth in the basic Chilean GAAP balance sheets are reconciled to total assets in the Article 9 balance sheets above as follows:

	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Total assets of the Bank under Chilean GAAP	12,507,481	13,096,821
Elimination of off-setting assets and liabilities:		
Cash clearing account	(441,992)	(144,391)
Contingent loans	(902,317)	(929,472)
Reclassification of forward contracts	178,676	934,032
U.S. GAAP adjustments (1)	914,916	880,685
Total assets under Article 9 presentation	12,256,764	13,837,675

(1) These assets represent those which differ in recorded cost from Chile GAAP or are non-existent in Chile GAAP.

Consolidated statements of cash flows

Under US GAAP, changes in other assets and liabilities such as other receivables, prepaid assets and accruals for salaries and vacations should be presented as cash flows from operating activities. Under Chilean GAAP, these are presented as cash flows from investing activities. Additionally, the non-cash movements related to assets received in lieu of payments are not reported as supplemental information under Chilean GAAP, as usually required under US GAAP. This reclassification and the disclosure of non-cash activity are included in the consolidated statements of cash flows below.

The consolidated statements of cash flows have been prepared in accordance with Chilean GAAP, and are presented in accordance with the requirements of Article 9, except for the inclusion of price-level restatement permitted under item 18 of Form 20-F.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(w) Income taxes

The reconciliation of the provision for income taxes charged to income under Chilean GAAP to the corresponding amounts under U.S. GAAP is as follows:

	Years Ended December 31,		
	2003	2004	2005
	MCh\$	MCh\$	MCh\$
Charge for the period under Chilean GAAP	46,382	47,578	49,828
U.S. GAAP Adjustments:			
Deferred tax effect of applying SFAS No. 109	438	(25)	(27)
Deferred tax effect of U.S. GAAP adjustments	(2,928)	2,810	625
Charge for the period under U.S. GAAP	43,892	50,363	50,426

Deferred tax assets and liabilities for the Bank under U.S. GAAP are summarized as follows:

Temporary differences	As of December 31,	
	2004	2005
	MCh\$	MCh\$
Allowance for loan losses	20,812	10,146
Accrued interest	2,650	2,969
Future contracts	1,318	1,308
Other provisions	7,295	14,165
Foreign exchange	409	758
Bank premises and equipment	9,620	8,449
Assets received in lieu of payment	1,377	1,595
Miscellaneous	3,874	(1,538)
Total deferred tax assets	47,355	42,537
Accelerated depreciation	1,375	2,574
Valuation of investments	165	(21)
Prepaid expenses	1,613	1,504
Miscellaneous	476	1,240
Total deferred tax liabilities	3,629	5,297
Net deferred tax assets	43,726	37,240

The Bank has not recorded a valuation allowance against any of its deferred tax assets as it believes that it is more likely than not that it will recover their value.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The U.S. GAAP provision for income taxes differs from the amount of income tax provision determined by applying the Chilean statutory income tax rate to U.S. GAAP pretax income as a result of the following differences:

	2003 MCh\$	2004 MCh\$	2005 MCh\$
Chilean taxes due at the statutory rate	38,555	43,604	47,000
Increase (decrease) in rates resulting from:			
Non-taxable income	(399)	(94)	(5,885)
Non-deductible expenses	3,354	4,392	7,104
Amortization of intangibles	2,382	2,461	2,207
At effective tax rate	43,892	50,363	50,426

The Chilean statutory first category (corporate) income tax rate was 16.5% for 2003 and 17% for 2004 and 2005.

(x) Accumulated other comprehensive income

The Bank presents accumulated other comprehensive income and its components with the objective of reporting a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other non-owner equity transactions that result in changes in net equity. The following represents accumulated other comprehensive income of the Bank, net of deferred taxes as of December 31, 2003, 2004 and 2005:

	Year ended December 31, 2005		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	6,353	(1,081)	5,272
Price-level restatement (1)	(214)	36	(178)
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	(32,465)	5,519	(26,946)
Less: reclassification adjustment for gains included in net income	4,953	(842)	4,111
Net unrealized gains	(27,512)	4,677	(22,835)
Ending balance	(21,373)	3,632	(17,741)

	Year ended December 31, 2004		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	5,707	(970)	4,737
Price-level restatement (1)	(138)	23	(115)
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	(20,567)	3,496	(17,071)
Less: reclassification adjustment for gains included in net income	21,351	(3,630)	17,721
Net unrealized gains	784	(134)	650
Ending balance	6,353	(1,081)	5,272

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	Year ended December 31, 2003		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	12,027	(1,985)	10,042
Price-level restatement (1)	(114)	(41)	(155)
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	(11,822)	2,010	(9,812)
Less: reclassification adjustment for gains included in net income	5,616	(954)	4,662
Net unrealized gains	(6,206)	1,056	(5,150)
Ending balance	5,707	(970)	4,737

- (1) Reflects the effect of inflation on the accumulated other comprehensive income at the beginning of each period, adjusted to constant pesos of December 31, 2005.

(y) Segment Information

The following disclosure of segment information is not required for presentation in the financial statements under Chilean GAAP, however in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" the Bank discloses the following segment information based on the management approach. The Bank's internal organization is structured on the basis of the client segments the Bank serves. We provide a full range of financial services to corporate and individual customers. We divide clients in this segment into the following segments:

- *Lower-middle to middle-income (Santander Banefe)*, consisting of individuals with monthly income between Ch\$120,000 (US\$233) and Ch\$400,000 (US\$ 778), which are served through our Banefe branch network. This segment accounts for 4.8% of our loans as of December 31, 2005. This segment offers customers a range of products, including consumer loans, credit cards, auto loans, residential mortgage loans, debit card accounts, savings products, mutual funds and insurance brokerage.
- *Middle- and upper-income*, consisting of individuals with a monthly income greater than Ch\$400,000 (US\$778). This segment accounts for 36.6% of our loans as of December 31, 2005 and offers customers a range of products, including consumer loans, credit cards, auto loans, commercial loans, foreign trade financing, residential mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.
- *Small and mid-sized businesses*, consisting of small companies with annual sales less than Ch\$1,200 million (US\$2.3 million). As of December 31, 2005, small companies represented approximately 14.4% of our total loans outstanding. This segment offers customers a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, savings products, mutual funds and insurance brokerage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

- *Institutional lending*, consisting mainly of institutional corporations such as universities, government agencies, municipalities and regional governments. As of December 31, 2005, these clients represented 1.9% of our total loans outstanding and offer customers a range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, savings products, mutual funds and insurance brokerage.
- *Mid-sized companies*, consisting of companies with annual sales over Ch\$1,200 million (US\$2.3 million) and up to Ch\$3,500 million (US\$6.8 million). This segment offers customers a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. As of December 31, 2005, these clients represented 7.9% of our total loans outstanding.
- *Real estate*. This segment also includes all companies in the real estate sector. As of December 31, 2005, these clients represented 4.9% of our total loans outstanding. To clients in the real estate sector we offer a part from traditional banking services, specialized services for financing primarily residential projects in order to push the sale of residential mortgage loans.
- *Large companies*, consisting of companies with annual sales over Ch\$3,500 million (US\$6.8 million). This segment offers customers a wide range of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage. As of December 31, 2005, these clients represented 9.8% of our total loans outstanding.
- *Wholesale banking*, consisting of companies that are foreign multinationals or part of a large Chilean economic group with sale over Ch\$3,500 million (US\$6.8 million). As of December 31, 2005, these clients represented 17.5% of our total loans outstanding. This segment offers customers a wide range of products, including commercial loans, leasing, factoring, foreign trade, mortgage loans, checking accounts, cash management, treasury services, financial advisory, savings products, mutual funds and insurance brokerage.
- *Treasury Division*, provides sophisticated financial products mainly to companies in the Global banking and the Middle market segments. This includes products such as short-term financing and funding, securities brokerage, interest rate and foreign currency derivatives, securitization services and other tailor made financial products. The Treasury division also manages the Bank's trading positions as well as the non-trading investment portfolio.

The accounting policies of the segments are the same as those described in the summary of significant accounting principles, and are customized to meet the needs of management of the Bank. The Bank derives a majority of its revenues from interest income and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segments and make decisions about resources to be allocated to the segments. No balance sheet segment information is prepared or distributed. In 2005 the Bank refined its segments and revised its 2004 segment information to conform to the newly defined segments. For the year ended December 31, 2003, it was not practicable for the Bank to present its segment information as redefined.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The table below sets forth our lines of business and certain statistical information relating to each of them as of December 31, 2005 and 2004.

Segment	For the year ended December 31, 2005				
	Loans	Net Interest Revenue(1)	Fees & Income from Services	Net Loan Loss Allowances(2)	Net Client Contribution(3)
(millions of constant Ch\$ as of December 31, 2005)					
Santander Banefe	491,424	82,063	15,900	(26,271)	71,692
Middle-upper income	3,715,575	189,584	58,567	(24,928)	223,223
Santiago Leasing	494	158	-	29	187
Total Individuals	4,207,493	271,805	74,467	(51,170)	295,102
Small businesses	1,462,521	91,427	18,736	(15,411)	94,752
Total Retail	5,670,014	363,232	93,203	(66,581)	389,854
Institutional lending	193,190	6,482	1,633	(16)	8,099
Mid-sized companies	805,091	24,537	4,176	(1,750)	26,963
Real estate	499,422	8,342	1,068	(697)	8,713
Large companies	994,439	18,425	3,187	3,397	25,009
Santiago Leasing	2,371	758	-	140	898
Total Middle Market	2,301,323	52,062	8,431	1,090	61,583
Wholesale banking	1,777,361	26,438	7,476	1,919	35,833
Treasury (4)	-	75,399	-	-	75,399
Others (5)	202,385	24,950	27,623	56	52,629
Total	10,144,273	548,563	138,366	(63,532)	623,397
Other operating income (6)					(15,198)
Other income and expenses					(21,468)
Operating expenses					(279,053)
Net loss from price-level restatement					(18,140)
Net income before income taxes					289,538

- (1) Includes net interest revenue and foreign exchange transactions, net.
(2) Includes allowances for loan losses, charge-offs and loan loss recoveries.
(3) Equal to net interest revenue plus fee income minus allowances for loan losses.
(4) Includes Santander S.A. Agente de Valores.
(5) Includes contribution of other Bank subsidiaries and other non-segmented items.
(6) Excludes foreign exchange transaction, net.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

For the year ended December 31, 2004					
Segment	Loans	Net Interest Revenue (1)	Fees Income from Services	Net Loan Loss Allowances(2)	Net Client Contribution(3)
(millions of constant Ch\$ as of December 31, 2005)					
Santander Banefe	410,999	71,450	13,349	(24,121)	60,678
Middle-upper income	3,084,502	158,796	51,840	(47,909)	162,727
Santiago Leasing	2,024	205	-	(7)	198
Total Individuals	3,497,525	230,451	65,189	(72,037)	223,603
Small businesses	1,151,928	70,339	14,195	(16,284)	68,250
Total Retail	4,649,453	300,790	79,384	(88,321)	291,853
Institutional lending	160,380	5,405	1,537	(551)	6,391
Mid-sized companies	696,777	21,622	3,397	(3,932)	21,087
Real estate	465,803	9,308	732	(2,197)	7,843
Large companies	897,913	17,708	4,236	14,147	36,091
Santiago Leasing	9,713	980	-	(31)	949
Total Middle Market	2,070,206	49,618	8,365	7,987	65,970
Wholesale banking	1,915,824	24,761	6,732	3,218	34,711
Treasury(4)	-	69,589	3,590	-	73,179
Others(5)	135,808	43,041	26,405	(6,010)	63,436
Total	8,931,671	493,204	126,013	(83,677)	535,540
Other operating income (6)					12,641
Other income and expenses					(4,206)
Operating expenses					(277,989)
Net loss from price-level restatement					(12,417)
Net income before income taxes					253,569

- (1) Includes net interest revenue and foreign exchange transactions, net.
(2) Includes allowances for loan losses, charge-offs and loan loss recoveries.
(3) Equal to net interest revenue plus fee income minus allowances for loan losses.
(4) Includes Santander S.A. Agente de Valores.
(5) Includes contribution of other Bank subsidiaries and other non-segmented items.
(6) Excludes foreign exchange transaction, net.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The table below sets forth segment disclosure under the previous definitions as of December 31, 2004 and 2003:

Segment	For the year ended December 31, 2004			
	Net Interest Revenue(1)	Fees & Income from Services	Net Loan Loss Allowances(2)	Net Client Contribution(3)
Retail Banking	345,078	82,942	(81,700)	346,320
Wholesale Banking	52,593	13,052	4,100	69,745
Others(4)	95,533	30,019	(6,077)	119,475
Total	493,204	126,013	(83,677)	535,540

(1) Includes foreign exchange transactions.

(2) Includes allowances for loan losses, charge-offs and loan loss recoveries.

(3) Equal to net interest revenue plus fee income and expenses from services, net; less net allowance for loan losses.

(4) Includes contribution of Bank subsidiaries and other non-segmented items.

Segment	For the year ended December 31, 2003			
	Net Interest Revenue(1)	Fees & Income from Services	Net Loan Loss Allowances(2)	Net Client Contribution(3)
Retail Banking	331,685	85,383	(84,725)	332,343
Wholesale Banking	61,339	14,798	465	76,602
Others(4)	89,760	18,581	12,668	121,008
Total	482,784	118,762	(71,592)	529,954

(1) Includes foreign exchange transactions.

(2) Includes allowances for loan losses, charge-offs and loan loss recoveries.

(3) Equal to net interest revenue plus fee income and expenses from services, net; less net allowance for loan losses.

(4) Includes contribution of Bank subsidiaries and other non-segmented items.

(z) Estimated Fair Value of Financial Instruments

The estimated fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For those financial instruments with no quoted market prices available, fair values have been estimated using present values or other valuation techniques. These techniques are inherently subjective and are significantly affected by the assumptions used, including the discounts rates, estimates of future cash flows and prepayment assumptions. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments.

In addition, the estimated fair values presented below do not attempt to estimate the value of the Bank's revenue generating businesses and anticipated future business activities, and therefore do not represent the Bank's value as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following notes summarize the major methods and assumptions used in estimating the fair values of financial instruments:

- ***Cash and due from banks***

The book value of cash and due from banks approximates its estimated fair value due to the short-term nature of these instruments.

- ***Spot foreign exchange transactions***

The book value of spot foreign exchange transactions approximates its estimated fair value due to the short-term nature of these instruments.

- ***Financial investments and investments under agreements to repurchase***

The estimated fair value of these financial instruments was determined using either quoted market prices or dealer quotes where available, or quoted market prices of financial instruments with similar characteristics. Investments maturing in less than one year are valued at book value because they are, due to their relatively short period to maturity, considered to have a fair value which is not materially different from their book value.

- ***Loans***

For variable-rate loans that reprice frequently and have no significant change in credit risk, estimated fair values are based on book values. The estimated fair-values for certain mortgage loans, credit card loans, and other consumer loans are based on quoted market prices of similar loans, adjusted for differences in loan characteristics. Fair values of commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-accruing loans are estimated using discounted cash flow analyses arising from the liquidation of the underlying collateral values, where applicable (or other expected sources of payments), at an estimated discount rate.

- ***Deposits***

The fair value disclosed for non-interest bearing deposits and savings accounts is the amount payable at the reporting date and, as a result, is equal to the carrying amount. Fair value for time deposits is estimated using a discounted cash flow calculation that applies interest rates currently offered to a schedule of aggregated expected monthly maturities on time deposits. The value of long-term relationships with depositors is not taken into account in estimating the fair values disclosed.

- ***Chilean Central Bank borrowings, Mortgage finance bonds and Other borrowings***

The fair value of these financial instruments is estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements with similar remaining maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

- *Derivative instruments*

The estimated fair value of foreign exchange forward contracts was determined using quoted market prices of financial instruments with similar characteristics.

The fair value of interest rate swaps represents the estimated amount the Bank would expect to receive or pay to terminate the contracts or agreements, taking into account current interest rates.

As no quoted market prices are available for the interest rate swap, cross currency swap and forward exchange rate instruments held by the Bank, such estimates have been estimated using modeling and other valuation techniques.

The estimated fair values of financial instruments are as follows:

	As of December 31,			
	2004		2005	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	MCh\$	MCh\$	MCh\$	MCh\$
ASSETS				
Cash and due from banks	355,477	355,477	869,466	869,466
Interest bearing deposits	236,895	236,895	296,128	296,128
Investment under agreements to resell	24,516	24,516	23,120	23,120
Financial investments	1,988,514	1,988,514	1,144,359	1,144,359
Loans, net (1)	7,895,875	8,484,661	9,102,976	9,829,131
Derivatives instruments			38,035	36,156
LIABILITIES				
Deposits	6,551,310	6,663,322	7,932,418	8,205,781
Investments under agreements to repurchase	448,464	448,464	49,779	49,779
Short and long-term debt	2,830,779	2,733,562	2,793,323	2,456,301
Derivative financial instruments	62,612	71,353		

(1) The amounts of loans in the above table excludes contingent loans since they represent undisbursed amounts under undrawn letters of credit and other credit guarantees granted by the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(aa) Obligations Arising From Lease Commitments

The bank leases certain premises, which are accounted for as operating leases. The amounts payable under the terms of the leases, which are no reflected on the consolidated balance sheets, are shown in the following table and reflect future rental expenses in constant Chilean pesos as of December 31, 2005:

	As of December 31, 2005
	MCh\$
Due within 1 year	5,307
Due after 1 year but within 2 years	4,667
Due after 2 years but within 3 years	3,856
Due after 3 years but within 4 years	2,590
Due after 4 years but within 5 years	1,180
Due after 5 years	376
	<hr/>
Total	17,976
	<hr/>

The rental expense on premises for the Bank was MCh\$ 7,630, MCh\$ 9,917 and MCh\$ 9,994 for the years ended December 31, 2003, 2004 and 2005, respectively.

(ab) Contingent liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted by the Bank in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents the Bank's obligations under such agreements. The Bank's rights under these agreements are recognized as assets on the Bank's balance sheets under the caption "Contingent loans" (see Note 5).

	Year ended December 31, 2005 Book value	As of December 31, 2005 Contract amount
	MCh\$	MCh\$
Standby letters of credits	96	111,179
Foreign office guarantees	1,497	507,797
Performance bond	337	227,259
	<hr/>	<hr/>
Total	1,930	846,235
	<hr/>	<hr/>

Guarantees in the form of performance bonds, stand by letters of credit and foreign office guarantees are issued in connection with agreements made by customers to counterparties. If the customer fails to comply with the agreement, the counterparty may enforce the performance bond as a remedy. Credit risk arises from the possibility that the customer may not be able to repay the Bank for performance bonds. To mitigate credit risk, the Bank generally determines the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The expiration of guarantees per period is as follows:

	As of December 31, 2005				Total
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 5 years	Due after 5 years	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Standby letters of credits	85,717	25,347	115	-	111,179
Foreign office guarantees	481,449	25,517	831	-	507,797
Performance bonds	223,939	3,117	203	-	227,259
Total	791,105	53,981	1,149	-	846,235

(ac) Recent accounting pronouncements

- On September 30, 2004, the FASB voted unanimously to delay the effective date of EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The delay applies to both debt and equity securities and specifically applies to impairments caused by interest rate and sector spreads. In addition, the provisions of EITF 03-1 that have been delayed relate to the requirements that a company declare its intent to hold the security to recovery and designate a recovery period in order to avoid recognizing an other-than-temporary impairment charge through earnings.

On November 3, 2005, the FASB issued FASB Staff Position (FSP) FAS 115-1, "The Meaning of Other- Than-Temporary Impairment and Its Application to Certain Investments." This FSP, which is effective for reporting periods beginning after December 15, 2005, replaces the impairment evaluation guidance (paragraphs 10-18) of EITF issue No.03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, with references to existing other-than-temporary (OTT) impairment guidance. The FSP also clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other than temporary, even if a decision to sell has not been made. The adoption of this FSP will not have a material effect on the Bank's consolidated financial position, results of operations or cash flows.

- In December, 2004, the FASB issued Statement on Financial Accounting Standard ("SFAS") No. 153, "Exchanges of Non-Monetary Assets". This Statement addresses the measurement of exchanges of non monetary assets. It eliminates the exception from fair value measurement for non-monetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No.29, Accounting for Non-monetary Transactions, and replaces it with an exception for exchanges that do not have commercial substance. This Statement specifies that a non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Bank does not believe that this pronouncement will have a material effect on its results of operations, cash flows, or financial position.

BANCO SANTANDER CHILE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

- In May, 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections". Accounting Principles Board Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable.

The Bank does not believe this pronouncement will have a material effect on its results of operations, cash flows, or financial position.

* * * * *

EXHIBIT INDEX

Exhibit Number	Description
1A.1	Restated Articles of Incorporation of Santander-Chile (Spanish Version) (incorporated by reference to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 12, 2002).
1A.2	Restated Articles of Incorporation of Santander-Chile (English Version) (incorporated by reference to our Registration Statement on Form F-4(Registration No. 333-100975) filed with the Commission on December 12, 2002).
1B.1	Amended and Restated By-Laws (<i>estatutos</i>) of Santander-Chile (Spanish Version) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
1B.2	Amended and Restated By-Laws (<i>estatutos</i>) of Santander-Chile (English Version) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
2A.1	Form of Amended and Restated Deposit Agreement, dated August 1, 2002, among Banco Santander-Chile (formerly known as Banco Santiago), the Bank of New York (as depositary) and Holders of American Depositary Receipts (incorporated by reference to our Registration Statement on Form F-6 (Registration No. 333-97303) filed with the Commission on July 26, 2002).
2A.2	Form of Foreign Investment Contract among Banco Santiago, JPMorgan Chase Bank and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs (accompanied by an English translation) (Incorporated by reference to our Registration Statement on Form F-1 (Registration No. 333-7676) filed with the Commission on October 23, 1997).

- 2A.3 Copy of the Central Bank Chapter XXVI Regulations Related to the Acquisition of Shares in Chilean Corporations and the Issuance of Instrument on Foreign Stock Exchanges or under Other Terms and Conditions of Issue (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 2B.1 Agreement for the Issuance of Bonds dated November 26, 1996 between Old Santander-Chile and Banco Security (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 2B.2 Indenture dated December 9, 2004 between Santander-Chile and Deutsche Bank Trust Company Americas, as trustee, providing for issuance of securities in series (filed herewith).
- 2B.3 Indenture dated March 16, 2001, as amended on May 30, 2003, October 22, 2004, May 3, 2005, and September 20, 2005 between Santander-Chile and Banco de Chile, as trustee, relating to issuance of UF14 million senior notes (copy to be furnished upon request).
- 4A.1 Automatic Teller Machines Participation Agreement dated October 1, 1988 between Banco Espanol-Chile (predecessor to Old Santander-Chile) and REDBANC (accompanied by an English translation) (incorporated by reference to Old Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed with the Commission on June 30, 1997).
- 4A.2 Outsourcing agreement between Banco Santiago and IBM de Chile S.A.C. dated June 30, 2000 (including English summary) (incorporated by reference to Banco Santiago's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-4554) filed with the Commission on December 31, 2000).
- 4A.3 Systems and Technology Service and Consulting Agreement between Santander-Chile and Altec dated December 30, 2003 (English translation) (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14554) filed with the Commission on December 31, 2004).
- 4A.4 Purchase-Sale Contract between Santander-Chile and Empresas Almacenes París dated December 6, 2004 (English translation) (filed herewith).
- 7.1 Statement explaining Calculation of Ratios (incorporated by reference to Old Santander-Chile's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 (File No. 1-13448) filed with the Commission on June 28, 2001).
- 8.1 List of Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.1 Code of Conduct for Executive Personnel of Banco Santander-Chile and Subsidiaries (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 11.2 Code of Conduct for all Grupo Santander Personnel (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-4554) filed with the Commission on June 30, 2005).
- 12.1 Section 302 Certification by the Chief Executive Officer.
- 12.2 Section 302 Certification by the Chief Financial Officer.
- 13.1 Section 906 Certification.

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Banco Santander-Chile.

BANCO SANTANDER-CHILE
and
DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

INDENTURE

Dated as of

December 9, 2004

Providing for Issuance of Securities in Series

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THIS INDENTURE dated as of December 9, 2004 (the “Indenture”), between BANCO SANTANDER-CHILE, a Chilean banking corporation (*sociedad anónima bancaria*) (hereinafter called the “Bank”), having its principal office at Bandera 140, Santiago, Chile, and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee hereunder (the “Trustee”).

Recitals of the Bank

The Bank has duly authorized the execution and delivery of this Indenture to provide for the issuance of its debentures, notes, bonds or other evidences of indebtedness, to be issued in one or more fully registered series.

All things necessary to make this Indenture a valid agreement of the Bank, in accordance with its terms, have been done.

Agreements of the Parties

To set forth or to provide for the establishment of the terms and conditions upon which the Securities are to be authenticated, issued and delivered, and in consideration of the premises and the purchase of Securities by the Holders thereof, it is mutually covenanted and agreed as follows, for the equal and proportionate benefit of all Holders of the Securities or of a series thereof, as the case may be:

ARTICLE 1 Definitions and Other Provisions of General Application

Section 1.1. Definitions. For all purposes of this Indenture and of any indenture supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act or by Commission rule under the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the Republic at the date of such computation;

(d) all references in this instrument to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(e) “including” and words of similar import shall be deemed to be followed by “without limitation.”

“Act,” when used with respect to any Securityholder, has the meaning specified in Section 1.4(a) .

“Additional Amounts” has the meaning specified in Section 3.8.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Authenticating Agent” means any Person authorized by the Trustee to authenticate Securities under Section 6.14.

“Bank” means the Person named as the “Bank” in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Bank” shall mean such successor corporation.

“Bank Request” and “Bank Order” mean, respectively, a written request or order signed in the name of the Bank by any two of the following: its Chairman of the Board, Vice Chairman of the Board, President or a Vice President, its Treasurer, Assistant Treasurer, its Controller, Assistant Controller, its Secretary or Assistant Secretary, its principal financial officer, its principal accounting officer or any other officer, employee or agent of the Bank duly authorized by a Board Resolution, and delivered to the Trustee.

“Bankruptcy Law” has the meaning specified in Section 5.1.

“Board of Directors” means either the board of directors of the Bank or any duly authorized committee of that board.

“Board Resolution” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Board of Directors of the Bank to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“Business Day” means each day which is neither a Saturday, Sunday or other day on which banking institutions in the pertinent Place or Places of Payment are authorized or required by law or executive order to be closed.

“Commission” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

“Corporate Trust Office” means the office of the Trustee in New York, New York at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 60 Wall Street, 27th Floor, New York, New York 10005; and such other officers as the Trustee may designate from time to time.

“Defaulted Interest” has the meaning specified in Section 3.7.

“Depository” means, unless otherwise specified by the Bank pursuant to either Section 2.4 or 3.1, with respect to Securities of any series issuable or issued as a Global Security, The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Exchange Act or other applicable statute or regulation.

“Event of Default” has the meaning specified in Section 5.1.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Global Security” means, with respect to any series of Securities issued hereunder, a Security which is executed by the Bank and authenticated and delivered by the Trustee to the Depository or pursuant to the Depository’s instruction, all in accordance with this Indenture and an indenture supplemental hereto, if any, or Board Resolution and pursuant to a Bank Request, which shall be registered in the name of the Depository or its nominee and which shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, all of the Outstanding Securities of such series or any portion thereof, in either case having the same terms, including the same original issue date, date or dates on which principal is due, and interest rate or method of determining interest and shall include any Rule 144A Global Security and any Regulation S Global Security (each as defined in Appendix A).

“Holder,” when used with respect to any Security, means a Securityholder.

“Indebtedness” means, with respect to any Person (without duplication), (a) any liability of such Person (1) for borrowed money or under any reimbursement obligation relating to a letter of credit, financial bond or similar instrument or agreement, (2) evidenced by a bond, note, debenture or similar instrument or agreement (including a purchase money obligation) given in connection with the acquisition of any business, properties or assets of any kind (other than a trade payable or a current liability arising in the ordinary course of business or a performance bond or similar obligation) or (3) for the payment of money relating to any obligations under any capital lease of real or personal property; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above. For the purpose of determining any particular amount of Indebtedness under this definition, guarantees of (or obligations with respect to letters of credit or financial bonds supporting) Indebtedness otherwise included in the determination of such amount shall also not be included.

“Indenture” or “this Indenture” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 3.1.

“Interest,” when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

“Interest Payment Date,” when used with respect to any series of Securities, means the Stated Maturity of any installment of interest on those Securities.

“Judgment Currency,” has the meaning specified in Section 1.16.

“Lien” means any mortgage, pledge, lien, security interest, charge or other encumbrance (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business).

“Maturity,” when used with respect to any Securities, means the date on which the principal of any such Security becomes due and payable as therein or herein provided, whether on a Repayment Date, at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

“Officers’ Certificate” means a certificate signed by one of the following: the Chairman of the Board, the Vice Chairman of the Board, the President or a Vice President, the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Bank, its principal financial officer, its principal accounting officer or any other officer, employee or agent of the Bank duly authorized by a Board Resolution, and delivered to the Trustee. Wherever this Indenture requires that an Officers’ Certificate be signed also by an engineer or an accountant or other expert, such engineer, accountant or other expert (except as otherwise expressly provided in this Indenture) may be in the employ of the Bank, and shall be acceptable to the Trustee, whose acceptance shall not be unreasonably withheld.

“Opinion of Counsel” means a written opinion of counsel, who may (except as otherwise expressly provided in this Indenture) be an employee of or of counsel to the Bank. Such counsel shall be acceptable to the Trustee, whose acceptance shall not be unreasonably withheld.

“Original Issue Discount Security,” means any Security deemed an Original Issue Discount Security for United States Federal income tax purposes.

“Outstanding,” when used with respect to Securities or Securities of any series, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

- (a) such Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) such Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(c) such Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, or which shall have been paid pursuant to the terms of Section 3.6 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a Person in whose hands such Security is a legal, valid and binding obligation of the Bank).

In determining whether the Holders of the requisite principal amount of such Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (i) the principal amount of any Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of the taking of such action upon a declaration of acceleration of the Maturity thereof and (ii) Securities owned by the Bank or any other obligor upon the Securities, if any, or any Affiliate of the Bank or of such other obligor, if any, shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee knows to be owned by the Bank or any other obligor upon the Securities, if any, or any Affiliate of the Bank or such other obligor, if any, shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act as owner with respect to such Securities and that the pledgee is not the Bank or any other obligor upon the Securities or any Affiliate of the Bank or such other obligor.

“Paying Agent” means any Person authorized by the Bank to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Bank.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Place of Payment” means, with respect to any series of Securities issued hereunder, the city or political subdivision so designated with respect to the series of Securities in question in accordance with the provisions of Section 3.1, which if not so designated shall be The City of New York.

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

“Redemption Date,” when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

“Redemption Price,” when used with respect to any Security to be redeemed, means the price specified in such Security or pursuant to this Indenture at which it is to be redeemed pursuant to this Indenture or, if not specified, at 100% of the principal amount thereof.

“Regular Record Date” for the interest payable on any Security on any Interest Payment Date means the date specified in such Security or pursuant to this Indenture as the Regular Record Date, irrespective of whether such date is a Business Day.

“Relevant Indebtedness” means any past or future Indebtedness in the form of, or represented by bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.

“Repayment Date,” when used with respect to any Security to be repaid at the option of the Holder, means the date fixed for such repayment in such Security or pursuant to this Indenture.

“Repayment Price,” when used with respect to any Security to be repaid at the option of the Holder, means the price specified in such Security or pursuant to this Indenture at which it is to be repaid pursuant to such Security.

“Republic” means the Republic of Chile.

“Required Currency” has the meaning specified in Section 1.16.

“Responsible Officer,” when used with respect to the Trustee, means the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the managing director, the director, the secretary, any assistant secretary, the treasurer, any associate, any senior trust officer or trust officer, the controller and any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Securities Act” means the Securities Act of 1933, as amended.

“Security” or “Securities” means any note or notes, bond or bonds, debenture or debentures, or any other evidences of indebtedness, as the case may be, of any series authenticated and delivered from time to time under this Indenture.

“Security Register” shall have the meaning specified in Section 3.5.

“Security Registrar” means the Person who keeps the Security Register specified in Section 3.5.

“Securityholder” means a Person in whose name a Security is registered in the Security Register.

“Senior Indebtedness” means indebtedness of the Bank other than Subordinated Indebtedness.

“Senior Securities” mean Securities of a series issued under this Indenture that are not by their terms made subject to the subordination provisions of Article Eleven.

“Special Record Date” for the payment of any Defaulted Interest (as defined in Section 3.7) means a date fixed by the Trustee pursuant to Section 3.7.

“Stated Maturity,” when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

“Subordinated Indebtedness” means any indebtedness of the Bank (including any liability, whether actual or contingent, under any guarantee or indemnity) in respect of any notes, bonds or other debt securities which is subordinated in right of payment at least to, or the repaying of or payment in respect of which is expressed to be conditional upon, the complete payment of the claims of all unsubordinated creditors of the obligor of such indebtedness.

“Subordinated Securities” mean Securities of a series issued under this Indenture that are by their terms made subject to the subordination provisions of Article Eleven.

“Subsidiary” means any corporation or other business entity of which the Bank owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interests, in each case having ordinary voting power to elect or appoint directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interests or any other class or classes shall or might have voting power upon the occurrence of any contingency).

“Taxes” has the meaning specified in Section 3.8.

“Trust Indenture Act” or “TIA” means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this instrument was executed, except as provided in Section 9.5.

“Trustee” means the Person named as the Trustee in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean and include each Person who is then a Trustee hereunder. If at any time there is more than one such Person, “Trustee” as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

“U.S. Government Obligations” means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof or any other Person, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any obligation or a specific payment of principal of or interest on any such obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian shall not be authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the obligation or the specific payment of principal of or interest on the obligation evidenced by such depository receipt.

“Vice President,” when used with respect to the Bank or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title “vice president,” including an assistant vice president.

Section 1.2. Compliance Certificates and Opinions. Upon any application or written request by the Bank to the Trustee to take any action under any provision of this Indenture, the Bank shall furnish to the Trustee an Officers’ Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of counsel providing such Opinion all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance by or on behalf of the Bank with a condition or covenant provided for in this Indenture (except for the written statement required by Section 10.4) shall include

- (a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.3. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person,

it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to the other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Bank may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Bank stating that the information with respect to such factual matters is in the possession of the Bank, unless counsel providing such Opinion of Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4. Acts of Securityholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders or Securityholders of any series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Bank. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Bank, if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness to such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) If the Bank shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other action, the Bank may, at its option, by Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Bank shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Securities outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Securities Outstanding shall be computed as of the record date; provided that no such authorization, agreement or consent by the Holders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Bank in reliance thereon whether or not notation of such action is made upon such Security.

(f) Without limiting the foregoing, a Holder entitled hereunder to give or take any such action with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any different part of such principal amount.

Section 1.5. Notices, etc., to Trustee and Bank. Any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(a) the Trustee by any Securityholder or by the Bank shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Trust & Securities Services, or

(b) the Bank by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (except as otherwise expressly provided herein or, in the case of a request for repayment, as specified in the Security carrying the right to repayment) if in writing and mailed by courier to the Bank addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Bank.

Section 1.6. Notices to Securityholders; Waiver. Where this Indenture or any Security provides for notice to Securityholders of any event, such notice shall be sufficiently given (unless otherwise herein or in such Security expressly provided) if in writing and mailed, first-class postage prepaid, to each Securityholder affected by such event, at its address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest

date, prescribed for the giving of such notice. In any case where notice to Securityholders is given by mail, neither the inadvertent failure to mail such notice, nor any defect in any notice so mailed, to any particular Securityholder shall affect the sufficiency of such notice with respect to other Securityholders. Where this Indenture or any Security provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Securityholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or otherwise, it shall be impractical to mail notice of any event to any Securityholder when such notice is required to be given pursuant to any provision of this Indenture, then any method of notification as shall be satisfactory to the Trustee and the Bank shall be deemed to be a sufficient giving of such notice.

Section 1.7. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the Trust Indenture Act through the operation of Section 318(c) thereof, such imposed duties shall control.

Section 1.8. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.9. Successors and Assigns. All covenants and agreements in this Indenture by the Bank shall bind its successors and assigns, whether so expressed or not.

Section 1.10. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.11. Benefits of Indenture. Nothing in this Indenture or in any Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Authenticating Agent, any Paying Agent, the Security Registrar and the Securityholders (or such of them as may be affected thereby), any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.12. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the conflict of laws provisions thereof.

Section 1.13. Consent to Jurisdiction and Service of Process. (a) The Bank irrevocably consents to the nonexclusive jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States of America, and any appellate court from any thereof, and waives any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought by the Trustee or a Securityholder in connection with this Indenture or the Securities. The Bank irrevocably waives, to the fullest extent permitted by law, any objection to

any suit, action or proceeding that may be brought in connection with this Indenture or the Securities in such courts on the grounds of venue or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Bank agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Bank and may be enforced in any court to the jurisdiction of which the Bank is subject by a suit upon such judgment; provided that service of process is effected upon the Bank in the manner provided by this Indenture. Notwithstanding the foregoing, any suit, action or proceeding brought in connection with this Indenture or the Securities against the Bank may be instituted in any competent court in the Republic.

(b) The Bank agrees that service of all writs, process and summonses in any suit, action or proceeding brought in connection with this Indenture or the Securities against the Bank in any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, may be made upon CT Corporation System at 111 Eighth Avenue, New York, New York 10011, whom the Bank irrevocably appoints as its authorized agent for service of process. The Bank represents and warrants that CT Corporation System, the Bank's authorized representative in the United States, has agreed to act as the Bank's agent for service of process. The Bank agrees that such appointment shall be irrevocable so long as any of the Securities remain outstanding or until the irrevocable appointment by the Bank of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor. The Bank further agrees to take any and all action, including the filing of any and all documents and instruments that may be necessary to continue such appointment in full force and effect as aforesaid. If CT Corporation System shall cease to act as the agent for service of process for the Bank, the Bank shall appoint without delay another such agent and provide prompt written notice to the Trustee of such appointment. With respect to any such action in any court of the State of New York or any United States Federal court, in each case, in the Borough of Manhattan, The City of New York, service of process upon CT Corporation System as the authorized agent of the Bank for service of process, and written notice of such service to the Bank, shall be deemed, in every respect, effective service of process upon the Bank.

(c) Nothing in this Section shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

Section 1.14. Waiver of Immunity. To the extent that the Bank or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or from other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, instituted in any state or federal court in the Borough of Manhattan, the City of New York, New York, or any competent court in Chile, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Indenture or the Securities brought by the Trustee or a Securityholder, the Bank, to the fullest extent permitted by law, hereby

irrevocably and unconditionally waives and agrees not to plead or claim any such immunity and consents to such relief and enforcement.

Section 1.15. Legal Holidays. In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date or Stated Maturity, and no interest, shall accrue on such payment for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

Section 1.16. Judgment Currency. The Bank agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, on the Securities of any series (the “Required Currency”) into a currency in which a judgment will be rendered (the “Judgment Currency”), the rate of exchange used shall be the rate at which, in accordance with normal banking procedures, the Trustee could purchase the Required Currency with the Judgment Currency and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture.

Section 1.17. Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 1.18. No Recourse Against Others. A director, officer, employee or shareholder, as such, of the Bank, shall not have liability for any obligations of the Bank under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

ARTICLE 2

Security Forms

Section 2.1. Forms Generally. The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends

or endorsements placed thereon as may be required to comply with applicable laws or regulations or with the rules of any securities exchange, or as may, consistently herewith, be determined by the person or persons executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities, subject, with respect to the Securities of any series, to the rules of any securities exchange on which such Securities are listed.

Section 2.2. Forms of Securities. Certain provisions relating to the Securities of each series are set forth in Appendix A, which is hereby incorporated in and expressly made part of this Indenture. Each Security shall be in the form of Exhibit A hereto or in one of the forms approved from time to time by or pursuant to a Board Resolution or established in one or more indentures supplemental hereto. Prior to the delivery of a Security to the Trustee for authentication in any form approved by or pursuant to a Board Resolution, the Bank shall deliver to the Trustee the Board Resolution by or pursuant to which such form of Security has been approved, which Board Resolution shall have attached thereto a true and correct copy of the form of Security which has been approved thereby or, if a Board Resolution authorizes a specific person or persons to approve a form of Security, a certificate of such person or persons approving the form of Security attached thereto. Any form of Security approved by or pursuant to a Board Resolution must be acceptable as to form to the Trustee, such acceptance to be evidenced by the Trustee's authentication of Securities in that form or a certificate signed by a Responsible Officer of the Trustee and delivered to the Bank.

Section 2.3. Form of Trustee's Certificate of Authentication. The form of Trustee's Certificate of Authentication for any Security issued pursuant to this Indenture shall be substantially as follows:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

DEUTSCHE BANK TRUST COMPANY
AMERICAS,

as Trustee,

By:

Authorized Signatory

Section 2.4. Securities Issuable in the Form of a Global Security. (a) If the Bank shall establish pursuant to Sections 2.2 and 3.1 that the Securities of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Bank shall execute and the Trustee or its agent shall, in accordance with Section 3.3 and the Bank Request delivered to the Trustee or its agent thereunder, authenticate and make available for delivery such Global Security or Securities which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, the Outstanding Securities of such series to be represented by such Global Security or Securities or such portion thereof as the Bank shall specify in a Bank Request, (ii) shall be registered in the name of the Depositary for such Global Security or Securities or its nominee, (iii) shall be held by the Trustee as custodian for the Depositary or pursuant to the Depositary's instruction and (iv) shall bear a Global Securities Legend (as defined in Appendix A).

(b) Notwithstanding any other provisions of this Section 2.4 or of Section 3.5, but subject to the provisions of paragraph (c) below and Appendix A, unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for individual Securities, a Global Security may be transferred, in whole but not in part and in the manner provided in Section 3.5, only to a nominee of the Depositary for such Global Security, to the Depositary, to a successor Depositary for such Global Security selected or approved by the Bank or to a nominee of such successor Depositary.

(c) (i) If at any time the Depositary for a Global Security notifies the Bank that it is unwilling or unable to continue as Depositary for such Global Security or if at any time the Depositary for the Securities for such series ceases to be a clearing agency registered under the Exchange Act or other applicable statute or regulation, the Bank shall appoint a successor Depositary with respect to such Global Security. If a successor Depositary for such Global Security is not appointed by the Bank within 90 days after the Bank receives such notice or becomes aware of such ineligibility, the Bank will execute, and the Trustee or its agent, upon receipt of a Bank Request for the authentication and delivery of individual Securities of such series in exchange for such Global Security, will authenticate and make available for delivery, individual Securities of such series of like tenor and terms in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security.

(ii) The Bank may at any time and in its sole discretion determine that the Securities of any series or portion thereof issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Bank will execute, and the Trustee, upon receipt of a Bank Request for the authentication and delivery of individual Securities of such series in exchange in whole or in part for such Global Security, will authenticate and make available for delivery individual Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Security or Securities representing such series or portion thereof in exchange for such Global Security or Securities.

(iii) If an Event of Default under the Securities of any series has occurred and is continuing and all principal of and premium, if any, and accrued interest on such Securities shall have become immediately due and payable as provided by Section 5.2 and the Trustee has been advised by counsel that in connection with such Event of Default it is necessary or appropriate for the Trustee or the Securityholders to obtain possession of such Securities, the Trustee may, in the reasonable exercise of its discretion, determine that the Securities of such series represented by Global Securities shall no longer be represented by such Global Securities. In such event, the Bank agrees to execute and the Trustee will authenticate and deliver, in exchange for such Global Securities, individual Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Securities representing such series or portion thereof.

(iv) If specified by the Bank pursuant to Sections 2.2 and 3.1 with respect to Securities issued or issuable in the form of one or more Global Securities or as set forth in Appendix A, the Depositary for such Global Security or Securities may surrender such Global Security or Securities in exchange in whole or in part for individual Securities of such series of like tenor and terms in definitive form on such terms as are acceptable to the Bank and such Depositary. Thereupon the Bank shall execute, and the Trustee or its agent shall authenticate and make available for delivery, without service charge, (A) to each Person specified by such Depositary a new Security or Securities of the same series of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security or Securities; and (B) to such Depositary a new Global Security or Securities of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Global Security or Securities and the aggregate principal amount of Securities delivered to the Holders thereof.

(v) In any exchange provided for in any of the preceding four paragraphs or in Appendix A, the Bank will execute and the Trustee or its agent will authenticate and make available for delivery individual Securities in definitive registered form in authorized denominations. Upon the exchange of the entire principal amount of a Global Security for individual Securities, such Global Security shall be cancelled by the Trustee or its agent. Except as provided in the preceding paragraph or in Appendix A, Securities issued in exchange for a Global Security pursuant to this Section (A) shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or the Security Registrar and (B) shall bear any legend set forth on such Global Security (other than a legend

relating to such Global Security's status as a Global Security) or which is reasonably necessary to comply with applicable law. The Trustee or the Security Registrar shall deliver such Securities to the Persons in whose names such Securities are so registered.

(d) Subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability.

ARTICLE 3

The Securities

Section 3.1. General Title; General Limitations; Issuable in Series; Terms of Particular Series. The aggregate principal amount of Securities which may be authenticated and delivered and Outstanding under this Indenture is not limited.

The Securities may be issued in one or more series up to an aggregate principal amount of Securities as from time to time may be authorized by the Board of Directors. All Securities of each series under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction on account of the actual time of the authentication and delivery or Stated Maturity of the Securities of such series.

Each series of Securities shall be created either by or pursuant to a Board Resolution or by or pursuant to an indenture supplemental hereto. The Securities of each such series may bear such date or dates, be payable at such place or places, have such Stated Maturity or Maturities, be issuable at such premium over or discount from their face value, bear interest at such rate or rates (which may be fixed or floating), from such date or dates, payable in such installments and on such dates and at such place or places to the Securityholders registered as such on the related Regular Record Dates, or may bear no interest, and may be redeemable or repayable at such Redemption Price or Prices or Repayment Price or Prices, as the case may be, whether at the option of the Holder or otherwise, and upon such terms, all as shall be provided for in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating that series. Notwithstanding any statement in the Indenture to the contrary, the Bank will not issue additional new Securities that are treated for non-tax purposes as a single series with the original new Securities but are treated as a separate series for U.S. federal income tax purposes. There may also be established in or pursuant to a Board Resolution or in or pursuant to a supplemental indenture prior to the issuance of Securities of each such series, provision for:

(a) the exchange or conversion of the Securities of that series, at the option of the Holders thereof, for or into new Securities of a different series or other securities or other property, including shares of capital stock of the Bank or any Subsidiary of the Bank or securities directly or indirectly convertible into or exchangeable for any such shares;

(b) a sinking or purchase fund or other analogous obligation;

(c) if other than U.S. dollars, the currency or currencies or units based on or related to currencies (including Euros) in which the Securities of such series shall be denominated and in which payments of principal of, and any premium and interest on, such Securities shall or may be payable;

(d) if the principal of (and premium, if any) or interest, if any, on the Securities of such series are to be payable, at the election of the Bank or a holder thereof, in a currency or currencies or units based on or related to currencies (including Euros) other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made;

(e) if the amount of payments of principal of (and premium, if any) or interest, if any, on the Securities of such series may be determined with reference to an index based on (i) a currency or currencies or units based on or related to currencies (including Euros) other than that in which the Securities are stated to be payable, (ii) changes in the price of one or more other securities or groups or indexes of securities or (iii) changes in the prices of one or more commodities or groups or indexes of commodities, or any combination of the foregoing, the manner in which such amounts shall be determined;

(f) if the aggregate principal amount of the Securities of that series is to be limited, such limitations;

(g) the exchange of Securities of that series, at the option of the Holders thereof, for other Securities of the same series of the same aggregate principal amount of a different authorized kind or different authorized denomination or denominations, or both;

(h) the appointment by the Trustee of an Authenticating Agent in one or more places other than the location of the office of the Trustee with power to act on behalf of the Trustee and subject to its direction in the authentication and delivery of the Securities of any one or more series in connection with such transactions as shall be specified in the provisions of this Indenture or in or pursuant to the Board Resolution or the supplemental indenture creating such series;

(i) the portion of the principal amount of Securities of the series, if other than the total principal amount thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2 or provable in bankruptcy pursuant to Section 5.4;

(j) any Event of Default with respect to the Securities of such series, if not set forth herein and any additions, deletions or other changes to the Events of Default set forth herein that shall be applicable to the Securities of such series (including a provision making any Event of Default set forth herein inapplicable to the Securities of that series);

(k) any covenant solely for the benefit of the Securities of such series and any additions, deletions or other changes to the provisions of Article Ten or any definitions relating to such Article that shall be applicable to the Securities of such series (including

a provision making any Section of such Article inapplicable to the Securities of such series);

(l) applicability of Article Twelve of this Indenture to the Securities of such series;

(m) if the Securities of the series shall be issued in whole or in part in the form of a Global Security or Global Securities, the terms and conditions, if any, upon which such Global Security or Global Securities may be exchanged in whole or in part for other individual Securities; and the Depositary for such Global Security or Global Securities (if other than the Depositary specified in Section 1.1 hereof);

(n) the subordination of the Securities of such series to any other indebtedness of the Bank, including the Securities of any other series;

(o) whether such Securities shall be issued as part of a new or existing series of Securities and the title of such Securities (which shall distinguish the Securities of the series from Securities of another series); and

(p) any other terms of the series, which shall not be inconsistent with the provisions of this Indenture,

all upon such terms as may be determined in or pursuant to a Board Resolution or in or pursuant to a supplemental indenture with respect to such series. All Securities of the same series shall be substantially identical in tenor and effect, except as to denomination.

The form of the Securities of each series shall be established pursuant to the provisions of this Indenture in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating such series. The Securities of each series shall be distinguished from the Securities of each other series in such manner, reasonably satisfactory to the Trustee, as the Board of Directors may determine.

Unless otherwise provided with respect to Securities of a particular series, the Securities of any series may only be issuable in registered form, without coupons.

Any terms or provisions in respect of the Securities of any series issued under this Indenture may be determined pursuant to this Section by providing in a Board Resolution or supplemental indenture for the method by which such terms or provisions shall be determined.

Section 3.2. Denominations. The Securities of each series shall be issuable in such denominations and currency as shall be provided in the provisions of this Indenture or in or pursuant to the Board Resolution or in or pursuant to the supplemental indenture creating such series. In the absence of any such provisions with respect to the Securities of any series, the Securities of that series shall be issuable only in U.S. dollars in fully registered form without coupons in denominations of \$1,000 and any integral multiple thereof.

Section 3.3. Execution, Authentication and Delivery and Dating. The Securities shall be executed on behalf of the Bank by any two of the following: its Chairman of

the Board, its Vice Chairman of the Board, its President, one of its Vice Presidents, its Treasurer, its Secretary or one of its Assistant Secretaries, its principal financial officer, its principal accounting officer or any other officer, employee or agent of the Bank duly authorized by or pursuant to a Board Resolution to execute the Securities. The signature of any of these officers, employees or agents on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers, employees or agents of the Bank shall bind the Bank, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Bank may deliver Securities executed by the Bank to the Trustee for authentication; and the Trustee shall, upon Bank Order, authenticate and make available for delivery such Securities as provided in this Indenture and not otherwise.

Prior to any such authentication and delivery, the Trustee shall be entitled to receive, in addition to any Officers' Certificate and Opinion of Counsel required to be furnished to the Trustee pursuant to Section 1.2, and the Board Resolution and any certificate relating to the issuance of the series of Securities required to be furnished pursuant to Section 2.2, an Opinion of Counsel stating that:

(a) all laws and requirements with respect to the execution and delivery by the Bank of such Securities have been complied with, the Bank has the corporate power to issue such Securities and such Securities have been duly authorized and delivered by the Bank and, assuming due authentication and delivery by the Trustee, constitute legal, valid and binding obligations of the Bank enforceable in accordance with their terms (subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity) and entitled to the benefits of this Indenture, equally and ratably with all other Securities, if any, of such series Outstanding;

(b) the Indenture is qualified under the Trust Indenture Act or the Indenture is not required to be so qualified; and

(c) such other matters as the Trustee may reasonably request;

and, if the authentication and delivery relates to a new series of Securities created by an indenture supplemental hereto, also stating that all laws and requirements with respect to the form and execution by the Bank of the supplemental indenture with respect to that series of Securities have been complied with, the Bank has corporate power to execute and deliver any such supplemental indenture and has taken all necessary corporate action for those purposes and any such supplemental indenture has been executed and delivered and constitutes the legal, valid and binding obligation of the Bank enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity).

The Trustee shall not be required to authenticate such Securities if the issue thereof will adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture.

Unless otherwise provided in the form of Security for any series, all Securities shall be dated the date of their authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature of an authorized officer, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 3.4. Temporary Securities. Pending the preparation of definitive Securities of any series, the Bank may execute, and, upon receipt of the documents required by Section 3.3, together with a Bank Order, the Trustee shall authenticate and make available for delivery, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. In the case of Securities of any series, such temporary Securities may be in global form.

If temporary Securities of any series are issued, the Bank will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Bank in a Place of Payment, without charge to the Holder; and upon surrender for cancellation of any one or more temporary Securities the Bank shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Securities of such series of authorized denominations and of like tenor and terms. Until so exchanged the temporary Securities of such series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Upon any exchange of a portion of a temporary Global Security for a definitive Global Security or for the individual Securities represented thereby pursuant to this Section 3.4 or Section 3.5, the temporary Global Security shall be endorsed by the Trustee to reflect the reduction of the principal amount evidenced thereby, whereupon the principal amount of such temporary Global Security shall be reduced for all purposes by the amount so exchanged and endorsed.

Section 3.5. Registration, Transfer and Exchange. The Bank shall keep or cause the Trustee as registrar and transfer agent for the Securities to keep a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Bank shall provide for the registration of Securities, or of Securities of a particular series, and for transfers of Securities or of Securities of such series. Any such register shall be in written form or in any other form capable of being converted into

written form within a reasonable time. If the Bank maintains such Security Register, at all reasonable times the information contained in such register or registers shall be available for inspection by the Trustee at the office or agency to be maintained by the Bank as provided in Section 10.2.

Subject to Section 2.4, upon surrender for transfer of any Security of any series at the office or agency of the Bank in a Place of Payment, the Bank shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Securities of such series of any authorized denominations, of a like aggregate principal amount and Stated Maturity and of like tenor and terms.

Subject to Section 2.4, at the option of the Holder, Securities of any series may be exchanged for other Securities of such series of any authorized denominations, of a like aggregate principal amount and Stated Maturity and of like tenor and terms, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Bank shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Securityholder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Bank, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Bank or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Bank and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise provided in the Security to be transferred or exchanged, no service charge shall be made on any Securityholder for any registration of transfer or exchange of Securities, but the Bank may (unless otherwise provided in such Security) require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities, other than exchanges pursuant to Section 3.4 or 9.6 not involving any transfer.

The Bank shall not be required (i) to issue, transfer or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of such series selected for redemption under Section 12.3 and ending at the close of business on the date of such mailing, (ii) to transfer or exchange any Security so selected for redemption in whole or in part, except for the portion of such Security not so selected for redemption or (iii) to transfer or exchange any Security between any Regular Record Date and the related Interest Payment Date.

None of the Bank, the Trustee, any agent of the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Neither the Bank nor the Trustee shall have any responsibility or obligation to any participant in the Depositary, any Person claiming a beneficial ownership interest in the Securities under or through the Depositary or any such participant, or any other Person which is not shown on the Security Register as being a Holder, with respect to (i) the Securities; (ii) the accuracy of any records maintained by the Depositary or any such participant; (iii) the payment by the Depositary or any such participant of any amount in respect to the principal of or premium or interest on the Securities; (iv) any notice which is permitted or required to be given to Securityholders under this Indenture; or (v) any consent given or other action taken by the Depositary as Holder of Securities.

The Bank initially appoints the Trustee to act as Security Registrar for the Securities on its behalf. The Bank may at any time and from time to time authorize any Person to act as Security Registrar in place of the Trustee with respect to any series of Securities issued under this Indenture.

Section 3.6. Mutilated, Destroyed, Lost and Stolen Securities. If (i) any mutilated Security is surrendered to the Trustee or the Bank, and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Security, and (ii) there is delivered to the Bank and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Bank or the Trustee that such Security has been acquired by a bona fide purchaser, the Bank shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security or in exchange for such mutilated Security, a new Security of like tenor, series, Stated Maturity and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Bank in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of, any new Security under this Section, the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security or in exchange for such mutilated Security shall constitute an original additional contractual obligation of the Bank, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series duly issued hereunder.

The provisions, of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 3.7. Payment of Interest; Interest Rights Preserved. Unless otherwise provided with respect to such Security pursuant to Section 3.1, interest on any Security which is

payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called “Defaulted Interest”) shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of its having been such Holder; and, except as hereinafter provided, such Defaulted Interest may be paid by the Bank, at its election in each case, as provided in clause (a) or clause (b) below:

(a) The Bank may elect to make payment of any Defaulted Interest to the Persons in whose names any such Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Bank shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security and the date of the proposed payment, and at the same time the Bank shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Bank of such Special Record Date and, in the name and at the expense of the Bank, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of each such Security at its address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Bank may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Bank to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

If any installment of interest on any Security, the Interest Payment Date of which is on or prior to the Redemption Date for such Security, is not paid or duly provided for on or prior to such Redemption Date in accordance with the foregoing provisions of this Section, such interest shall be payable as part of the Redemption Price of such Security.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.8. Taxation. (a) All payments of or in respect of principal, interest and premium, if any, on each Security and all payments to the Trustee under Section 6.7 shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, fines, penalties, assessments or other governmental charges of whatever nature (or interest on any of the foregoing) (collectively, "Taxes") imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic (or any political subdivision or governmental authority thereof or therein having power to tax) or any other jurisdiction from or through which the Bank makes any payment under the Securities (or any political subdivision or governmental authority thereof or therein having power to tax), unless such withholding or deduction is required by law. In that event, the Bank will pay the Holders of such Securities or the Trustee, as the case may be, such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amounts received by the Holders of such Securities or the Trustee, as the case may be, including Additional Amounts, after such withholding or deduction shall not be less than the respective amounts of principal, interest and premium, if any, that would have been received in respect of such Securities in the case of the Holders, or pursuant to Section 6.7, in the case of the Trustee, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any Security (i) in the case of payments for which presentation of such Security is required, presented for payment more than 30 days after the later of (x) the date on which such payment first became due and (y) if the full amount payable has not been received in the Place of Payment by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Securityholders by the Trustee, except to the extent that the Securityholder would have been entitled to such Additional Amounts on presenting such Security for payment on the last day of such 30-day period; (ii) held by or on behalf of a Securityholder who is liable for taxes, duties, fines, penalties, assessments or other governmental charges imposed in respect of such Securities by reason of such Holder having some present or former, direct or indirect, connection with the Republic (or any political subdivision or governmental authority thereof or therein), or any other jurisdiction from or through which the Bank makes any payment under the Securities (or any political subdivision or governmental authority thereof or therein having power to tax) imposing such tax other than the mere holding of such Security or the receipt of principal, interest or premium, if any, in respect thereof; or (iii) any combination of (i) and (ii). All references in this Indenture to principal, interest, premium and other amounts payable hereunder shall be deemed to include references to any Additional Amounts payable under this Section with respect to such principal, interest, premium or other amounts. Refunds, if any, of taxes with respect to which the Bank pays Additional Amounts shall be for the account of the Bank

(b) The Bank shall promptly pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the initial execution, delivery or registration of each Security or any other document or instrument referred to herein or therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of the Republic and except as provided in Section 3.5. The Bank shall indemnify and make whole the Securityholders for any

such stamp, transfer, court or documentary taxes or other excise or property taxes, charges or similar levies payable by the Bank as provided in this clause (b) paid by such Holders. Without limiting the generality of the foregoing, the Bank shall pay the stamp tax imposed on the aggregate principal amount of any Securities of any series issued hereunder within such time period as may be required by applicable law.

(c) At least 10 Business Days prior to the first Interest Payment Date for the Securities of each series, and, if there has been any change with respect to the matters set forth in the below-mentioned certificate, at least 10 Business Days prior to each Interest Payment Date for the Securities of such series, the Bank shall furnish to the Trustee an Officers' Certificate instructing the Trustee as to any circumstances in which payments of principal of, premium, if any, or interest on any Securities of such series (including Additional Amounts) due on such date shall be subject to deduction or withholding for or on account of any taxes and the rate of any such deduction or withholding. The Bank covenants to indemnify the Trustee and any other Paying Agents for, and to hold each harmless against, any loss, liability or expense reasonably incurred without negligence, bad faith or willful misconduct on their part, arising out of or in connection with actions taken or not taken by any of them in reliance on any certificate furnished to them pursuant to this paragraph or the failure to furnish any such certificate. The obligations of the Bank under the preceding sentence shall survive payment of all the Securities of such series, the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee, the Registrar or any Paying Agent. Any certificate required by this Section to be provided to the Trustee and any other Paying Agent shall be deemed to be duly provided if telecopied to the Trustee and such other Paying Agent. Upon request, the Bank shall provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of taxes in respect of which the Bank has paid any Additional Amounts. Copies of such documentation shall be made available by the Trustee to the Holders or the other Paying Agents, as applicable, upon request therefor.

Section 3.9. Persons Deemed Owners. The Bank, the Trustee and any agent of the Bank or the Trustee may treat the Person in whose name any Security is registered in the Security Register as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any), and (subject to Section 3.7) interest on, such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Bank, the Trustee nor any agent of the Bank or the Trustee shall be affected by notice to the contrary.

Section 3.10. Cancellation. All Securities surrendered for payment, redemption, transfer, conversion or exchange or credit against a sinking fund, if any, shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by the Trustee. The Bank may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Bank may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Security shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. The Trustee shall dispose of all cancelled Securities in accordance with its customary procedures and shall deliver a certificate of such disposition to the Bank; provided, however, that the Trustee shall not be required to destroy such cancelled Securities.

Section 3.11. Computation of Interest. Unless otherwise provided as contemplated in Section 3.1, interest on the Securities of each series shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 3.12. Medium-term Securities. Notwithstanding any contrary provision herein, if all Securities of a series are not to be originally issued at one time, it shall not be necessary for the Bank to deliver to the Trustee an Officers' Certificate, Board Resolution, supplemental indenture, Opinion of Counsel or Bank Request otherwise required pursuant to Sections 2.2, 3.1 and 3.3 at or prior to the time of authentication of each Security of such series if such documents are delivered to the Trustee or its agent at or prior to the authentication upon original issuance of the first Security of such series to be issued; provided that any subsequent request by the Bank to the Trustee to authenticate Securities of such series upon original issuance shall constitute a representation and warranty by the Bank that as of the date of such request, the statements made in the Officers' Certificate delivered pursuant to Section 1.2 shall be true and correct as if made on such date.

An Officers' Certificate, supplemental indenture or Board Resolution delivered by the Bank to the Trustee in the circumstances set forth in the preceding paragraph may provide that Securities which are the subject thereof will be authenticated and delivered by the Trustee or its agent on original issue from time to time upon the telephonic instruction or written order of a person or persons designated in such Officers' Certificate, Board Resolution or supplemental indenture (any such telephonic instructions to be confirmed promptly in writing by such person or persons) and that such person or persons are authorized to determine, consistent with such Officers' Certificate, supplemental indenture or Board Resolution, such terms and conditions of said Securities as are specified in such Officers' Certificate, supplemental indenture or Board Resolution.

Section 3.13. CUSIP Numbers. The Bank in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Securityholders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Bank will promptly notify, and in any event within ten (10) Business Days, the Trustee of any change in the "CUSIP" numbers.

ARTICLE 4

Satisfaction and Discharge

Section 4.1. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to any series of Securities (except as to any surviving rights of conversion, transfer or exchange of Securities of such series expressly provided for herein or in the form of Security for such series), and the Trustee, on demand of and at the expense of the Bank, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when

(a) either

(i) all Securities of that series theretofore authenticated and delivered (other than (i) Securities of such series which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, and (ii) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Bank and thereafter repaid to the Bank or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee cancelled or for cancellation; or

(ii) all such Securities of that series not theretofore delivered to the Trustee cancelled or for cancellation

(A) have become due and payable, or

(B) will become due and payable at their Stated Maturity within one year, or

(C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Bank,

and the Bank, in the case of (A), (B) or (C) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee cancelled or for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Securities which have become due and payable), or to the Stated Maturity or Redemption Date, as the case may be;

(b) the Bank has paid or caused to be paid all other sums payable hereunder by the Bank with respect to the Securities of such series;

(c) the Bank has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with; and

(d) the Bank shall have delivered to the Trustee an Opinion of Counsel to the effect that payment of amounts deposited in trust with the Trustee as provided in clause (a) hereof will not be subject to future taxes, duties, fines, penalties, assessments or other governmental charges imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic or any political subdivision or governmental authority of either or in either having power to tax, except to the extent that Additional Amounts in respect thereof shall have been deposited in trust with the Trustee as provided in clause (a) hereof.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the obligations of the Bank to the Trustee with respect to that series under Section 6.7 shall survive and the obligations of the Trustee under Sections 4.2 and 10.3 shall survive.

Section 4.2. Application of Trust Money. All money and obligations deposited with the Trustee pursuant to Section 4.1 or Article Twelve and all money received by the Trustee in respect of such obligations shall be held in trust and applied by it, in accordance with the provisions of the series of Securities in respect of which it was deposited and this Indenture, to the payment, either directly or through any Paying Agent (including the Bank acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money and obligations have been deposited with or received by the Trustee; but such money and obligations need not be segregated from other funds except to the extent required by law.

ARTICLE 5

Remedies

Section 5.1. Events of Default. “Event of Default,” wherever used herein, means

(a) with respect to any series of Senior Securities any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is either inapplicable to a particular series (to the extent expressly provided in the form of Senior Security for such series) or it is specifically deleted or modified in the supplemental indenture creating such series of Senior Securities or in the form of Senior Security for such series:

(i) default by the Bank in the payment of any principal of the Senior Securities of that series when due and payable, whether at Maturity, upon redemption or otherwise; or

(ii) default by the Bank in the payment of any interest or any Additional Amounts when due and payable on any Senior Security of that series and the continuance of such default for a period of 30 days; or

(iii) default in the performance or observance of any other term, covenant, warranty or obligation of the Bank in the Senior Securities of such series or this Indenture, not otherwise expressly defined as an Event of Default in (i) or (ii) above, and the continuance of such default for more than 60 days after there has been given, by registered or certified mail, to the Bank by the Trustee or by Holders of at least 25% in aggregate principal amount of the Senior Securities of that series then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder; or

(iv) any event of default by the Bank or any Subsidiary that causes any Indebtedness of the Bank or any Subsidiary to become due and repayable prematurely, the failure of the Bank or any Subsidiary to make any payment in respect of any Indebtedness on the due date for such payment or within any originally applicable grace period, any steps taken to enforce any security given by the Bank or any Subsidiary for any Indebtedness that has become, or the default of the Bank or any Subsidiary in making any payment when due (or within any originally applicable grace period in respect thereof) under any guarantee and/or indemnity given by the Bank or any Subsidiary (as the case may be) in relation to any Indebtedness of any other person, provided that no such event as aforesaid shall constitute an Event of Default unless such Indebtedness either alone or when aggregated with other Indebtedness in respect of which one or more of the events mentioned in this paragraph (iv) has occurred shall amount to at least U.S.\$40,000,000 (or its equivalent in any other currency on the basis of the middle spot rate for any relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(v) the entry of an order for relief against the Bank under any Bankruptcy Law by a court or regulatory entity having jurisdiction in the premises or a decree or order by a court or regulatory entity having jurisdiction in the premises adjudging the Bank a bankrupt or insolvent under any other applicable law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Bank under any Bankruptcy Law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official under any Bankruptcy Law, including a “*síndico*”) of the Bank or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(vi) the consent by the Bank to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, or the consent by it to the filing of any such petition or to the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official under any Bankruptcy Law, including a “*síndico*”) of the Bank or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Bank in furtherance of any such action; or

(vii) any other Event of Default provided in the supplemental indenture or Board Resolutions under which such series of Senior Securities is issued or in the form of Senior Security for such series.

(b) with respect to any series of Subordinated Securities any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment,

decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is either inapplicable to a particular series (to the extent expressly provided in the form of Subordinated Security for such series) or it is specifically deleted or modified in the supplemental indenture or Board Resolutions creating such series of Subordinated Securities or in the form of Subordinated Security for such series:

(i) default by the Bank in the payment of any principal of the Subordinated Securities of that series when due and payable, whether at Maturity or otherwise, and the continuance of such default for a period of 30 days; or

(ii) default by the Bank in the payment of any interest or any Additional Amounts when due and payable on any Subordinated Security of that series and the continuance of such default for a period of 30 days; or

(iii) default in the performance or observance of any other term, covenant, warranty or obligation of the Bank in the Subordinated Securities of such series or this Indenture, not otherwise expressly defined as an Event of Default in (i) or (ii) above, and the continuance of such default for more than 60 days after there has been given, by registered or certified mail, to the Bank by the Trustee or by Holders of at least 25% in aggregate principal amount of the Subordinated Securities of that series then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(iv) the entry of an order for relief against the Bank under any Bankruptcy Law by a court or regulatory entity having jurisdiction in the premises or a decree or order by a court or regulatory entity having jurisdiction in the premises adjudging the Bank a bankrupt or insolvent under any other applicable law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Bank under any Bankruptcy Law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official under any Bankruptcy Law, including a "sindico") of the Bank or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(v) the consent by the Bank to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, or the consent by it to the filing of any such petition or to the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official under any Bankruptcy Law, including a "sindico") of the Bank or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Bank in furtherance of any such action; or

(vi) any other Event of Default provided in the supplemental indenture or Board Resolution under which such series of Subordinated Securities is issued or in the form of Subordinated Security for such series.

The term “Bankruptcy Law” as used in this Section means (i) articles 120 et seq. of the Chilean Banking Law (D.F.L. 3 of 1997, as amended), (ii) the Chilean “Ley de Quiebras” (Law No. 18,175, as amended) or (iii) any other applicable law that amends, supplements or supersedes the Chilean Banking Law and/or the Ley de Quiebras, and any applicable bankruptcy, insolvency, reorganization or other similar law of any applicable jurisdiction.

Section 5.2. Acceleration of Maturity; Rescission and Annulment. If an Event of Default with respect to any series of Senior Securities described in paragraph (i), (ii), (iii), (iv) or, if applicable, (vii), of Section 5.1(a) occurs and is continuing with respect to the Senior Securities of any series, then and in each and every such case, unless the principal of all the Senior Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Senior Securities of such series then Outstanding hereunder (each such series acting as a separate class), by notice in writing to the Bank (and to the Trustee if given by Holders), may declare the principal amount (or, if the Senior Securities of such series are Original Issue Discount Securities, such portion of the principal amount of such Senior Securities as may be specified in the terms thereof) of all the Senior Securities of such series then Outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Senior Securities of such series contained to the contrary notwithstanding. If an Event of Default with respect to any series of Senior Securities described in paragraph (v) or (vi) of Section 5.1(a) occurs and is continuing, then the principal amount (or, if any Senior Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms thereof) of the Senior Securities then Outstanding and all accrued interest thereon shall, without any notice to the Bank or any other act on the part of the Trustee or any Holder of the Senior Securities, become and be immediately due and payable, anything in the Chilean Banking Law, this Indenture or in the Senior Securities contained to the contrary notwithstanding.

At any time after such a declaration of acceleration has been made with respect to the Senior Securities of any series and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Senior Securities of such series, by written notice to the Bank and the Trustee, may rescind and annul such declaration and its consequences if:

(a) the Bank has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue installments of interest on the Outstanding Senior Securities of such series;

(ii) the principal of (and premium, if any, on) any Outstanding Senior Securities of such series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed

therefor by the terms of the Senior Securities of such series, to the extent that payment of such interest is lawful;

(iii) interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Senior Securities of such series, to the extent that payment of such interest is lawful; and

(iv) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.7; and

(b) all Events of Default with respect to such series of Senior Securities, other than the nonpayment of the principal of the Senior Securities of such series which have become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee. The Bank covenants that if:

(a) default is made in the payment of any installment of interest on any Security of any series of Senior Securities when such interest becomes due and payable; or

(b) default is made in the payment of the principal of (or premium, if any, on) any such Security at the Maturity thereof; or

(c) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of any such series,

and any such default continues for any period of grace provided with respect to the Securities of such series, the Bank will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security of such series (or the Holders of any such series in the case of clause (c) above), the whole amount then due and payable on any such Security (or on the Securities of any such series in the case of clause (c) above) for principal (and premium, if any) and interest, with interest, to the extent that payment of such interest shall be legally enforceable, upon the overdue principal (and premium, if any) and upon overdue installments of interest, at such rate or rates as may be prescribed therefor by the terms of any such Security (or of Securities of any such series in the case of clause (c) above); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.7.

If the Bank fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Bank or any other obligor upon the Securities of such series and collect the money adjudged or decreed to be payable in the manner provided by law out of the property of the Bank or any other obligor upon such Securities of such series, wherever situated.

If an Event of Default with respect to any series of Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Securityholders of such series by such appropriate judicial proceedings as the Trustee in its sole discretion may determine or as the Securityholders of a majority of the aggregate principal amount of all Securities Outstanding shall direct the Trustee (after receiving such indemnification and advances for expenses from such Securityholders as the Trustee may require) in order to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law. However, under Chilean law, the Trustee will have no right to accelerate payments of principal or interest on the Subordinated Securities of any series upon the occurrence of or following an Event of Default.

No remedy conferred upon or reserved to the Trustee (or to the Securityholders) by this Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or otherwise to the Trustee or to the Securityholders or now or hereafter existing. No delay in exercising or omission to exercise any remedy, right or power accruing upon the occurrence of any Event of Default shall impair the remedy, right or power, or shall be construed to be a waiver of any Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient. No waiver of any Event of Default, whether by the Trustee or by the Securityholders, shall extend to or shall affect any subsequent Event of Default or shall impair any remedy, right or power consequent thereon.

Section 5.4. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Bank or any other obligor upon the Securities or the property of the Bank or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Bank for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceedings or otherwise,

(a) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary and advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.7) and of the Securityholders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official, including a “*síndico*”) in any such judicial proceeding is hereby authorized by each Securityholder to make such payment to the Trustee and in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan or reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

Section 5.5. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities of any series may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or, the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, be for the ratable benefit of the Holders of the Securities of the series in respect of which such judgment has been recovered.

Section 5.6. Application of Money Collected. Any money collected by the Trustee with respect to a series of Securities pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities of such series and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 6.7.

SECOND: To the payment of the amounts then due and unpaid upon the Securities of that series for principal (and premium, if any), interest and Additional Amounts, if any, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively.

Section 5.7. Limitation on Suits. No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or the Securities or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to Securities of such series;

(b) the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities of such series;

it being understood and intended that no one or more Securityholders of such series shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Securityholders of such series, or to obtain or to seek to obtain priority or preference over any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and proportionate benefit of all the Holders of all Securities of such series.

Section 5.8. Unconditional Right of Securityholders to Receive Principal, Premium and Interest. Notwithstanding any other provisions in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Sections 3.7 and 12.1) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on the Redemption Date or Repayment Date, as the case may be) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder; provided, however, that the rights of the Holders of Subordinated Securities of any series to obtain repayment of the Securities of such series is subject to applicable provisions of Chilean law providing for the mandatory conversion of the Securities, either in whole or in part, into shares of common stock of the Bank under certain circumstances, including circumstances relating to insolvency, reorganization or similar events.

Section 5.9. Restoration of Rights and Remedies. If the Trustee or any Securityholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, then and in every such case the Bank, the Trustee and the Securityholders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Securityholders shall continue as though no such proceeding had been instituted.

Section 5.10. Rights and Remedies Cumulative. Except as otherwise provided in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to

every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.11. Delay or Omission Not Waiver. No delay in exercising or omission to exercise any remedy, right or power accruing upon the occurrence of any Event of Default shall impair the remedy, right or power, or shall be construed to be a waiver of any Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient. No waiver of any Event of Default, whether by the Trustee or by the Securityholders, shall extend to or shall affect any subsequent Event of Default or shall impair any remedy or right consequent thereon.

Section 5.12. Control by Securityholders. The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series; provided that

(a) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken or would conflict with this Indenture or if the Trustee in good faith shall, by a Responsible Officer, determine that the proceedings so directed would involve it in personal liability or be unjustly prejudicial to the Holders not taking part in such direction, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.13. Waiver of Defaults. The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past or existing default hereunder with respect to such series and its consequences, except a default not theretofore cured

(a) in the payment of the principal of (or premium, if any) or interest on any Security of such series, or in the payment of any sinking or purchase fund or analogous obligation with respect to the Securities of such series, or

(b) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.14. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by its acceptance thereof shall be deemed to have agreed, that any

court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series to which the suit relates, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on or after the Redemption Date or Repayment Date).

Section 5.15. Waiver of Stay or Extension Laws. The Bank covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Bank (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 6

The Trustee

Section 6.1. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default with respect to any series of Securities,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture with respect to the Securities of such series, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may, with respect to Securities of such series, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(b) In case an Event of Default with respect to any series of Securities has occurred and is continuing, the Trustee shall exercise with respect to the Securities of such series

such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 6.2. Notice of Defaults. Within 90 days after the Trustee becomes aware of any default hereunder with respect to Securities of any series, the Trustee shall transmit by mail to all Securityholders of such series, as their names and addresses appear in the Security Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived and in the case of any series of Subordinated Securities such notice shall state that no acceleration of the Securities is permitted under Chilean law; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or any interest or Additional Amounts on any Security of such series or in the payment of any sinking or purchase fund installment or analogous obligation with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Securityholders of such series; and provided further that in the case of any default of the character specified in Section 5.1(a)(iii) and 5.1(b)(iii) with respect to Securities of such series

no such notice to Securityholders of such series shall be given until at least 30 days after the occurrence of all of the conditions thereof. For the purpose of this Section, the term “default,” with respect to Securities of any series, means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 6.3. Certain Rights of Trustee. Except as otherwise provided in Section 6.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Bank mentioned herein shall be sufficiently evidenced by a Bank Request or Bank Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Securityholders pursuant to this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Bank, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(i) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture.

Section 6.4. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities or any other document in connection with the sale of the Securities, except for certificates executed and delivered by the Trustee in connection herewith, including the certificates of authentication, and any documents attached to such certificates, shall be taken as the statements of the Bank, and the Trustee assumes no responsibility for their correctness. The Trustee shall not be responsible for and makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Bank of Securities or the proceeds thereof, and it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee.

Section 6.5. May Hold Securities. The Trustee, any Paying Agent, the Security Registrar or any other agent of the Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.8 and 6.13, may otherwise deal with the Bank with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 6.6. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Bank.

Section 6.7. Compensation and Reimbursement. The Bank agrees

(a) to pay to the Trustee from time to time such compensation as the Bank and the Trustee shall from time to time agree to in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and

(c) to indemnify the Trustee and any predecessor Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or willful

misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Bank under this Section, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest on particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(a)(v), Section 5.1(a)(vi), Section 5.1(b)(iv) or Section 5.1(b)(v), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section 6.7 shall survive payment in full of the Securities, the resignation or removal of the Trustee and the termination of this Indenture.

Section 6.8. Disqualification; Conflicting Interests. The Trustee for the Securities of any series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act during the period of time provided for therein. In determining whether the Trustee has a conflicting interest as defined in Section 310(b) of the Trust Indenture Act with respect to the Securities of any series, there shall be excluded for purposes of the conflicting interest provisions of such Section 310(b) the Securities of every other series issued under this Indenture. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

Section 6.9. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder with respect to each series of Securities, which shall be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by United States Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to any series of Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.10. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign with respect to any series of Securities at any time by giving written notice thereof to the Bank. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed with respect to any series of Securities at any time by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series, delivered to the Trustee and to the Bank. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the delivery of such Act, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 310(b) of the Trust Indenture Act pursuant to Section 6.8 with respect to any series of Securities after written request therefor by the Bank or by any Securityholder who has been a bona fide Holder of a Security of that series for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 6.9 with respect to any series of Securities and shall fail to resign after written request therefor by the Bank or by any such Securityholder, or

(iii) the Trustee shall become incapable of acting with respect to any series of Securities, or

(iv) the Trustee shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Bank by a Board Resolution may remove the Trustee, with respect to the Securities of that series, or in the case of clause (iv), with respect to all series, or (B) subject to Section 5.14, any Securityholder who has been a bona fide Holder of a Security of such series for at least 6 months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to the series, or, in the case of clause (iv), with respect to all series.

(e) If the Trustee shall resign, be removed or become incapable of acting with respect to any series of Securities, or if a vacancy shall occur in the office of the Trustee with respect to any series of Securities for any cause, the Bank, by a Board Resolution, shall promptly appoint a successor Trustee for that series of Securities. If, within one year after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor Trustee with respect to such series of Securities shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities of such series delivered to the Bank and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance

of such appointment, become the successor Trustee with respect to such series and supersede the successor Trustee appointed by the Bank with respect to such series. If no successor Trustee with respect to such series shall have been so appointed by the Bank or the Securityholders of such series and accepted appointment in the manner hereinafter provided, any Securityholder who has been a bona fide Holder of a Security of that series for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(f) The Bank shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Securityholders of that series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 6.11. Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Bank and to the predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective with respect to any series as to which it is resigning or being removed as Trustee, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the predecessor Trustee with respect to any such series; but, on request of the Bank or the successor Trustee, such predecessor Trustee shall, upon payment of its reasonable charges, if any, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the predecessor Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such predecessor Trustee hereunder with respect to all or any such series, subject nevertheless to its lien, if any, provided for in Section 6.7. Upon request of any such successor Trustee, the Bank shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Bank, the predecessor Trustee and each successor Trustee with respect to the Securities of any applicable series may execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not being succeeded shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee with respect to any series of Securities shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible with respect to that series under this Article.

Section 6.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and make available for delivery the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 6.13. Preferential Collection of Claims Against Bank. (a) Subject to subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Bank within three months prior to a default, as defined in subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the securities and the holders of other indenture securities (as defined in subsection (c) of this Section):

(i) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such three-month period and valid as against the Bank and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (ii) of this subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Bank upon the date of such default; and

(ii) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three-month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Bank and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Bank) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Bank in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act, or applicable State law or other similar law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning, of such three-month period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three-month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in subsection (c) of this Section would occur within three months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such three-month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any preexisting claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds hereof shall be apportioned between the Trustee, the Securityholders and the holders of other indenture securities in such manner that the Trustee, the securityholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Bank in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Bank of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Securityholders and the holders of other indenture securities dividends on claims filed against the Bank in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee and the Securityholders and the holders of other indenture securities in accordance with

the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Securityholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such three-month period shall be subject to the provisions of this subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three-month period, it shall be subject to the provisions of this subsection if and only if the following conditions exist:

- (i) the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such three-month period; and

- (ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

(b) There shall be excluded from the operation of subsection (a) of this Section a creditor relationship arising from

- (i) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

- (ii) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Securityholders at the time and in the manner provided in this Indenture;

- (iii) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

- (iv) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in subsection (c) of this Section;

- (v) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Bank; or

(vi) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in subsection (c) of this Section.

(c) For the purposes of this Section only:

(i) The term “default” means any failure to make payment in full of the principal of or interest on any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable.

(ii) The term “other indenture securities” means securities upon which the Bank is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account.

(iii) The term “cash transaction” means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(iv) The term “self-liquidating paper” means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Bank for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Bank arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(v) The term “Bank” means any obligor upon the Securities.

Section 6.14. Appointment of Authenticating Agent. At any time when any of the Securities remain Outstanding, the Trustee, with the approval of the Bank, may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.6, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee’s certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Bank and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof

or the District of Columbia, authorized under such laws to act as an Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and, if other than the Bank itself, subject to supervision or examination by United States Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and, if other than the Bank, to the Bank. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and, if other than the Bank, to the Bank. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee, with the approval of the Bank, may appoint a successor Authenticating Agent which shall be acceptable to the Bank and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Securityholders of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent (other than an Authenticating Agent appointed at the request of the Bank from time to time) reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 6.7.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Trustee

By:

As Authenticating Agent

By:

Authorized Signatory

ARTICLE 7

Securityholders' Lists and Reports by Trustee and Bank

Section 7.1. Bank to Furnish Trustee Names and Addresses of Securityholders. The Bank will furnish or cause to be furnished to the Trustee

(a) not more than 5 days after each Regular Record Date, in each year in such form as the Trustee may reasonably require, a list of the names and addresses of the Securityholders of such series as of such date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Bank of any such request, a list of similar form and content as of a date not more than 5 days prior to the time such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 7.2. Preservation of Information; Communications to Securityholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Securityholders contained in the most recent list furnished to the Trustee as provided in Section 7.1 and the names and addresses of Securityholders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) If three or more Securityholders of any series (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such application states that the applicants' desire to communicate with other Securityholders of such series or with the Holders of all Securities with respect to their rights under this Indenture or under such Securities and is accompanied by a copy

of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application, at its election; either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 7.2(a), or

(ii) inform such applicants as to the approximate number of Securityholders of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.2(a), and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of a Security of such series or to all Securityholders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.2(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless, within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Securityholders of such series or all Securityholders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Securityholders of such series or all Securityholders, as the case may be, with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Bank and the Trustee that neither the Bank nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Securityholders in accordance with Section 7.2(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 7.2(b) .

Section 7.3. Reports by Trustee. (a) The term "reporting date" as used in this Section means May 15. Within 60 days after the reporting date in each year, beginning in July 14, 2005, the Trustee shall transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, a brief report dated as of such reporting date with respect to any

of the following events which may have occurred during the 12 months preceding the date of such report (but if no such event has occurred within such period no report need be transmitted):

- (i) any change to its eligibility under Section 6.9 and its qualifications under Section 6.8;
- (ii) the creation of or any material change to a relationship specified in Section 310(b)(1) through Section 310(b)(10) of the Trust Indenture Act;
- (iii) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of Securities of any series, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 1/2 of 1% of the principal amount of the Securities of such series outstanding on the date of such report;
- (iv) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Bank (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 6.13(b)(ii), (iii), (iv) or (vi);
- (v) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;
- (vi) any additional issue of Securities which the Trustee has not previously reported; and
- (vii) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with, Section 6.2.

(b) The Trustee shall transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities of any series, on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities

outstanding of such series at such time, such report to be transmitted within 90 days after such time.

(c) A copy of each such report shall, at the time of such transmission to Securityholders, be filed by the Trustee with each stock exchange upon which the Securities are listed, and also with the Commission. The Bank will notify the Trustee when the Securities are listed on any stock exchange.

Section 7.4. Reports by Bank. The Bank will:

(a) file with the Trustee, within 15 days after the Bank is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Bank may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Bank is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security of a "foreign private issuer" (as defined in Rule 3b-4 under the Exchange Act) listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Bank with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(c) transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Bank pursuant to paragraphs (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

(d) for so long as any Securities that constitute "restricted securities" as defined in Rule 144 under the Securities Act remain Outstanding, furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) of the Securities Act, provided that

the Bank shall not be obligated to furnish the Holders with any such information if it is required to file the same with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act.

Section 7.5. Statement by Officers as to Default. The Bank shall deliver to the Trustee, as promptly as is practicable and in any event within five days after the Bank becomes aware of the occurrence of any Event of Default, or an event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default and the action which the Bank proposes to take with respect thereto.

ARTICLE 8

Consolidation, Merger, Conveyance or Transfer

Section 8.1. Bank May Consolidate, etc., only on Certain Terms. The Bank shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(A) the corporation formed by such consolidation or into which the Bank is merged or the Person which acquires by conveyance or transfer the properties and assets of the Bank substantially as an entirety shall be a corporation organized and existing under the laws of the Republic or the United States of America or any State thereof, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Bank to be performed or observed;

(B) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(C) the Bank has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 8.2. Successor Corporation Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Bank substantially as an entirety in accordance with Section 8.1, the successor corporation formed by such consolidation or into which the Bank is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Bank under this Indenture with the same effect as if such successor corporation had been named as the Bank herein. In the event of any such conveyance or transfer, the Bank as the predecessor corporation may be dissolved, wound up or liquidated at any time thereafter and the Bank shall be discharged from all obligations hereunder and under the Securities.

ARTICLE 9

Supplemental Indentures

Section 9.1. Supplemental Indentures Without Consent of Securityholders. Without the consent of the Holders of any Securities, the Bank, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (a) to evidence the succession of another corporation to the Bank, and the assumption by any such successor of the covenants of the Bank herein and in the Securities contained; or
- (b) to add to the covenants of the Bank, or to surrender any right or power herein conferred upon the Bank, for the benefit of the Holders of the Securities of any or all series (and if such covenants or the surrender of such right or power are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included or such surrenders are expressly being made solely for the benefit of one or more specified series); or
- (c) to cure any ambiguity or defect, to correct or supplement any provision herein which may be inconsistent with any other provision herein; or
- (d) to add to this Indenture such provisions as may be expressly permitted by the TIA, excluding, however, the provisions referred to in Section 316(a)(2) of the TIA as in effect at the date as of which this instrument was executed or any corresponding provision in any similar Federal statute hereafter enacted; or
- (e) to establish any form of Security, as provided in Article Two, and to provide for the issuance of any series of Securities as provided in Article Three and to set forth the terms thereof, and/or to add to the rights of the Holders of the Securities of any series; or
- (f) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee hereunder with respect to one or more series of securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 6.11; or
- (g) to add any additional Events of Default in respect of the Securities of any or all series (and if such additional Events of Default are to be in respect of less than all series of Securities, stating that such Events of Default are expressly being included solely for the benefit of one or more specified series); or
- (h) to provide for the issuance of Securities in bearer form, to the extent permitted by law, with coupons as well as fully registered form; or

(i) to make any such other changes to this Indenture as shall not adversely affect the interest of any Holder of Securities.

No supplemental indenture for the purposes identified in clauses (b), (c) or (e) above may be entered into unless to do so would not adversely affect the interest of the Securityholders of any series; provided, further, that no supplemental indenture for the purposes identified in clause (i) above may be entered into unless to do so would not, as evidenced by an Opinion of Counsel delivered to the Trustee, adversely affect the interest of the Securityholders of any series.

Section 9.2. Supplemental Indentures with Consent of Securityholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series affected by such supplemental indenture or indentures, by Act of said Holders delivered to the Bank and the Trustees of the Bank, when authorized by a Board Resolution, the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of the Securities of each such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security adversely affected thereby,

(a) change the Maturity of the principal of, or the Stated Maturity of any premium on, or any installment of interest on, any Security, or reduce the principal amount thereof or the interest or any premium thereon, or change the method of computing the amount of principal thereof or interest or premium, if any, thereon on any date or change any Place of Payment where, or the coin or currency in which, the principal of or any premium or interest (including Additional Amounts) on any Security is payable, or impair the right of Holders to institute suit for the enforcement of any such payment on or after the Maturity or the Stated Maturity, as the case may be, thereof (or, in the case of redemption or repayment, on or after the Redemption Date or the Repayment Date, as the case may be); or

(b) reduce the percentage in aggregate principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences, provided for in this Indenture; or

(c) modify any of the provisions of this Section or Section 5.13, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

The Bank may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders

remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Securityholders of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Securityholders of any other series.

It shall not be necessary for any Act of Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.3. Execution of Supplemental Indentures. In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, in addition to the documents required by Section 1.2, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not (except to the extent required in the case of a supplemental indenture entered into under Section 9.1(d) or 9.1(f)) be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 9.4. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby to the extent provided therein.

Section 9.5. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the TIA as then in effect to the extent such supplemental indenture is subject to the TIA.

Section 9.6. Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Bank shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Bank and authenticated and such Securities may be delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE 10

Covenants

Section 10.1. Payment of Principal, Premium and Interest. With respect to each series of Securities, the Bank will duly and punctually pay, prior to 9:00 a.m. (New York time) on any payment date, the principal of (and premium, if any) and interest on such Securities in accordance with their terms and this Indenture, and will duly comply with all the other terms, agreements and conditions contained in, or made in the Indenture for the benefit of, the Securities of such series.

Section 10.2. Maintenance of Office or Agency. The Bank will maintain an office or agency in each Place of Payment where Securities may be presented or surrendered for payment, where Securities may be surrendered for transfer or exchange and where notices and demands to or upon the Bank in respect, of the Securities and this Indenture may be served. The Bank will give prompt written notice to the Trustee of the location, and of any change in the location, of such office or agency. If at any time the Bank shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the principal Corporate Trust Office of the Trustee, and the Bank hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

Section 10.3. Money for Security Payments To Be Held in Trust. If the Bank shall at any time act as its own Paying Agent for any series of Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on, any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify, and in any event within ten (10) Business Days, the Trustee of its action or failure to so act.

Whenever the Bank shall have one or more Paying Agents for any series of Securities, it will, on or prior to each due date of the principal of (and premium, if any) or interest on, any Securities of such series, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal (and premium, if any) or interest, and (unless such Paying Agent is the Trustee) the Bank will promptly notify, and in any event within ten (10) Business Days, the Trustee of its action or failure to so act.

The Bank will cause each Paying Agent other than the Trustee for any series of Securities to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

(a) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any default by the Bank (or any other obligor upon the Securities of such series) in the making of any such payment of principal (and premium, if any) or interest on the Securities of such series; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Bank may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture with respect to any series of Securities or for any other purpose, pay, or by Bank Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Bank or such Paying Agent in respect of each and every series of Securities as to which it seeks to discharge this Indenture or, if for any other purpose, all sums so held in trust by the Bank in respect of all Securities, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Bank or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Bank, in trust for the payment of the principal of (and premium, if any) or interest on any Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Bank on Bank Request, or (if then held by the Bank) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Bank for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Bank as trustee thereof, shall thereupon cease. The Trustee or such Paying Agent, before being required to, make any such repayment, shall at the request and expense of the Bank mail to the Holders of the Securities as to which the money to be repaid was held in trust, as their names and addresses appear in the Security Register, a notice that such moneys remain unclaimed and that, after a date specified in the notice, which shall not be less than 30 days from the date on which the notice was first mailed to the Holders of the Securities as to which the money to be repaid was held in trust, any unclaimed balance of such moneys then remaining will be paid to the Bank free of the trust formerly impressed upon it.

The Bank initially authorizes the Trustee to act as Paying Agent for the Securities on its behalf. The Bank may at any time and from time to time authorize one or more Persons to act as Paying Agent in addition to or in place of the Trustee with respect to any series of Securities issued under this Indenture.

Section 10.4. Statement as to Compliance. The Bank will deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement signed by the principal executive officer, principal financial officer or principal accounting officer of the Bank, stating that

(a) a review of the activities of the Bank during such year and of the Bank's performance under this Indenture and under the terms of the Securities has been made under his supervision; and

(b) to the best of his knowledge, based on such review, the Bank has complied with all conditions and covenants under this Indenture through such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

Section 10.5. Corporate Existence. Subject to Article Eight, the Bank will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and will use its best efforts to do or cause to be done all things necessary to preserve and keep in full force and effect its rights (charter and statutory) and franchises and such rights and franchises of its Subsidiaries; provided, however, that the Bank shall not be required to preserve or to cause its Subsidiaries to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Bank and its Subsidiaries taken as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 10.6. Maintenance of Properties. The Bank will cause all tangible properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with such necessary equipment and will cause to be made such repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Bank may be reasonably necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 10.6 shall prevent the Bank from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Bank, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

Section 10.7. Maintenance of Insurance. The Bank shall maintain, and shall cause each of its Subsidiaries to maintain, with insurers the Bank reasonably believes to be financially sound and reputable, insurance deemed adequate by the Bank with respect to its properties and business and the properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against by corporations in the same or similar business and owning and/or operating properties to those owned and/or operated by the Bank or its Subsidiaries. Such insurance may be subject to co-insurance deductibility or similar clauses which, in effect, result in self-insurance of certain losses, provided that such self-insurance is in accord with the practices of corporations in the same or similar business and adequate insurance reserves are maintained in connection with such self-insurance.

Section 10.8. Maintenance of Books and Records. The Bank shall, and shall cause each of its Subsidiaries to, maintain books, accounts and records in accordance with generally accepted accounting principles as applied in the Republic or in the applicable jurisdiction.

Section 10.9. Further Assurances. The Bank shall, at its own cost and expense, execute and deliver to the Trustee all such other documents, instruments and agreements and do all such other acts and things as may be reasonably required, in the opinion of the Trustee, to enable the Trustee to exercise and enforce its rights under this Indenture and under the

documents, instruments and agreements required under this Indenture and to carry out the intent of this Indenture.

ARTICLE 11

Subordination of Subordinated Securities

Section 11.1. Subordination to Senior Indebtedness. The indebtedness evidenced by the Subordinated Securities of any series, including their principal and the interest on them, will be subordinate and subject in right of payment, to the extent and in the manner set forth in this Article Eleven, to the prior payment in full of all Senior Indebtedness, and each Holder by accepting the Subordinated Securities agrees to and will be bound by, and deemed to have notice of all provisions of this Indenture including this Article Eleven.

Section 11.2. Priority of Senior Indebtedness Upon Distribution or Liquidation. Upon any distribution of the assets of the Bank as a result of any dissolution, winding up, liquidation or reorganization of the Bank (whether in bankruptcy, insolvency, reorganization or receivership proceedings, or in connection with an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Bank, or otherwise),

(a) all Senior Indebtedness will first be paid in full in cash, or provision made for its payment, before any payment is made on account of the principal of, or interest on, the indebtedness evidenced by the Subordinated Securities of any series;

(b) any payment or distribution of assets of the Bank of any kind or character, whether in cash, property or securities, to which the Holders of Subordinated Securities or the Trustee would be entitled except for the provisions of this Article Eleven, will first be paid or delivered by the Bank or by any trustee in bankruptcy, receiver, assignee for benefit of creditors, or other liquidating agent making the payment or distribution, directly to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness held or represented by each, to the extent necessary to pay all Senior Indebtedness in full after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness, or provision for payment or distribution to them; and

(c) if, notwithstanding the foregoing, any payment or distribution of assets of the Bank of any kind or character, whether in cash, property or securities, is received by the Trustee or the Holders of Subordinated Securities before all Senior Indebtedness is paid in full, or provision made for its payment, that payment or distribution will be held in trust for the benefit of, and will be paid over or delivered to, the holders of the Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, ratably as described above, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness after giving effect to any concurrent payment or distribution to the holders

of such Senior Indebtedness, or provision, for payment or distribution to them. For purposes of this Section 11.2, the words “cash, property or securities” will not be deemed to include shares of stock of the Bank as reorganized or readjusted, or securities of the Bank or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Eleven with respect to the Subordinated Securities to the payment of all Senior Indebtedness which may at the time be outstanding, provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Senior Indebtedness are not, without their consent, altered by the reorganization or readjustment.

(d) The provisions of this Article will not apply to any payment by the Bank to the Trustee under any of the provisions of Section 6.7.

The foregoing is subject to applicable Chilean law providing for the qualification of any reorganization plan by regulatory authorities and the holders of certain Indebtedness of the Bank.

Section 11.3. Subrogation of Holders of Subordinated Securities to Rights of Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness, the Holders of Subordinated Securities will be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Bank made on the Senior Indebtedness until the principal of and interest on the Subordinated Securities of any series is paid in full. For purposes of that subrogation, no payments or distributions to the holders of Senior Indebtedness of cash, property or securities which, except for the provisions of this Article Eleven would have been payable or distributable to the Holders of Subordinated Securities, will, as between the Bank, its creditors other than the holders of Senior Indebtedness, and the Holders of Subordinated Securities, be deemed to be payments by the Bank to or on account of the Senior Indebtedness, it being understood that the provisions of this Article Eleven are and are intended solely for the purpose of defining the relative rights of Holders of Subordinated Securities, on the one hand, and the holders of Senior Indebtedness, on the other.

Section 11.4. Bank's Obligation to Pay Unconditional. Nothing contained in this Article Eleven or elsewhere in this Indenture, or in the Subordinated Securities of any series, is intended to or will impair, as between the Bank, its creditors other than the holders of Senior Indebtedness, and the Holders of Subordinated Securities, the obligation of the Bank, which is absolute and unconditional, to pay to the Holders of Subordinated Securities the principal of and interest on the Subordinated Securities of any series, as and when they become due and payable in accordance with their terms, or to affect the relative rights of the Holders of Subordinated Securities and creditors of the Bank other than the holders of the Senior Indebtedness, nor will anything in this Article Eleven or elsewhere in this Indenture prevent the Trustee or any Holders of Subordinated Securities from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Eleven of the holders of Senior Indebtedness in respect of cash, property or securities of the Bank received upon the exercise of any such remedy.

Section 11.5. Reliance by Trustee Upon Certificate. Upon any payment or distribution of assets of the Bank referred to in this Article Eleven, the Trustee, subject to the provisions of Section 1.2, will be entitled to conclusively rely upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making the payment or distribution, delivered to the Trustee, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Bank, the amount of that indebtedness or payable with regard to it, the amount or amounts paid or distributed with regard to it and all other facts pertinent to it or to this Article Eleven.

Section 11.6. Authorization of Trustee to Effect Subordination. Each Holder of Subordinated Securities by his or her acceptance of the Subordinated Securities of any series authorizes the Trustee in his or her behalf to take whatever action may be necessary or appropriate to effectuate the subordination provided in this Article Eleven and appoints the Trustee his or her attorney-in-fact for any and all such purposes.

Section 11.7. Notice to Trustee of Senior Indebtedness. The Bank will give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Bank and of any fact known to the Bank which could prohibit the making of any payment to or by the Trustee in respect of the Subordinated Securities of any series pursuant to the provisions of this Indenture. Failure to give such notice shall not affect the subordination of such Subordinated Securities to Senior Indebtedness. The Trustee, subject to the provisions of Section 1.2, will be entitled to assume that no such event has occurred unless the Bank, or any one or more holders of Senior Indebtedness or any trustee for them, has given that written notice to the Trustee at its principal Corporate Trust Office. Notwithstanding any of the provisions of this Article Eleven or any other provision of this Indenture, the Trustee will not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by the Trustee, unless and until the Trustee has received written notice of them at its Corporate Trust Office from the Bank or from one or more holders of Senior Indebtedness or from any trustee for them; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 1.2, will be entitled in all respects to assume that no such facts exist; provided, that, if on the earlier of (i) the date on which notice of redemption of any Subordinated Securities is given in accordance with Section 12.4 or (ii) a date not less than two Business Days prior to the date upon which moneys may become payable under this Indenture or the Subordinated Securities of any series for any purpose (including, without limitation, the payment of the principal or interest on any Subordinated Security) the Trustee has not received the notice described in this Section 11.7, then, anything in this Indenture to the contrary notwithstanding, the Trustee will have full power and authority to receive the moneys and to apply them to the purpose for which they were received, and will not be bound by or obligated to enforce the terms of any notice to the contrary which may subsequently be received by it.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a person representing himself to be a holder of Senior Indebtedness (or a trustee or agent on behalf of such holder) to establish, that such notice has been given by a holder of Senior Indebtedness (or a trustee or agent on behalf of any such holder). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the

Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article, and if such evidence is not furnished, the Trustee may defer any payment which it may be required to make for the benefit of such person pursuant to the terms of this Indenture pending judicial determination as to the rights of such person to receive such payment.

Section 11.8. Trustee's Relation to Senior Indebtedness. The Trustee will be entitled to all the rights set forth in this Article Eleven in respect of any Senior Indebtedness at any time held by it in its individual capacity to the same extent as any other holder of Senior Indebtedness and nothing in this Indenture will affect the right of the Trustee to retain for its own account payments made on Senior Indebtedness held by the Trustee for its own account. The Trustee will not have any duty to the holders of Senior Indebtedness, and will not be liable to any of them, if the Trustee will pay over or distribute to Holders of Subordinated Securities or the Bank or any other person moneys or assets or securities to which any holder of Senior Indebtedness is entitled by virtue of this Article Eleven or otherwise. The Trustee shall not be deemed to have any fiduciary duty to any holder of Senior Indebtedness. No implied covenant, or obligation, with respect to any holder of Senior Indebtedness shall be read into this Indenture.

Section 11.9. Mandatory Conversion. The foregoing is subject to applicable provisions of Chilean law providing for the mandatory conversion of the Subordinated Securities, either in whole or in part, into shares of common stock of the Bank under certain circumstances, including circumstances relating to insolvency, reorganization or similar events, and to Section 6.2 hereof.

ARTICLE 12

Redemption of Securities

Section 12.1. Applicability of Article. The Bank may reserve the right to redeem and pay before Stated Maturity all or any part of the Securities of any series, either by optional redemption, sinking or purchase fund or analogous obligation or otherwise, by provision therefor in the form of Security for such series established and approved pursuant to Section 2.2 and on such terms as are specified in such form or in the Board Resolution or indenture supplemental hereto with respect to Securities of such series as provided in Section 3.1. Redemption of Securities of any series shall be made in accordance with the terms of such Securities and, to the extent that this Article does not conflict with such terms, the succeeding Sections of this Article.

Section 12.2. Election to Redeem; Notice to Trustee. The election of the Bank to redeem any Securities redeemable at the election of the Bank shall be evidenced by, or made pursuant to authority granted by, a Board Resolution. In case of any redemption at the election of the Bank of any Securities of any series, the Bank shall, at least 60 days prior to the Redemption Date fixed by the Bank (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, or (ii) pursuant to an election of the Bank which is subject to a condition specified in the terms of such Securities, the Bank shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 12.3. Selection by Trustee of Securities to be Redeemed. If less than all the Securities of like tenor and terms of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by lot or such method as the Trustee shall deem fair and appropriate and which may include provision for the selection for redemption of portions of the principal of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. Unless otherwise provided in the terms of a particular series of Securities, the portions of the principal of Securities so selected for partial redemption shall be equal to the minimum authorized denomination of the Securities of such series, or an integral multiple thereof, and the principal amount which remains outstanding shall not be less than the minimum authorized denomination for Securities of such series. If less than all the Securities of unlike tenor and terms of a series are to be redeemed, the particular Securities to be redeemed shall be selected by the Bank.

The Trustee shall promptly notify the Bank in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal of such Security which has been or is to be redeemed.

Section 12.4. Notice of Redemption. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each holder of Securities to be redeemed, at its address appearing in the Security Register

All notices of redemption shall state:

(a) the Redemption Date;

(b) the Redemption Price;

(c) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Securities to be redeemed, from the Holder to whom the notice is given;

(d) that on the Redemption Date the Redemption Price will become due and payable upon each such Security, and that interest, if any, thereon shall cease to accrue from and after said date;

(e) the place where such Securities are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Bank in the Place of Payment; and

(f) if applicable, that the redemption is on account of a sinking or purchase fund, or other analogous obligation.

Notice of redemption of Securities to be redeemed at the election of the Bank shall be given by the Bank or, at the Bank's Request, by the Trustee in the name and at the expense of the Bank.

Section 12.5. Deposit of Redemption Price. At least one Business Day prior to any Redemption Date, the Bank shall deposit with the Trustee or with a Paying Agent (or, if the Bank is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.3) an amount of money sufficient to pay the Redemption Price of all the Securities which are to be redeemed on that date. The Bank will cause the bank through which payment of funds to the Paying Agent will be made to deliver to the Paying Agent by 10:00 a.m. (New York Time) two Business Days prior to the due date of such payment an irrevocable confirmation (by confirmed facsimile transmission or authenticated Swift MT 100 Message) of its intention to make such payment.

Section 12.6. Securities Payable on Redemption Date. Notice of Redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Bank shall default in the payment of the Redemption Price) such Securities shall cease to bear interest. Upon surrender of such Securities for redemption in accordance with the notice, such Securities shall be paid by the Bank at the Redemption Price. Installments of interest the Stated Maturity of which is on or prior to the Redemption Date shall be payable to the Holders of such Securities registered as such on the relevant Regular Record Dates according to their terms and the provisions of Section 3.7.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security, or as otherwise provided in such Security.

Section 12.7. Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at the office or agency of the Bank in the Place of Payment with respect to that series (with, if the Bank or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Bank and the Trustee duly executed by, the Holder thereof or its attorney duly authorized in writing) and the Bank shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series and Stated Maturity and of like tenor and terms, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

Section 12.8. Provisions with Respect to any Sinking Funds. Unless the form or terms of any series of Securities shall provide otherwise, in lieu of making all or any part of any mandatory sinking fund payment with respect to such series of Securities in cash, the Bank may at its option (1) deliver to the Trustee for cancellation any Securities of such series theretofore acquired by the Bank, or (2) receive credit for any Securities of such series (not previously so credited) acquired by the Bank and theretofore delivered to the Trustee for cancellation or redeemed by the Bank other than through the mandatory sinking fund, and if it does so then (i) Securities so delivered or credited shall be credited at the applicable sinking fund Redemption Price with respect to Securities of such series, and (ii) on or before the 60th day next preceding each sinking fund Redemption Date with respect to such series of Securities, the Bank will deliver to the Trustee (A) an Officers' Certificate specifying the portions of such sinking fund payment to be satisfied by payment of cash and by delivery or credit of Securities of such series acquired by the Bank or so redeemed, and (B) such Securities so acquired, to the extent not previously surrendered. Such Officers' Certificate shall also state the basis for such credit and that the Securities for which the Bank elects to receive credit have not been previously so credited and were not redeemed by the Bank through operation of the mandatory sinking fund, if any, provided with respect to such Securities and shall also state that no Event of Default with respect to Securities of such series has occurred and is continuing. All Securities so delivered to the Trustee shall be cancelled by the Trustee and no Securities shall be authenticated in lieu thereof.

If the sinking fund payment or payments (mandatory or optional) with respect to any series of Securities made in cash plus any unused balance of any preceding sinking fund payments with respect to Securities of such series made in cash shall exceed \$50,000 (or a lesser sum if the Bank shall so request), unless otherwise provided by the terms of such series of Securities, that cash shall be applied by the Trustee on the sinking fund Redemption Date with respect to Securities of such series next following the date of such payment to the redemption of Securities of such series at the applicable sinking fund Redemption Price with respect to Securities of such series, together with accrued interest, if any, to the date fixed for redemption, with the effect provided in Section 12.6. The Trustee shall select, in the manner provided in Section 12.3, for redemption on such sinking fund Redemption Date a sufficient principal amount of Securities of such series to utilize that cash and shall thereupon cause notice of redemption of the Securities of such series for the sinking fund to be given in the manner provided in Section 12.4 (and with the effect provided in Section 12.6) for the redemption of Securities in part at the option of the Bank. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Securities of such series shall be added to the next cash sinking fund payment with respect to Securities of such series received by the Trustee and, together with such payment, shall be applied in accordance with the provisions of this Section 12.8. Any and all sinking fund moneys with respect to Securities of any series held by the Trustee at the Maturity of Securities of such series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity.

On or before each sinking fund Redemption Date provided with respect to Securities of any series, the Bank shall pay to the Trustee in cash a sum equal to all accrued

interest, if any, to the date fixed for redemption on Securities to be redeemed on such sinking fund Redemption Date pursuant to this Section 12.8.

Section 12.9. Optional Redemption in the Event of Change in Chilean Tax Treatment. The Securities of any series may be redeemed at the election of the Bank, as a whole, but not in part, subject to applicable Chilean law, at any time upon the giving of notice as provided in Section 12.4, at the Redemption Price, plus Additional Amounts, if any, together with any accrued interest to the Redemption Date, only if (i) the Bank certifies to the Trustee immediately prior to the giving of such notice that it has or will become obligated to pay Additional Amounts with respect to the Securities (in excess of the Additional Amounts that would be payable were payments of interest on such Securities subject to a 4% withholding tax) as a result of any generally applicable change in or amendment to the laws or regulations of the Republic or any political subdivision or governmental authority thereof or therein having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of issuance of such Securities and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Bank would be obligated to pay such Additional Amounts, if a payment in respect of such Securities were then due. With respect to the Subordinated Notes, the Bank shall only exercise the right of redemption set forth in this Section 12.9 if Article 55 of the Chilean Banking Law is amended in the future to allow for such redemption, notwithstanding such right of redemption. Prior to the giving of any notice of redemption of such Securities pursuant to this Section 12.9, the Bank shall deliver to the Trustee an Officers' Certificate, certifying that the Bank is entitled to effect such a redemption in accordance with the terms of this Indenture, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption (together with a written Opinion of Counsel to the effect, among other things, that (a) the Bank has or will become obligated to pay such Additional Amounts as a result of a change or amendment described in this Section, (b) the Bank cannot avoid payment of such Additional Amounts by taking reasonable measures available to it and (c) all governmental approvals necessary for the Bank to effect such redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained).

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed all as of the day and year first above written.

BANCO SANTANDER-CHILE,

by: /s/ Fernando Massn

Name: Fernando Massn

Title: Director, Finance Division

by: /s/ Gonzalo Romero A.

Name: Gonzalo Romero A.

Title: General Counsel

DEUTSCHE BANK TRUST COMPANY
AMERICAS,

by: /s/ Waxola Cancacho

Name: Waxola Cancacho

Title:

FOR OFFERINGS TO QUALIFIED INSTITUTIONAL BUYERS
PURSUANT TO RULE 144A AND TO CERTAIN PERSONS IN OFFSHORE
TRANSACTIONS IN RELIANCE ON REGULATION S

PROVISIONS RELATING TO THE SECURITIES

1. Definitions.

1.1 Definitions. For the purposes of this Appendix A the following terms shall have the meanings indicated below:

“Applicable Procedures” means, with respect to any transfer or transaction involving a Regulation S Global Security or securities entitlement therein, the rules and procedures of the Depositary for such Global Security, of Euroclear and of Clearstream, Luxembourg, in each case to the extent applicable to such transaction and as in effect from time to time.

“Clearstream, Luxembourg” means Clearstream Banking, societe anonyme, or any successor securities clearing agency.

“Definitive Security” means a certificated Security (bearing the Restricted Securities Legend if the transfer of such Security is restricted by applicable law) that does not include the Global Securities Legend.

“Euroclear” means the Euroclear Clearance System, or any successor securities clearing agency.

“Global Securities Legend” means the legend set forth under that caption in Exhibit A to this Indenture.

“Initial Purchasers” means initial purchasers, underwriters, managers, dealers, agents or other distributors set forth in the Purchase Agreement relating to a particular series of Securities to be issued under this Indenture.

“Purchase Agreement” means a purchase, underwriting, subscription or agency agreement among the Bank and the Initial Purchasers in respect of the sale and distribution of the Securities of a series.

“QIB” means a “qualified institutional buyer” as defined in Rule 144A.

“Regulation S” means Regulation S under the Securities Act.

“Regulation S Legend” means the legend set forth under that caption in Exhibit A to this Indenture.

“Regulation S Securities” means all Securities offered and sold outside the United States in reliance on Regulation S.

“Restricted Period”, with respect to any Securities, means the period of 40 consecutive days beginning on and including the later of (i) the day on which such Securities are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S and (ii) the date on which the closing of the offering thereof occurs.

“Restricted Securities Legend” means the legend set forth under that caption in Exhibit A to this Indenture.

“Rule 144A” means Rule 144A under the Securities Act.

“Rule 144A Securities” means all Securities offered and sold to QIBs in reliance on Rule 144A.

“Securities Custodian” means the custodian with respect to a Global Security (as appointed by the Depositary) or any successor person thereto, which shall initially be the Trustee.

“Transfer Restricted Securities” means Definitive Securities and any other Securities that bear or are required to bear the Restricted Securities Legend.

1.2 Other Definitions.

Term:	Defined in Section:
“Agent Members”	2.1(b)
“Global Security”	2.1(a)
“Regulation S Global Security”	2.1(a)
“Rule 144A Global Security”	2.1(a)

2. The Securities.

2.1 Form and Dating. Securities sold pursuant to a Purchase Agreement by the Bank to the Initial Purchaser will be resold, initially only to (A) QIBs in reliance on Rule 144A and (B) Persons other than U.S. persons (as defined in Regulation S) in reliance on Regulation S. Such Securities and any other Securities issued hereunder may thereafter be transferred to any Person, but subject to the restrictions on transfers set forth therein and herein.

(a) Global Securities. Each of the Rule 144A Securities and the Regulation S Securities shall be issued initially in the form of one or more permanent Global Securities (collectively, with respect to any series, the “Rule 144A Global Security” and the “Regulation S Global Security”, respectively) in definitive, fully registered form, in each case without interest coupons and bearing the Global Securities Legend and Restricted Securities Legend, which shall be

deposited with the Trustee, at its New York office, as Securities Custodian (or with such other custodian as the Depositary may direct), and registered in the name of the Depositary or a nominee of the Depositary. Beneficial ownership interests in the Regulation S Global Security shall not be exchangeable for interests in any other Security without a Restricted Securities Legend until the expiration of the Restricted Period. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(b) Book-Entry Provisions. Members of, or participants in, the Depositary (“Agent Members”) shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as Securities Custodian or under such Global Security, and the Depositary may be treated by the Bank, the Trustee and any agent of the Bank or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Bank, the Trustee or any agent of the Bank or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a securities entitlement in any Global Security.

(c) Definitive Securities. Except as provided in Section 2.4, Section 2.2 or this Section 2.1 or as otherwise provided in the Indenture, owners of securities entitlements in Global Securities will not be entitled to receive physical delivery of certificated Securities.

2.2 Transfer and Exchange.

(a) Transfer and Exchange of Definitive Securities. When Definitive Securities are presented to the Security Registrar with a request:

(x) to register the transfer of such Definitive Securities; or

(y) to exchange such Definitive Securities for an equal principal amount of Definitive Securities of other authorized denominations,

the Security Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Securities surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Bank and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(ii) are being transferred or exchanged pursuant to an effective registration statement under the Securities Act, pursuant to Section 2.2(b) or pursuant to clause (A), (B) or (C) below, and are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Securities are being delivered to the Security Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse of the Security); or

(B) if such Definitive Securities are being transferred to the Bank, a certification to that effect (in the form set forth on the reverse of the Security); or

(C) if such Definitive Securities are being transferred pursuant to an exemption from registration in accordance with Rule 144 or in reliance on another exemption from the registration requirements of the Securities Act, (i) a certification to that effect (in the form set forth on the reverse of the Security) and (ii) if the Bank or Security Registrar so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.2(e)(i) .

(b) Restrictions on Transfer of a Definitive Security for a Securities Entitlement in a Global Security. A Definitive Security may not be exchanged for a securities entitlement in a Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by appropriate instruments of transfer in form satisfactory to the Trustee, together with:

(i) certification (in the form set forth on the reverse of the Security) that such Definitive Security is being transferred (A) to a QIB in accordance with Rule 144A, (B) outside the United States in an offshore transaction within the meaning of Regulation S and in compliance with Rule 904 under the Securities Act; and

(ii) written instructions directing the Trustee to make, or to direct the Securities Custodian to make, an adjustment on its books and records with respect to such Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Global Security, such instructions to contain information regarding the Depository account to be credited with such increase, then the Trustee shall cancel such Definitive Security and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Custodian, the aggregate principal amount of Securities represented by the Global

Security to be increased by the aggregate principal amount of the Definitive Security to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a securities entitlement in the Global Security equal to the principal amount of the Definitive Security so canceled. If no Global Securities are then outstanding and the Global Security has not been previously exchanged for individual securities pursuant to Section 2.4, the Bank shall issue and the Trustee shall authenticate, upon Bank Order, a new Global Security in the appropriate principal amount.

(c) Transfer and Exchange of Global Securities.

(i) The transfer and exchange of Global Securities or securities entitlements therein shall be effected through the Depositary, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a securities entitlement in a Global Security shall deliver a written order given in accordance with the Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a securities entitlement in the Global Security and such account shall be credited in accordance with such order with a securities entitlement in the Global Security and the account of the Person making the transfer shall be debited by an amount equal to the securities entitlement in the Global Security being transferred. Transfers by an owner of a securities entitlement in the Rule 144A Global Security to a transferee who takes delivery of such interest through the Regulation S Global Security, whether before or after the expiration of the Restricted Period, shall be made only upon receipt by the Trustee of a certification from the transferor (a "Regulation S Certificate") in the form provided on the reverse of the Security to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred shall be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

(ii) If the proposed transfer is a transfer of a securities entitlement in one Global Security to a securities entitlement in another Global Security, the Security Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Security to which such interest is being transferred in an amount equal to the principal amount of the interest to be so transferred, and the Security Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount of Global Security from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2. 4), a Global Security may

not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(iv) In the event that a Global Security is exchanged for Securities in definitive registered form pursuant to Section 2.4, such Securities may be transferred or exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.2 (including the certification requirements set forth on the reverse of the Securities intended to ensure that such transfers comply with Rule 144A, Regulation S or such other applicable exemption from registration under the Securities Act, as the case may be) and such other reasonable procedures as may from time to time be adopted by the Bank.

(v) None of the Bank or the Trustee, nor any agent of the Bank or the Trustee, will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Restrictions on Transfer of Regulation S Global Security.

(i) Interests in a Regulation S Global Security may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act. Prior to the expiration of the Restricted Period, or such later date as the Bank may notify to the Trustee, a Regulation S Global Security, or any securities entitlement herein, may not be sold or otherwise transferred except (a)(1) outside the United States in compliance with Rule 904 under the Securities Act or (2) to a QIB within the meaning of Rule 144A, and (b) in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction. Prior to the expiration of the Restricted Period, transfers by an owner of a securities entitlement in the Regulation S Global Security to a transferee who takes delivery of such interest through the Rule 144A Global Security shall be made only in accordance with Applicable Procedures and upon receipt by the Trustee of a written certification from the transferor of the securities entitlement (a "Rule 144A Certificate") in the form provided on the reverse of the Security to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification shall no longer be required after the expiration of the Restricted Period.

(ii) Upon the expiration of the Restricted Period, beneficial ownership interests in the Regulation S Global Security shall be transferable in accordance with applicable law and the other terms of this Indenture.

(e) Legend.

(i) Except as permitted by the following paragraphs (ii) or (iii), each Security certificate evidencing the Global Securities and the Definitive Securities (and all Securities issued in exchange therefor or in substitution thereof) shall bear a Restricted Securities Legend. Each Definitive Security will also bear the following additional legend:

“IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE SECURITY REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE RESTRICTIONS SET FORTH OR INCORPORATED BY REFERENCE IN THIS NOTE.”

(ii) Upon any sale or transfer pursuant to Rule 144 of a Transfer Restricted Security that is a Definitive Security, the Security Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Security that does not bear the legends set forth above and rescind any restriction on the transfer of such Transfer Restricted Security if the Holder certifies in writing to the Security Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Security).

(iii) Upon a sale or transfer after the expiration of the Restricted Period of any Security acquired pursuant to Regulation S, all requirements that such Security bear the Restricted Securities Legend shall cease to apply and a Security in global form without the Restricted Securities Legend may be issued to the transferee of such Security.

Global Securities Legend

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC” OR THE “DEPOSITARY”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL SECURITY AS REFERRED TO IN THE INDENTURE HEREINAFTER REFERENCED. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

Regulation S Legend

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AGENCY IN ANY JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS NOTE IS SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN THE REVERSE HEREOF. PRIOR TO THE EXPIRATION OF A RESTRICTED PERIOD ENDING ON [,] OR SUCH LATER DATE AS THE COMPANY MAY NOTIFY TO THE TRUSTEE, THIS SECURITY, OR ANY BENEFICIAL INTEREST HEREIN, MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED EXCEPT (A)(1) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (2) TO A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN COMPLIANCE WITH RULE 144A, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

Ex. A-1

Restricted Securities Legend

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR (B) IT IS A NON-U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2)(i) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE NOTES EVIDENCED HEREBY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER SUCH NOTES EXCEPT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND ONLY (A) TO THE ISSUER OR A SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF APPLICABLE). PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS NOTE IS SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN THE REVERSE HEREOF.

Ex. A-2

BANCO SANTANDER-CHILE
[]% [SENIOR/SUBORDINATED] NOTES DUE []

No. []

[principal amount]

CUSIP []

ISIN []

Common Code []

BANCO SANTANDER-CHILE, a banking corporation (“*sociedad anónima bancaria*”) duly organized and existing under the laws of the Republic of Chile (herein called the “Bank,” which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to

Cede & Co.

or registered assigns, the principal sum as set forth on the Schedule of Increases or Decreases annexed hereto at the office or agency of the Bank in the Borough of Manhattan, The City of New York, on [,] by wire transfer of immediately available funds in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum semiannually on [interest payment date] and [interest payment date] of each year, commencing on [first interest payment date], at said office or agency, in like coin or currency, at the rate per annum specified in the title hereof, from the [interest payment date] or [interest payment date], as the case may be, next preceding the date of this Note to which interest on the Notes has been paid or duly provided for (unless the date hereof is the date to which interest on the Notes has been paid or duly provided for, in which case from the date of this Note), or, if no interest has been paid on these Notes or duly provided for, from [,] (the “Original Issue Date”), until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after [record date] or [record date] and before the next succeeding [interest payment date] or [interest payment date], respectively, this Note shall bear interest from such [interest payment date] or [interest payment date], as the case may be; provided, however, that if the Bank shall default in the payment of interest due on such [interest payment date] or [interest payment date], then this Note shall bear interest from the next preceding [interest payment date] or [interest payment date] to which interest on the Notes has been paid or duly provided for, or, if no interest has been paid on the Notes or duly provided for, from the Original Issue Date. The interest so payable, and punctually paid or duly provided for, on any [interest payment date] or [interest payment date] will, except as provided in the Indenture referred to on the reverse hereof, be paid by wire transfer of immediately available funds to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the next preceding [record date] or [record date], as the case may be (herein called the “Regular Record Date”), whether or not a Business Day, or may, at the option of the Bank, unless this Note is a Global Security, be paid by check mailed to the registered address of such Person. Any such interest which is payable, but is not so punctually paid or duly provided for, shall forthwith cease to be payable to the registered Holder on such Regular Record Date and may be paid either to the

Ex. A-3

Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed and upon such notice as may be required by such exchange, if such manner of payment shall be deemed practical by the Trustee, all as more fully provided in said Indenture. Notwithstanding the foregoing, in the case of interest payable at Stated Maturity, such interest shall be paid to the same Person to whom the principal hereof is payable. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

All payments of or in respect of principal, interest and premium, if any, in respect of this Note shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, fines, penalties, assessments or other governmental charges of whatever nature (or interest on any of the foregoing) (collectively, "Taxes") imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) or any other jurisdiction from or through which the Bank makes any payment under the Notes (or any political subdivision or governmental authority thereof or therein having power to tax), unless such withholding or deduction is required by law. In that event, the Bank will pay the Holders of the Notes or the Trustee, as the case may be, such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amounts received by the Holders hereof or the Trustee after such withholding or deduction shall not be less than the respective amounts of principal, interest and premium, if any, that would have been received in respect of this Note in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of this Note (i) in the case of payments for which presentation of this Note is required, presented for payment more than 30 days after the later of (x) the date on which such payment first became due and (y) if the full amount payable has not been received in The City of New York by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Holder by the Trustee, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting this Note for payment on the last day of such 30-day period; (ii) held by or on behalf of a Holder who is liable for taxes, duties, fines, penalties, assessments or other governmental charges imposed in respect of this Note by reason of such Holder having some present or former, direct or indirect, connection with the Republic of Chile (or any political subdivision or governmental authority thereof or therein), or any other jurisdiction from or through which we make any payment under the Note imposing such tax, other than the mere holding of this Note or the receipt of principal, interest or premium, if any, in respect hereof; or (iii) any combination of (i) and (ii). All references to principal, interest, premium and other amounts payable hereunder shall be deemed to include references to any Additional Amounts which may be payable as set forth in the Indenture or in this Note. Refunds, if any, of taxes with respect to which the Bank pays Additional Amounts shall be for the account of the Bank.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been manually executed by or on behalf of the Trustee under the Indenture, this Note shall not be entitled to any benefits under the Indenture, or be valid or obligatory for any purpose.

Ex. A-5

IN WITNESS WHEREOF, BANCO SANTANDER-CHILE has caused this Note to be duly executed.

Dated: [,]

BANCO SANTANDER-CHILE,

by: _____
Name:
Title:

by: _____
Name:
Title:

Ex. A-6

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: [,]

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Trustee

by: _____

Authorized Signatory

Ex. A-7

REVERSE OF NOTE

This Note is one of the duly authorized issue of [senior/subordinated] debentures, notes, bonds or other evidences of [senior/subordinated] indebtedness (hereinafter called the “Securities”) of the Bank, of the series hereinafter specified, all issued or to be issued under and pursuant to the Indenture dated as of December 9, 2004, (herein called the “Indenture”), duly executed and delivered by the Bank and Deutsche Bank Trust Company Americas, as Trustee (herein called the “Trustee”), to which Indenture and any other indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee and any agent of the Trustee, any Paying Agent, the Bank and the Holders of the Securities and the terms upon which the Securities are issued and are to be authenticated and delivered.

The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as provided or permitted in the Indenture. This Note is one of the series of Securities of the Bank issued pursuant to the Indenture and designated as []% [Senior/Subordinated] Securities due [] (herein called the “Notes”), limited in aggregate principal amount to \$[]. Additional Notes of this series may be issued from time to time pursuant to the terms of the Indenture; provided, however, that notwithstanding any statement in the Indenture to the contrary, the Bank will not issue additional new Securities that are treated for non-tax purposes as a single series with the original new Securities but are treated as a separate series for U.S. federal income tax purposes.

[In the case of Senior Securities:

The Notes are direct, unconditional and unsecured general obligations of the Bank and will at all times rank pari passu in right of payment with all of the Bank’s other unsecured obligations, if any, other than the subordinated notes and other obligations that are, by their terms, expressly subordinated in right of payment to the Notes. The Notes will be effectively subordinated to (i) all of the Bank’s secured indebtedness with respect to the value of the Bank’s assets securing that indebtedness, (ii) certain direct, unconditional and unsecured general obligations that in case of the Bank’s insolvency are granted preferential treatment pursuant to Chilean law and (iii) all of the existing and future liabilities of the Bank’s subsidiaries, including trade payables of the Bank’s subsidiaries.]

[In the case of Subordinated Securities:

The Notes are direct, unconditional and unsecured subordinated debt obligations of the Bank. The obligations of the Bank under the Notes, whether on account of principal, interest or otherwise, are subordinated to all Senior Indebtedness (as defined herein) of the Bank as provided in the Indenture. If and to the extent that there is a deficiency in any payment in respect of the Notes, the claims of the holders of the Notes in respect of such deficiency shall be junior in right of payment to the claims of the holders of Senior Indebtedness but shall rank at least pari passu with the holders of all other Subordinated Indebtedness (as defined herein).

Ex. A-8

“Subordinated Indebtedness” means any indebtedness of the Bank (including any liability, whether actual or contingent, under any guarantee or indemnity) in respect of any notes, bonds or other debt securities which is subordinated in right of payment at least to, or the repaying of or payment in respect of which is expressed to be conditional upon, the complete payment of the claims of all unsubordinated creditors of the obligor of such indebtedness.

“Senior Indebtedness” means indebtedness of the Bank other than Subordinated Indebtedness.]

The Notes are subject to redemption in whole, but not in part, upon not less than 30 nor more than 60 days’ notice to the Holders by first-class mail at any time, at a Redemption Price equal to 100% of the principal amount plus Additional Amounts, if any, together with any accrued interest to the Redemption Date, if (i) the Bank certifies to the Trustee immediately prior to the giving of such notice that it has or will become obligated to pay Additional Amounts with respect to the Notes (in excess of the Additional Amounts that would be payable were payments of interest on the Notes subject to a 4% withholding tax) as a result of any change in or amendment to the laws or regulations of the Republic of Chile or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of issuance of the Notes, and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Bank would be obligated to pay such Additional Amounts, if a payment in respect of the Notes were then due. [In the case of Subordinated Securities: The Bank shall only exercise such right of redemption if Article 55 of the General Banking Law of Chile is amended in the future to allow for such redemption.] Prior to the giving of any notice of redemption of the Notes pursuant to the Indenture, the Bank shall deliver to the Trustee an Officers’ Certificate, stating that the Bank is entitled to effect such a redemption pursuant to the Indenture, and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption (together with a copy of a written Opinion of Counsel to the effect that, among other things, (a) the Bank has become obligated to pay such Additional Amounts as a result of a change or amendment described herein, (b) the Bank cannot avoid payment of such Additional Amounts by taking reasonable measures available to it and (c) all governmental approvals necessary for the Bank to effect such redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained).

The Indenture permits, with certain exceptions as therein provided, the Bank and the Trustee to enter into supplemental indentures to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of the Securities of each series under the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding of each series to be affected thereby on behalf of the Holders of all Securities of such series. The Indenture also permits the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Bank with certain provisions of the Indenture and certain past defaults and their consequences with respect to such series under the Indenture. Any such consent or waiver by the Holder of this Note shall

be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Notes issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note or such other Notes. In addition, subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Bank and the Trustee may amend the Indenture or the Notes to make changes that do not adversely affect the rights of any Holder.

The Bank may from time to time without the consent of the holders of Notes create and issue further notes, having the same terms and conditions as the Notes in all respects (or in all respects except for the payment of interest on such Notes scheduled and paid prior to such time), so that such further issue may be consolidated and form a single series with the outstanding Notes.

[In the case of Senior Securities: If an Event of Default with respect to the Notes shall occur and be continuing, the principal of all of the Notes may be declared due and payable in manner, with the effect and subject to the conditions provided in the Indenture.]

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, rate and respective times and in the coin or currency herein and in the Indenture prescribed.

The Notes are issuable in registered form without coupons in denominations of \$1,000 and any integral multiple of \$1,000. Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations at the office or agency of the Bank in the Borough of Manhattan, The City of New York, designated for such purpose and in the manner and subject to the limitations provided in the Indenture.

The Trustee will be the Paying Agent and the Security Registrar with respect to the Notes. The Bank reserves the right at any time to vary or terminate the appointment of any Paying Agent or Security Registrar, to appoint additional or other Paying Agents and other Security Registrars, which may include the Bank, and to approve any change in the office through which any Paying Agent or Security Registrar acts; provided that there will at all times be a Paying Agent in The City of New York and there will be no more than one Security Registrar for the Notes.

Upon due presentment for registration of transfer of this Note at the office or agency of the Bank in The City of New York designated for such purpose, a new Note or Notes of authorized denominations for a like aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture.

No charge shall be made for any such transfer or exchange, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge imposed in connection therewith.

The Bank, the Trustee and any agent of the Bank or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not

this Note is overdue, and none of the Bank, the Trustee or any such agent shall be affected by notice to the contrary.

Unless otherwise defined herein, all terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

This Note shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the conflict of laws provisions thereof.

Ex. A-11

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. no.)

and irrevocably appoint _____ agent to transfer this Note on the books of the Bank. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Note.

In connection with any transfer of any of the Securities evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities were owned by the Bank or any Affiliate of the Bank, the undersigned confirms that such Securities are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1) ☐ to the Bank; or
- (2) ☐ pursuant to an effective registration statement under the Securities Act of 1933; or
- (3) ☐ inside the United States to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (4) ☐ outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933; or

(5) o pursuant to another available exemption from registration provided by Rule 144 under the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (5) is checked, the Trustee may require, prior to registering any such transfer of the Securities, such legal opinions, certifications and other information as the Bank has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

Your Signature

Signature Guarantee:

Date: _____

Signature of Signature
Guarantee

Signature must be guaranteed
by a participant in a
recognized signature guaranty
medallion program or other
signature guarantor acceptable
to the Trustee

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The initial principal amount of this Global Security is \$[]. The following increases or decreases in this Global Security have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security	Principal amount of this Global Security following such decrease or increase	Signature of authorized signatory of Trustee or Securities Custodian

CROSS-REFERENCE TABLE

Trust Indenture <u>Act Section</u>	Indenture <u>Section</u>
§310 (a)(1)	6.9
(a)(2)	6.9
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(a)(5)	6.9
(b)	6.8
	6.10
(c)	Not Applicable
§311	6.13
§312(a)	7.1
	7.2(a)
(b)	7.2(a)
(c)	7.2(c)
§313(a)	7.3(a)
(b)	7.3(b)
(c)	7.3(a)
(d)	7.3(c)
§314 (a)(1) (2) (3)	7.4
(a)(4)	10.4
(b)	Not Applicable
(c)(1)	1.2
(c)(2)	1.2
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	1.2
§315(a)	6.1(a)
	6.1(c)
(b)	6.2
(c)	6.1(b)
(d)	6.1(c)
(d)(1)	6.1(a)
(d)(2)	6.1(c)(ii)
(d)(3)	6.1(c)(iii)
(e)	5.14
§316(a)	1.1
(a)(1) (A)	5.12
	5.14
(a)(1)(B)	5.13
(a)(2)	Not Applicable
(b)	5.8
(c)	1.4(d)
§317 (a)(1)	5.3
(a)(2)	5.4

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.

PEDRO RICARDO REVECO HORMAZABAL
NOTARY PUBLIC

[seal and signature]

[initials] NOTARY RECORD BOOK NO. 3,807
VVB/lrr
721 Bonosubo K

ISSUE OF SERIES “K” BEARER BONDS
BANCO SANTANDER-CHILE
and
BANCO DE CHILE

[seal] NESTOR RIQUELME CONTRERAS
ALTERNATE NOTARY for
SANTIAGO NINETEENTH NOTARY OFFICE
CHILE

IN SANTIAGO DE CHILE, on March sixteenth, two thousand one, before me, **NESTOR RIQUELME CONTRERAS**, Chilean citizen, married, Attorney, National Identity Card and single tax roll number four million four hundred eighty-five thousand nine hundred thirty-two dash seven, Alternate Notary for the Holder of the Nineteenth Notary Office in Santiago, Mr. **PEDRO RICARDO REVECO HORMAZABAL**, with Offices at number three hundred forty-one, Office three hundred fifty-two, Calle Bandera, according to Decree number **one hundred twenty-four – two thousand one**, issued by the Most Illustrious Santiago Court of appeals, dated March thirteenth, two thousand one, entered in the Notary Record Book at this same Office as number one thousand eight; APPEAR: Mr. **OSCAR VON CHRISMAR CARVAJAL**, Chilean citizen, married, commercial engineer, National Identity Card number six million nine hundred twenty-six thousand five hundred eleven dash one, in his capacity as the General Manager and representing, as proven, Banco **SANTANDER-CHILE**, a banking stock corporation, Single Tax Roll number ninety-six million fifteen thousand dash five, all domiciled at number one hundred forty Calle Bander, Santiago; Mr. **JOSÉ IZQUIERDO WALKER**, Chilean citizen, married, engineer, National Identity

Card number five million five hundred forty-three thousand, five hundred dash six and Mr. **FELIPE FIGUEROA CANDIA**, Chilean citizen, single, commercial engineer, National Identity Card number nine million, nine hundred six thousand sixty dash three, and Mr. [sic], both representing Banco **DE CHILE**, a banking stock corporation, both domiciled at number two hundred fifty-one, Calle Ahumada, Santiago, present in its capacity as the **Bond Holders' Representative**, the persons appearing being of legal age, and proving their identity by the above-mentioned identity cards, and state: That pursuant to Law Number eighteen thousand forty-five and its later amendments on the Securities Market, and Article sixty-nine, number two, of the General Banking Law contained in Decree with Force of Law number three, of November twenty-six, nineteen ninety-seven, published in Official Diary number thirty-five thousand nine hundred forty-four, of December nineteenth, nineteen ninety-seven and corrections published in Official Diary number thirty-five thousand nine hundred fifty-six, of January fifth, nineteen ninety-eight, have agreed to sign an Agreement for the Issue of Book Entry Bearer Bonds, to be issued by BANCO SANTANDER-CHILE, hereinafter the “**Issuer**,” BANCO DE CHILE acting as the “**Bond Holders' Representative**,” all pursuant to the stipulations given below: **ONE: Issuer's Recitals:** a) **Name** : BANCO SANTANDER-CHILE. b) **Legal Domicile:** BANCO SANTANDER-CHILE has its legal domicile in the City and Commune of Santiago, at number one hundred forty Calle Bandera, which is its Head Office, without prejudice to the special domiciles of the branch offices which exist in the country or which may exist in Chile or foreign countries. c) **Single Tax Roll** : number ninety-seven million fifteen thousand dash five. d) Securities Registry Entry: BANCO SANTANDER-CHILE is entered in the

Securities Registry of the Banking and Financial Institution Superintendent's Office as its operating permit is valid. e) **Legal Recitals:** The Bank was incorporated with the name or business name of BANCO OSORNO Y LA UNION, by public documents dated July seventeenth, nineteen hundred eight, issued before Osorio Notary Reinaldo Ide and on August sixth, nineteen hundred eight, before Santiago Notary Santiago Larrazával, fixing its domicile in the city of Osorno. Its lifetime is indefinite. Its existence was authorized by Supreme Decree number two thousand nineteen hundred eight, of August twenty-ninth, nineteen hundred eight, by the Ministry of Taxation, which was entered on page fifty-eight, back, number thirty-eight, in the Business Registry for the year nineteen hundred eight, of the Property Registrar of Osorno. The company's by-laws have undergone various amendments, the most recent being: I. Those approved at the Extraordinary General Shareholders' Meeting held on June tenth, nineteen ninety-six, the minutes of which were registered as a public document on June twelfth, nineteen ninety-six, at the Santiago Notary Office of Kamel Saquel Zaror, approval of which was passed by Resolution number sixty-three by the Banking and Financial Institution Superintendent's Office, dated June twenty-sixth, nineteen ninety-six, and entered in the Business Registry of the Property Registrar of Santiago on page fifteen thousand seven hundred eighty-six, number twelve thousand two hundred fifty-three, for the year nineteen ninety-six and published in the Official Diary dated July first, nineteen ninety-six. At this meeting the shareholders approved: i) The merger of Banco OSORNO Y LA UNION with Banco SANTANDER-CHILE, by the incorporation of the latter into the former, which took over the assets and liabilities of the latter, succeeding it in all rights and obligations on the date on which the Banking and Financial

[seal] NESTOR RIQUELME CONTRERAS
ALTERNATE NOTARY for
SANTIAGO NINETEENTH NOTARY OFFICE
CHILE

Superintendent's Office approved the merger and it was legalized; i.i) Changing the name of Banco OSORNO Y LA UNION into Banco **SANTANDER-CHILE**; i.i.i.) Increasing the share capital of Banco OSORNO Y LA UNION from **one hundred eight billion two hundred eighty-six million seven hundred eight thousand seven hundred thirty-five pesos** to the amount of **two hundred two billion, one hundred twenty-five million five hundred seven thousand two hundred seventy-three pesos**, divided into twenty-five thousand one hundred eighty-eight million seven hundred thirty-thousand seventy ordinary shares, no face value, the above-mentioned share increase being paid for by **ninety-three billion, eight hundred thirty-eight million seven hundred ninety-eight thousand seven hundred thirty-eight pesos**, which corresponds to the company assets of Banco SANTANDER-CHILE, which is incorporated by the above-mentioned merger. Twelve billion five hundred ninety-four million three hundred fifteen thousand, thirty-five ordinary Series A shares, no face value, were issued, to be swapped for those held by the shareholders of Banco SANTANDER-CHILE which was absorbed. II. Those approved at the Extraordinary General Shareholders' Meeting, held on March thirty-first, nineteen ninety-seven, the minutes of which were registered as a public document on April fourth, nineteen ninety-seven, at the Santiago Notary Office of Raúl Iván Perry Pefaur, approval of which was passed by Resolution number fifty-two, of May twelfth, nineteen ninety-seven, by the Banking and Financial Institutions Superintendent's Office, which is entered in an extract on page eleven thousand four hundred twenty-four number nine thousand fifty-one, in the Santiago Business Registry, for the year nineteen ninety-seven and published in the Official Diary dated May twentieth, nineteen ninety-seven, by which amendments to the by-laws in relation to the institution's internal order were approved. **f) Business Purpose:** The Bank's business purpose is to carry out all operations, deals, acts and contracts which the laws, and particularly the General Banking Law, authorizes a bank to carry out or perform. **g) Term:** The Lifetime of Banco

SANTANDER-CHILE is indefinite. h) **Paid Up Capital and Reserves:** The company’s share capital, according to its Financial Statements presented on December thirty-first, two thousand, come to the amount of four hundred sixty-three billion, three hundred seventy-one million, thirty-three thousand, five hundred seventy-four pesos, divided into **twenty-five billion, one hundred eighty-eight million six hundred thirty-thousand seventy** ordinary shares, no face value, which will be understood as amended as of right pursuant to legal regulations once the Ordinary General Shareholders’ Meeting has approved the Balance Sheet for the fiscal year. i) **Current Bond Issues:** BANCO SANTANDER CHILE, formerly BANCO OSORNO Y LA UNION, currently owes from previous bond issues, which are still in circulation, the following principal balances: a) four billion eight hundred thirty-six million one hundred sixteen thousand nine hundred forty-three pesos, the balance of the subordinated series C bond issue, which was approved by a public document dated March thirtieth, nineteen ninety-two, issued at the Santiago notary office of José Musalem Saffie. b) thirty-two billion six hundred forty-one million three hundred sixty-one thousand one hundred thirty-one pesos, the balance of the subordinated Series E bond issue, which was approved by a public document dated November twenty-sixth, nineteen ninety-six, issued at the Santiago notary office of Eduardo Pinto Peralta; c) seventeen billion four hundred sixty-one million four hundred sixty thousand three hundred thirty-seven pesos, the balance of the “Series F One” bearer bond issue; twenty-one billion two hundred fifty-five million one hundred four thousand two hundred twenty-two pesos, the balance of the “Series F Two” bearer bond issue; twenty-nine billion, nine hundred thirty-four million five hundred sixty-one thousand six hundred eighty pesos, the balance of the “Series F Three,” bearer bond issue, and thirty-nine billion four hundred five million ninety-eight thousand seven hundred forty-eight pesos, the balance of the “Series F Four” bearer bond issue, all of which were

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approved by a public document dated November twenty-sixth, nineteen ninety-six, issued by Santiago Public Notary Eduardo Pinto Peralta; d) fourteen billion eight hundred thirty-six million one hundred thirty-eight thousand three hundred eighty-two pesos, the balance of the “Series G One” bearer bond issue, which was approved by a public document dated October fourteenth, nineteen ninety-eight, issued by this authorizing notary. f) twenty-eight billion three hundred thirty-eight million four hundred twenty thousand thirty pesos, the balance of the “Series H One” bearer bond issue, which was approved by a public document dated June first, nineteen ninety-nine, issued by this authorizing notary. g) thirteen billion nine hundred twenty-five million five hundred ninety thousand four hundred eighty pesos, the balance of the “Series H Two” bearer bond issue, which was also approved by another public document dated June first, nineteen ninety-nine, issued by this authorizing notary. h) We certify that by a public document dated December first, nineteen ninety-nine, issued by Santiago notary public Eduardo Pinto Peralta, the “Series J” bearer bond issue was approved, for a face amount of two million Development Units, which issue was entered in the Securities Registry of the Banking and Financial Institution Superintendent’s Office as number sixteen/ninety-nine, dated December sixteenth, nineteen ninety-nine, which securities were redeemed in full in advance by the Issuer on February first two thousand one.

TWO: Legal Recitals: a)

Legal Incorporation: Banco de Chile is a banking corporation with legal status and its own assets established by the merger of the National Banks of Chile, Valparaíso and Agrícola, according to a public document dated October twenty-eighth, eighteen ninety-three issued at the Santiago Notary Office of Eduardo Reyes Lavalle and authorized by Supreme Decree on November twenty-eighth, eighteen ninety-three, entered on page one hundred twenty-five, number one hundred fifty of the Business Registry of the Santiago Property Registrar for the year eighteen ninety-three. Banco de Chile, legal successor of the former, in accordance with the stipulations in Article twenty-five of Law nineteen thousand three hundred ninety-six, was created by a public document dated July nineteenth, nineteen ninety-six issued at the Santiago Notary Office of René Benevente Cash and authorized by Resolution Number one hundred thirty-two dated September seventeenth nineteen ninety-six, corrected by a Resolution dated September twentieth, nineteen ninety-six, both issued by the Banking and Financial Institution Superintendent's Office, entered on page twenty-three thousand eight hundred fifty-nine Number eighteen thousand six hundred thirty-eight in the Business Registry for the year nineteen ninety-six of the Santiago Property Registrar, published in the Official Diary on September twenty-sixth, nineteen ninety-six. b) **Legal Domicile:** The legal domicile of Banco de Chile is the City of Santiago, commune of the same name, and the address of the Head Office is two hundred fifty-one, Calle Ahumada. c) **Single Tax Roll:** The single tax roll of Banco de Chile is number ninety-seven million four thousand dash five. d) **Term:** Banco de Chile is a stock corporation with an indefinite lifetime. **Five. Business Purpose:** The business purpose of Banco de Chile is to carry out all business which the General Banking Law allows banking corporations to carry out. e) **Most Recent Financial Statement:** The most recent financial

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statement presented to the Banking and Financial Institutions Superintendent's Office is for December thirty-first, two thousand, and the cash assets on that date come to three hundred seventy-seven billion two hundred nine million sixty-seven thousand five hundred twenty-three pesos. **f) Compensation to the Bond Holders' Representative:** BANCO DE CHILE will receive an annual cash payment in its capacity as the Bond Holders' Representative of the Chilean peso equivalent of one hundred fifty Development Units plus VAT, to be paid once the first placement of the bonds in this issue has taken place. Thereafter, this amount will be payable at the start of each calendar year, in advance, while it acts as the Bond Holders' Representative. In addition, the Bond Holders' Representative will receive a cash payment equivalent to fifty Development Units plus VAT to be paid if called to a Bond Holders' Meeting pursuant to this agreement, evidenced by the publication of the corresponding notice. If the Bond Holders' Representative is replaced for any reason, BANCO DE CHILE will be entitled to receive the proportional amount of the annual stipulated payment for the number months it has held the position. All costs incurred by the Bond Holders' Representative in the exercise of its duties, whether for publications, registrations, communications, holding Bond Holders' Meetings, public document fees and all others resulting from the obligations due to its position in accordance with the law, will be paid solely by the Issuer. **g) Procedures for Removal, Appointment of a Replacement and Powers of the Representative:** The procedure for removing and appointing the Representative and its powers are indicated in clause sixteen of this document. **THREE : Amount, Features and Terms of the Issue.** a) **Bond Issue:** BANCO SANTANDER-CHILE will execute a book entry issue of bearer Bonds, in the

amount of SIX MILLION Development Units, in three series called: ONE) “Series K One” described as follows: for a total amount of TWO MILLION Development Units, a term of eight years, divided into ONE HUNDRED FIFTY Bonds each with a face value of TEN THOUSAND Development Units, and ONE HUNDRED Bonds each with a face value of FIVE THOUSAND Development Units. TWO) “Series K Two,” described as follows: for a total amount of TWO MILLION Development Units, a term of twelve years, divided into ONE HUNDRED FIFTY bonds each with a face value of TEN THOUSAND Development Units, and ONE HUNDRED bonds each with a face value of FIVE THOUSAND Development Units. and THREE) “Series K Three,” described as follows: for a total amount of TWO MILLION Development Units, a term of twenty-two years, divided into ONE HUNDRED FIFTY Bonds each with a face value of TEN THOUSAND Development Units, and ONE HUNDRED Bonds each with a face value of FIVE THOUSAND Development Units. b) **Placement Period.** The Issuer will have a period of FORTY-EIGHT months, starting from the date on which the bond issue in question is registered with the Banking and Financial Institution Superintendent’s Office. After this period is up, the Issuer must cancel the securities which have not been placed. c) The bonds in this issue are book entry bearer bonds, with no special guarantee, pursuant to Article sixty-nine, paragraph two, of the General Banking Law, the amended version of which was fixed by Decree with Force of Law number three, of November twenty-sixth, nineteen ninety-seven, published in the Official Diary on December nineteenth, nineteen ninety-seven, and corrections published in Official Diary number thirty-five thousand nine hundred fifty-six, of January fifth, nineteen ninety-eight. d) **Numbering.** The numbering of the securities will be correlative within each series, starting with number zero zero one, with each security representing one bond. e) **Coupons.** Each bond

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in the “Series K One” will have SIXTEEN coupons attached to it. Each of the “Series K Two” bonds will have TWENTY-FOUR coupons attached to it. Each of the bonds in the “Series K Three” will have FORTY-FOUR coupons attached to it. All coupons in these series will contain an indication of the amount of interest, amortization, maturity date and the bond series and number. The interest and amortization will be paid after the security itself is displayed and in exchange for the corresponding coupon, which must be presented attached to the security. The payment of the last coupon will take place in exchange for the latter and the respective certificate. f) **Readjustability.** The bonds will be issued in Development Units and the payment of each coupon will take place in accordance with the value of the Development Unit on the maturity date in question. For this purpose, it will be at the value of the Development Unit fixed by BANCO Central de Chile pursuant to the powers vested in it by paragraph nine of Article thirty-five of Law number eighteen thousand eight hundred forty, the Organic Constitutional Law on Banco Central de Chile, as published in the Official Diary by this government body, as set forth in Chapter II.B.Three “Readjustability Systems Authorized by Banco Central,” in the Compendium of Financial Regulations or any regulations replacing them in the future. If a competent authority assigns the task of fixing the value of the Development Unit to another Body, it will be understood that the value fixed by that new Body will apply to determine the equivalent amount of each payment in Chilean pesos. If for any reason the Development Unit no longer exists, or the calculation procedure is changed, the variation in the Consumer Price Index for the respective period will be used, with one month’s delay. The index in question will be that calculated by the National Statistics Institute or any Body replacing or succeeding it. All the foregoing will be used to determine the corresponding adjustments in principal and interest. g) The

Bonds will contain a notation that only Holders who are shown with a position of a book entry debt in relation to the bond on the closing date and reported to the Issuer by the respective depository and custodian company will be entitled to attend the Bond Holders' Meeting, pursuant to Article twelve of Law eighteen thousand eight hundred seventy-six, and which in turn accompany the Certificate referred to in Article thirty-two of the Regulations of the Law in question. **FOUR: Interest.** The "Series K One," "Series K Two," and "Series K Three," bonds issued will earn interest at FIVE percent annually due and payable, based on a year of three hundred sixty days, calculated on the readjusted principal in accordance with the variation in the Development Unit, starting on the issue date of the bonds until amortization. The interest will be earned from March first, two thousand one, for the Series issued and will be paid on the dates indicated in Clause Seven. **FIVE: Amortization.** The amortization of the bonds in "Series One," "Series K Two," "Series K Three" issued, will be starting on September first two thousand one and will be paid on the dates indicated in Clause Seven. The readjustment will take effect starting on March first two thousand one. The coupons corresponding to amortizations and/or interest not collected on the corresponding dates will not qualify for interest or readjustment. **SIX: Place of payment.** The amortization and interest payments will take place at the Head Offices of BANCO SANTANDER-CHILE, located at one hundred forty Calle Bandera, Commune of Santiago, during mandatory customer service hours. Any change in the place of payment of the interest and principal will be communicated by certified letter from the Issuer to the Bond Holders' Representative at least thirty days in advance of the next payment date. With the same advance notice, at least two notices will be published announcing this fact in the "Estrategia" newspaper or in a national circulation newspaper on different days. At all events, the payment will take place in the city of Santiago.

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SEVEN: Payment Schedule. The payment dates and amounts of interest and amortization [illegible handwriting] will be as indicated in the respective Payment Schedules for “Series K One,” “Series K Two”, and “Series K Three” for the bonds issued pursuant to this document, which will be **added to the end of my records as notary record number three thousand eight hundred seven, dated March sixteenth, two thousand one.** **EIGHT: Early Redemption.** The bonds in “Series K One,” “Series K Two” and “Series K Three” [illegible handwriting] to be issued will allow for the possibility of early redemption in whole or in part. For this purpose, starting on the date of placement, the Issuer may redeem the bonds in these series early for the amount of their face value, expressed in Development Units, on any of the fixed “Payment Dates for Interest and Amortizations,” including the one on September first two thousand one. The bonds will be redeemed at a value equivalent to the value of the unpaid principal, plus accrued interest, calculated up to the day on which the early payment takes place, which will be verified by a random drawing in the manner described below. For this purpose, the Issuer will publish a notice in the Santiago “Estrategia” newspaper, or another national circulation newspaper, as selected by the Issuer, and will inform the Bond Holders’ Representative through a Court Clerk, at least fifteen banking business days prior to the date on which the random drawing will take place, indicating the amount of the early redemption in Development Units. It must also indicate the Notary in whose presence the random drawing will take place and the day, time and place fixed for this purpose. The random drawing process may be attended by the Issuer, the Provisional Bond Holders’ Representative or the Final One if appointed, and any bond holders who wish. The early redemption process will not be invalidated if none of the persons indicated above attends the random drawing. To determine the securities to be redeemed early, a random drawing will take place in the presence of a Notary Public

and a record of the proceedings must be drawn up by the Notary in question, giving the number and series of the bonds drawn. The record will be entered in the record book of public documents kept by the same Notary in whose presence the random drawing took place. The random drawing must be verified at least thirty days prior to the Payment Date for Interest and Amortization on which the early redemption will take place. Within five banking business days following the random drawing, a list of the bonds to be redeemed early, as determined by the random drawing, will be published one time only in the Santiago “Estrategia” newspaper, or in any other national circulation newspaper, as selected by the Issuer. If the early redemption involves all the bonds in circulation, a notice will be published one time only in the Santiago “Estrategia” newspaper, or in another national circulation newspaper, as selected by the issuer, indicating this fact. This notice must be published at least thirty calendar days prior to the upcoming payment date. If the Payment Date for Interest and Amortization on which an early redemption is to take place is not a banking business day, the early redemption will take place on the next banking business day. The interest on the bonds drawn will accrue only up to the date on which the early payment takes place. **NINE:** **Regulations to Protect the Bond Holders’ Interests.** There are no regulations to protect the Bond Holders’ Interests referring to limits applying to the Issuer with the goal of protecting the Bond Holders. **TEN:** **Information to the Bond Holders.** The Bank will not give notice of the payment of interest and amortization to the bond holders, because the corresponding dates are properly specified in the payment coupons which are an integral part of the said securities. The information which the law and regulations require the issuing company to provide to the Banking and Financial Institutions Superintendent will be considered sufficient for the Bond Holders’ Representative and the bond holders themselves

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to be considered informed, while this issue is in effect, of the operations, management actions and financial statements of the issuing company. These reports and recitals will be those which the issuing company must provide to the Banking and Financial Institutions Superintendent pursuant to the General Banking Law, the Securities Market Law and the Stock Corporation Law and all other relevant standards and regulations, of which it must also send a copy to the Bond Holders' Representative. The Bond Holders' Representative will be held to have fulfilled its obligation to inform the Bond Holders if it keeps these recitals available to them at its Head Office. Likewise, it will be taken that the Representative has fulfilled its obligation to verify compliance by the issuing company with the terms, clauses and obligations in this issue agreement, by the information which the latter provides in accordance with the indications in this same clause. **ELEVEN: Use of Funds.** The funds attracted based on the issue will be used to finance assets or cover the Bank's obligations. **TWELVE: Form or Transferability of the Securities:** The securities will be book entry bearer securities, and must therefore remain at a securities depository and custodian company, created and operating in accordance with the provisions of Law number eighteen thousand eight hundred seventy-six, published in the Official Diary on December twenty-first, nineteen eighty-nine, amended by Law number nineteen thousand seven hundred five, published in the Official Diary on December twentieth, two thousand. During the time the bonds are in the custody of the depository and custodian company in question, they will not be printed or exist in any physical or material way. Their transfer will take place according to the procedures set forth in the Internal Regulations of the depository and custodian company in question, which for the purposes of this agreement will be the **"Depósito Central de Valores S.A., Depósito de Valores,"**

with which the Issuer on this same date is signing a “Registration Agreement for Issues of Book Entry Securities at Fixed Return and Financial Intermediation” without prejudice to the provisions in the General Regulation number one hundred five, dated January sixteenth, two thousand one, by the Securities and Insurance Superintendent’s Office. This procedure basically consists of removing the position in the account of the seller and adding the position in the account of the purchaser, based on electronic communication, from both buyer and seller, sent to the Depositary and Custodian Company. If, pursuant to the provisions of Article eleven of Law eighteen thousand eight hundred seventy-six, one or more Debt Securities have to be withdrawn from the Depositary and Custodian Company, the Issuer will issue a physical copy of the Securities in question. In this case, the bearer of the securities will be the owner and the transfer will take place via a physical transfer of the Securities. As a result of the foregoing and for the physical issue of one or more physical securities, the following procedure must be followed: The Depositary and Custodian Company will inform the Issuer of the requirement that one or more securities must be physically created, within the next twenty-four hours from the time that the depositary and custodian company receives the withdrawal order given by the holder and depositor in question; as soon as the Issuer receives this communication from the depositary and custodian company, the former will ask for quotation from two printing companies with experience in printing debt securities or bonds, the selection of which is entirely up to the Issuer, to print the one or more securities, and will give the order to the printing company giving the lowest quotation to physically create the one or more securities, which it must give to the depositary and custodian company within fifteen business days from the day after the receipt by the Issuer of the last quotation. **THIRTEEN: Delivery of the Securities.** As this is a book entry issue

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of debt securities, there will be no physical delivery. Therefore, delivery to the first holder or subscriber of one or more of the said securities, the registration carried out by the depositary and custodian company according to written electronic instruction or, instruction by magnetic means from the Issuer or Placement Agent designated by the latter, shall be considered sufficient. For this purpose, the Issuer must first identify for the depositary and custodian company the depositor's code of the Placement Agent it designates and instruct the depositary and custodian company, by written or magnetic means or in an electronic instruction, to add to the position account of the Issuer itself or the Placement Agent all the securities in this issue. The delivery of the Debt Securities, performed in manner indicated above, or by later transfers, in accordance with the provisions in the next clause, implies for the holder, subscriber or purchaser full acceptance and ratification of all stipulations, regulations and conditions set forth in this agreement, its amendments and annexes, and the resolutions legally adopted at the Debt Securities Holders' Meetings. Without prejudice to the foregoing, if, pursuant to Article eleven of Law eighteen thousand eight hundred seventy-six, one or more physical securities have been created, the physical debt security or sheet will be delivered.

FOURTEEN: Ownership and Transfer of the Bond Securities. For all purposes of this agreement and the obligations stipulated herein, the owners of the Debt Securities shall be those persons whom the depositary and custodian company certifies as such by the position certificates issued pursuant to Article thirteen of Law number eighteen thousand eight hundred seventy-six, which make mention of their transfer, to be done in compliance with the regulations in the said law, its regulations and the provisions ordered by the said depositary and custodian company, pursuant to the stipulations in Clause Twelve of this Instrument. However, if

one or more Debt Securities covered by this Issue Agreement have been physically issued, the owner will be the bearer, in which case the transfer will take place via the physical delivery of the Securities. **FIFTEEN: Non-convertibility.** The bonds issued by virtue of this issue agreement may not be convertible into shares and will only confer the right to interest and proper amortization in accordance with the rules set forth in this instrument. **SIXTEEN: Loss, destruction and cancellation of securities or coupons.** In case of loss, theft or robbery, destruction or cancellation of the bonds and/or coupons which have been physically created, this will not be responsibility or liability of the issuing company, but solely that of the bond or coupon holder. However, if a signed court order requires the issuing company to issue valid duplicates of the securities or coupons, this must be done, as long as the holder which obtained such an order in its favor creates a guarantee to the satisfaction of the issuing company to protect it from any future risk until the prescribed collection period for the bond has expired. **SEVENTEEN: Bond Holders' Meetings.** a) The Bond Holders will hold a meeting as long as it is called by their Representative. The meeting must be called: One) When in its sole judgment, it is required for the Holders' best interests. Two) Any time a meeting is requested in writing by holders holding at least twenty percent of the face value of the bonds in circulation. Three) When requested by the Issuer, and Four) When required by the Banking and Financial Institutions Superintendent, without prejudice to the latter's authority to call one directly at any time. To determine the bonds in circulation, once the placement period for the bonds is up and within the next thirty days after that date, the Issuer must declare the number of bonds placed and put into circulation by a public document to be entered in the margin of this instrument within the same period. If such declaration

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does not take place, it may be done at any time by the Bond Holders' Representative with the recitals it has at its disposal. b) The summons to the Bond Holders' Meeting will be made by the Representative by means of three notices published on different days in the "Estrategia" newspaper, within twenty days prior to the day fixed for the meeting. The first notice may not be published any later than fifteen days in advance. c) The Meeting will be validly in session after the first notice if Bond Holders representing an absolute majority of all the bonds issued are present, and after the second notice with as many Bond Holders as are present, and in both cases, the resolutions will be passed by an absolute majority of votes cast by those present, one vote being given for each five thousand Development Units which each attendee has invested. The resolutions so passed will be binding on all Bond Holders; without prejudice to the special cases set forth by the Law. d) The proxies issued by the Bond Holders to be represented at the meeting must be drawn up as a public document or private instrument, and the signature of the proxy giver must be authorized by a Notary. Directors, employees or advisors of the issuing company may not be proxy holders. e) The meetings will be entitled to deliberate and vote on the election and/or renewal of the Representatives, revoking, removal or replacement of those designated or elected, authorization for acts required by Law and in general all matters of common interest to the Bond Holders. f) Only Bond Holders who are shown with a position of a book entry debt in relation to the bond on the closing date and reported to the Issuer by the respective depositary and custodian company, may attend the Bond Holders' Meeting, pursuant to Article twelve of Law eighteen thousand eight hundred seventy-six, and which in turn accompany the Certificate referred to in Article thirty-two of the Regulations of the Law in question; however, if there physical Debt Securities exist, Bond Holders' meetings may also be attended by

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the legitimate owners of the Debt Securities entered in the Registry of Security Holders at least five business days prior to the day on which the meeting is to be held. In this latter case, the direct Bond Holders' Registry will also take the place of the requirement to display custodian certificates for the said securities registered the same amount of time in advance. g) The deliberations and resolutions passed by the Meeting will be recorded in a special minute book kept by the Bond Holders' Representative. The record, or private instrument, whichever applies, will be signed by three Bond Holders or by all those attending, if there are less than three, and the Bond Holders' Representative must also sign. **EIGHTEEN: The Bond Holders and their Representative. a) Election, Replacement and Removal.** The Bond Holders' Representative may be replaced at any time by the Bond Holders' Meeting. After the election, renewal, dismissal, removal and/or replacement of the Representative, the person designated as the replacement must announce this fact within fifteen days of the occurrence, in a notice published on two different days in the "Estrategia" newspaper, or failing that in a newspaper which circulates all over Chile. **b) Powers and Rights.** In addition to the powers vested in the Representative as their agent and those vested in it by the Meeting, it shall have all powers vested in it by Law. **c) Grounds for dismissal.** The Bond Holders' Representative shall step down for any of the following reasons: One: Resignation by the Representative. However, resignation must be given at the Bond Holders' Meeting, which must immediately proceed to designate a replacement. At all events, the Bond Holders' Representative may not resign until all the bonds in this issue have been placed or the placement period is up. Two: Circumstances when Representative cannot carry out its Duties:

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Three. Removal, dismissal and/or replacement of the Representative. Once the Representative has stepped down, for whatever reason, the replacement and/or election of the new representative will take place in compliance with the rules and procedures in letter a) in this clause. d) **Duties and Impediments.** The Bond Holders' Representative must keep all internal information relating to the Issuer of which it becomes aware strictly confidential, pursuant to the provisions of Article one hundred eight in Law eighteen thousand forty-five. The Bond Holders' Representative, pursuant to the provisions of Article one hundred fifteen of Law eighteen thousand forty-five, may not delegate its duties, without prejudice to which it is authorized to confer special powers on third parties for the purposes and with the powers expressly determined by it. e) **Liability.** The Bond Holders' Representative will be liable for its actions pursuant to the Law and will be liable for any violation or breach of any requirements set by the Law, the Banking and Financial Institutions Superintendent's Office or this agreement. **NINETEEN: Presumption of Ownership. Transfer of Bonds.** For all effects deriving from this bond issue agreement and the obligations assumed thereby, anyone certified as the legitimate holder of the securities by a Securities Depository company approved by law, shall be presumed to be such, and the Securities Depository Company will be understood to be acting as the representative of the Debt Securities Holders for the collection, and the Payor Bank must make the payments to anyone whom the said depository company indicates in a list it must send on the payment date, in an electronic file or in writing, which will remain at the offices of the Payor Bank and available to the Issuer. For this purpose, the regulations and payment procedures set forth in the Internal Regulations at the depository and custodian company must be followed.

However, in the event that one or more securities have been physically created, in accordance with the provisions of Article eleven of Law number eighteen thousand eight hundred seventy-six, the payment of the respective coupons will take place in exchange for delivery of the coupon in question. Payments will be made at the Head Office of the Payor Bank, which will be the Issuer itself, currently located in this city at 140 Calle Bandera, on banking business days, after 1 p.m. In the case of physically created securities, the transfer will take place in exchange for the physical delivery of the corresponding security and the coupons may not be transferred separately from the security to which they are attached. **TWENTY**: Bond Holders' Meetings may only be attended by those holders registered for the meeting in question 5 business days before the meeting is to be held in the special registry opened by the issuer for this purpose. **TWENTY-ONE: Persons authorized to sign the securities** . The Bond securities will be signed by the Issuer's representatives: Gonzalo Romero Astaburuaga, Fernando Massú Taré, Jaime Uribe Obrador and Juan Fernández Fernández, any two of the foregoing acting together; or if they are absent or prevented from acting, which does not have to be proven to third parties, they may be signed by two Class B authorized representatives of the same issuer; and by the Bond Holders' Representative, Banco DE CHILE, represented by any one of the following: José Izquierdo Walker, National Identity Card number five million five hundred forty-three thousand five hundred dash six, Roberto Mebus L. de G., National Identity Card number three million two hundred fifty-four thousand nine hundred twenty-five dash K, Felipe Figueroa Candia, National Identity Card Number nine million nine hundred six thousand sixty dash three, Jorge Diaz P., National Identity Card Number seven million three hundred

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thirty-eight thousand ninety-four dash five, Victor Mouat C., National Identity Card Number six million nine hundred seventeen thousand seven hundred thirty-two dash eight, Daniel Wilson T., National Identity Card Number nine million one hundred twenty-four thousand one hundred eighteen dash eight, Guido Muñoz M., National Identity Card Number five million three hundred fifty thousand seven hundred forty-three dash three and Hernán Jorquera H., National Identity Card Number six million six hundred thirty-six thousand six hundred seventy-one dash five or by anyone the Representative designates for this purpose. **TWENTY-TWO: Approval by the Issuer's Board of Directors.** The Resolution by the Board of BANCO SANTANDER-CHILE to issue book entry bearer subordinated bonds as referred to herein, was adopted at the Ordinary Board Meeting number two hundred sixty-six on January twenty-sixth, two thousand one, the minutes of which were registered as a public document on February fifteenth, two thousand one, issued at the Santiago Notary Office of Ms. María Isabel Ruiz-Esquide Enríquez, alternate for the Principal Notary Ms. Nancy de la Fuente Hernández. **TWENTY-THREE : Authorization for Registrations.** The bearer of an authorized copy of this instrument is authorized to apply, at his own cost, for all registrations, sub-registrations and annotations which may be necessary or which he deems relevant to carry out the corresponding Registrations and which relate to the assets in the separate holding. **TWENTY-FOUR: Domicile.** For all purposes of this agreement, the parties fix their domicile in the city and commune of Santiago. **TWENTY-FIVE: Jurisdiction.** Any doubt, question, or difficulty which arises based on or caused by this bond issue will be heard and settled by a legal arbitrator, designated by joint agreement between the parties, and if they cannot reach an agreement, by an Ordinary Court.

LEGAL CAPACITIES: The legal capacity of Mr. OSCAR CHRISMAR CARVAJAL, to act as the representative for BANCO SANTANDER-CHILE, is shown in the resolution passed at the above-mentioned Ordinary Board Meeting number two hundred sixty-six, on January twenty-sixth, two thousand one, the minutes of which were registered as a public document on February fifteenth, two thousand one, issued at the Santiago Notary Office of María Isabel Ruiz-Esquide Enríquez, alternate for the Principal Notary Ms. Nancy de la Fuente Hernández, which is not attached as it is known by the parties and the authorizing notary. The legal capacities of José Izquierdo Walker and Mr. Felipe Figueroa Candia to represent Banco DE CHILE, are shown in the public documents issued in the City of Santiago, at the Notary Office of Mr. René Benavente Cash on January twenty-seventh, nineteen eighty-nine and July twenty-ninth, nineteen ninety-seven respectively, which are not attached as they are known by the parties and the authorizing notary. In witness whereof and after reading this instrument, the parties appearing ratify it and sign it in the presence of the authorizing Notary. Entered in Notary Record Book Number three thousand eight hundred seven. I so certify.

[signature]

OSCAR VON CHRISMAR CARVAJAL

BANCO SANTANDER CHILE

[signature]
JOSÉ IZQUIERDO WALKER
BANCO DE CHILE

[signature]
FELIPE FIGUEROA CANDIA

[left margin] Claudia Alvarez Rojas
Attorney
Banco Santander [signature]
Edgardo Urbano Moreno

[signature]
[inked stamp] I sign and seal this copy which is a true copy of the original.

Santiago March 19, 2001
[seal] Pedro Ricardo Reveco Hormazabal
Notary Public, 10th Notary Office Office 352 Santiago.
[illegible seal]

[seal]
Nestor Riquelme Contreras
Alternate Notary
Chile [signature]

GONZALO DE LA CUADRA FABRES
NOTARY NO. 38
SANTIAGO

[seal]

NOTARY RECORD BOOK NO. 9,673-2003.-

=HMS=

O.T. No.111.449

AMENDMENT TO BOND ISSUE AGREEMENT

BANCO SANTANDER-CHILE

and

BANCO DE CHILE

*

IN SANTIAGO, REPUBLIC OF CHILE, on May thirtieth, two thousand three, before me, **GONZALO DE LA CUADRA FABRES**, Attorney, Santiago Notary Public, Holder of the Thirty-Eighth Notary Office, domiciled in this City at number eighty-four Calle Bandera, office two hundred four, appeared: **Oscar Von Chrismar Carvajal**, Chilean, married, civil engineer, National I.D. Card Number six million nine hundred twenty-six thousand, five hundred eleven dash one, and **Fernando Massú Taré**, Chilean, married, commercial engineer, National I.D. Card Number six million seven hundred eighty-three thousand eight hundred twenty-six dash two, representing, as proven, Banco **SANTANDER-CHILE**, a banking stock corporation, Single Tax Roll number ninety-seven million thirty-six thousand dash K, in its capacity as the continuer or legal successor to the former Banco

[initial]

Santander-Chile, all domiciled at number one hundred forty Calle Bandera, Santiago, hereinafter referred to as "The Issuer"; **Sergio Guitart Pieger**, Chilean, married, industrial civil engineer, National I.D. Card Number six million four hundred fifty-two thousand four hundred fifteen dash one, and **Felipe Figueroa Candia**, Chilean, single, commercial engineer, National I.D. Card Number nine million nine hundred six thousand seventy dash three, both representing Banco **DE CHILE**, banking stock corporation, both domiciled at number two hundred fifty-one Calle Ahumada, Santiago, appearing in their capacity as the representative of the bondholders, hereinafter also referred to as "The Bondholders' Representative," all those appearing being of legal age, and proving their identity by the above-mentioned identity cards and declare: **ONE**: On March sixteenth, two thousand one, in a public document issued at the Notary Office of Pedro Ricardo Reveco Hormazabal, Notary Record Book Number three thousand eight hundred seven, a bond issue agreement was signed, hereinafter always referred to as the "Bond Issue Agreement" between the issuer and the Bondholders' Representative. This issue is registered at the Banking and Financial Institutions Superintendent's Office as number one/two thousand one, dated March twenty-seventh, two thousand one. **TWO**: The Issuer and the Bondholders' Representative declare that the bond placement has not yet taken place. **THREE**: By this instrument, the issuer and the Bondholders' Representative wish to replace Clause Four of the said public document by the following: "FOUR: Interest: The "Series K One" Bonds issued will earn interest at the rate of three point five percent annually due and payable, based on a year of three hundred sixty days, calculated on

the readjusted principal in accordance with the variation in the Development Unit, starting on the date of the bond issue until they are amortized. The "Series K Two" bonds issued will earn interest at the rate of four point zero percent annually, due and payable, based on a year of three hundred sixty days, calculated on the readjusted principal in accordance with the variation in the Unidad de Fomento [UF: a unit of accounting for inflation-protected bond issues in Chile], starting on the date of the bond issue until they are amortized. The "Series K Three" bonds issued will earn interest at the annual rate of five point zero percent, due and payable, based on a year of three hundred sixty days, calculated on the readjusted principal in accordance with the variation in the Unidad de Fomento, starting on the date of the bond issue until they are amortized. The interest will be earned from March first, two thousand one, for each series issued, and will be paid on the dates indicated in Clause Seven." **FOUR:** Likewise, it will be understood that when the public document referred to above makes mention of the interest, it is referring to the interest indicated in this new Clause Four. **FIVE:** In reference to the amendment of the interest clause referred to above, the interest payment schedules indicated in Clause Seven of the public document being amended by this instrument are being replaced. Therefore, the respective Schedules for the Series K One, Series K Two, and Series K Three bonds being issued are recorded at the end of my records as notary record book number five thousand sixty-three dash A of this same date. **SIX:** For all things not amended by this instrument, the provisions of the Bond Issue Agreement will remain in full effect. We attest that on July eighteenth, two thousand two, an Extraordinary General Shareholders' Meeting of Banco Santander-Chile was held, the minutes of which were recorded as a public document on

July nineteenth, two thousand two, at the Santiago Notary Office of Nancy de la Fuente Hernández, in which the merger of Banco Santander-Chile with Banco Santiago was approved, by the incorporation of the former into the latter, which thereby acquires the former's assets and liabilities; and the early dissolution of Banco Santander-Chile was also approved, and the change of name of Banco Santiago to Banco Santander-Chile. This change was authorized by Resolution number seventy-nine by the Banking and Financial Institutions Superintendent's Office, issued on July twenty-sixth, two thousand two, published in the Official Diary on August first, two thousand two, and entered on page nineteen thousand nine hundred ninety-two, number sixteen thousand three hundred forty-six for the year two thousand two, in the Business Registry of the Property Registrar of Santiago. None of these instruments is being attached because they are known to the authorizing Notary. The legal status of the representatives of Banco Santander-Chile is shown in the public document dated July twenty-fourth and twenty-fifth, two thousand two, issued at the Santiago Notary Office of Nancy de la Fuente Hernández. The legal status of the representatives of Banco de Chile is shown in the public document dated July twenty-fourth and twenty-fifth, two thousand two, issued at the Santiago Notary Office of Nancy de la Fuente Hernández. These documents verifying their status are not attached because they are known by the parties and the authorizing Notary, who declares she has examined them, that they are sufficient, and attests to their authenticity. The person in charge of processing this document is MARTA ROJAS JORQUERA, and the master copy was drawn up by HUGO MALDONADO SEPULVEDA. In witness whereof and after reading the document, the persons appearing ratify it and sign. I GAVE THEM A COPY. This document is entered in the Public Instrument Record Book

at this Notary Office as number nine thousand six hundred seventy-three – two thousand three. IN WITNESS WHEREOF. [initials]

[seal] BANCO SANTANDER
Oversight Office

Signature: [signature]
FERNANDO MASSU TARE
I.D. Card No. 6.926.511 –1
R.U.T. 97.036.000-K

Signature: [signature]
OSCAR VON CHRISMAR CARAVAJAL
I.D. Card No. 6.783.826-2
R.U.T.: 97.036.000-K

Signature: [signature]
SERGIO GUITART PIEGER
I.D. Card No. 6.452.415.1
R.U.T. 97.004.000-5

Signature: [signature]
FELIPE FIGUEROA CANDIA
I.D. Card No. 9.906.060-3
R.U.T.: 97.004.000-5

I CERTIFY THAT THIS PAGE IS PART OF THE PUBLIC DOCUMENT AMENDING THE **BANCO SANTANDER-CHILE AND BANCO DE CHILE** BOND
ISSUE AGREEMENT, WHICH IS ENTERED IN THE PUBLIC INSTRUMENT RECORD BOOK AT THIS NOTARY OFFICE AS NUMBER NINE THOUSAND
SIX HUNDRED SEVENTY-THREE - TWO THOUSAND.

[inked stamp at left] MRJ Notary Chile

GONZALO DE LA CUADRA FABRES
NOTARY OFFICE No. 38
SANTIAGO

Notary Seal

INDEX No. 21.362-2004.-

= HMS =

O.T. No. 224.854.

AMENDMENT OF BOND ISSUE CONTRACT
BANCO SANTANDER-CHILE
- AND -
BANCO DE CHILE

*

IN SANTIAGO, REPUBLIC OF CHILE, on October twenty-second, two thousand four, before me, **MARIO ANTONIO BASTIAS SEGURA**, Attorney and Notary Public of Santiago, replacement for GONZALO DE LA CUADRA FABRES, Notary Public in charge of Notary Office Thirty-Eight, located in this city at number eighty-four Calle Bandera, office two hundred four, appear: **Oscar Von Chrismar Carvajal**, Chilean, married, civil engineer, National I.D. Card Number six million nine hundred twenty-six thousand five hundred eleven dash one, and **Fernando Massú Taré**, Chilean, married, commercial engineer, National I.D. Card Number six million seven hundred eighty-three thousand eight hundred twenty-six dash two, representing, as will be evidenced, **BANCO SANTANDER- CHILE**, a banking corporation, Taxpayer I.D. Number ninety seven million thirty-six thousand dash K, all domiciled at number one hundred forty Calle Bandera, Santiago, hereafter also called “the Issuer,” and **Juan Alberdi Monforte**, Chilean, married, civil engineer, National I.D. Card Number seven million ninety-five thousand two hundred forty-two dash four, and **Felipe Figueroa Candia**, Chilean, single, commercial engineer, National I.D. Card Number nine million nine hundred six thousand sixty dash three, both representing **BANCO DE CHILE**, a banking corporation, both domiciled at number two hundred fifty-one Calle Ahumada, Santiago, who

appear in their capacity as bondholders' representative, hereafter also called the "Bondholders' Representative." The appearing parties are of legal age, furnish evidence of their identities with the aforementioned I.D. Cards, and state: **ONE:** On March sixteenth, two thousand one, a bond issue contract, hereafter also called the "Bond Issue Contract," was formalized between the issuer and the Bondholders' Representative by public document executed at the Notary Office of Pedro Ricardo Reveco Hormazabal, Index Number three thousand eight hundred seven. That contract was amended by public document dated May thirtieth, two thousand three, executed at the Notary Office of Gonzalo de la Cuadra Fabres, Index Number nine thousand six hundred seventy-three. The contract and its amendment are hereafter called the "Bond Issue Contract," without distinction. The respective issue was registered at the Office of the Superintendent of Banks and Financial Institutions under number one/two thousand one on March twenty-seventh, two thousand one. **TWO:** The Issuer and the Bondholders' Representative represent that, as of this date, the bonds in question have not been placed. **THREE:** The Issuer and the Bondholders' Representative hereby come to amend the following clauses of the Bond Issue Contract: **/One/** Letter (a) of Clause Three of the Bond Issue Contract is replaced by the following: "**Bond Issue.** Banco Santander – Chile will proceed to make a dematerialized issue of bearer bonds in the amount of fourteen million Unidades de Fomento, in two series called: **Series K One**, with the following characteristics: for a total amount of eight million Unidades de Fomento [UF: a unit of accounting for inflation-protected bond issues in Chile], a term of nine years, divided into four hundred bonds of five thousand Unidades de Fomento each, and six thousand bonds of two thousand Unidades de Fomento each; and **Series K Two**, with the following characteristics: for a total amount of six million Unidades de Fomento, a term of fourteen years, divided into three hundred bonds of five thousand Unidades de Fomento each, and four hundred

GONZALO DE LA CUADRA FABRES
NOTARY OFFICE No. 38
SANTIAGO

Notary Seal

fifty bonds of ten thousand Unidades de Fomento each.” /**Two**/ Letter (b) of Clause Three of the Bond Issue Contract is replaced by the following: “**Placement term**. The issuer will have a term of seventy-two months to place the bonds, counted as of the date on which the respective bond issue is registered at the Office of the Superintendent of Banks and Financial Institutions. After that term has elapsed, the Issuer must void those bonds that have not been placed.” /**Three**/ Letter (e) of Clause Three of the Bond Issue Contract is replaced with the following: “**Coupons**. Each of the Series K One bonds will have sixteen coupons representing interest, and a final coupon representing capital plus interest. Each of the Series K Two bonds will have twenty-six coupons representing interest and a final coupon representing capital plus interest.” /**Four**/ Clause Four of the Bond Issue Contract is replaced with the following: “**FOUR: Interest**. The Series K One bonds will earn three point five percent annual interest at the end of each year, based on three hundred sixty days, calculated on the capital adjusted according to the variation in the Unidad de Fomento, counted from the bonds’ issue date up to their repayment. The Series K Two bonds will earn four point three percent annual interest at the end of each year, based on three hundred sixty days, calculated on the capital adjusted according to the variation in the Unidad de Fomento, counted from the bonds’ issue date until they are amortized. Interest will be earned from March first, two thousand one, for each of the series issued and will be paid on the dates indicated in Clause Seven.” /**Five**/ Clause Five of the Bond Issue Contract is replaced by the following: “**FIVE: Amortization**. The Series K One and

Series K Two bonds issued will be amortized in a single installment on the date indicated in Clause Seven. The adjustment will accrue as of March first, two thousand one. The coupons for amortization and/or interest not collected on the corresponding dates will not earn interest or adjustments.” /~~Six~~/ Clause Seven of the Bond Issue Contract is replaced by the following: “**SEVEN. Payment schedule**. The payment dates and the amounts of interest and capital amortization will be those indicated in the respective payment schedules for the **Series K One** and **Series K Two** bonds issued pursuant to this public document, which I add at the end of my records under Index Number eleven thousand four hundred forty-one dash two thousand four on this date.” /~~Seven~~/ All reference to **Series K Three** is eliminated from Clause Eight of the Bond Issue Contract. **FOUR:** Moreover, each time that foregoing public document makes mention of the interest, it will be understood that this refers to the interest indicated in the amendment agreed to in numeral four of the preceding clause. **FIVE:** In view of the modification of the interest and amortization and their payment dates mentioned above, the payment schedules indicated in Clause Seven of the public instrument hereby amended are replaced. Therefore, I add the respective Payment Schedules for the **Series K One** and **Series K Two** bonds issued to the end of my records under Index Number one thousand four hundred forty-one dash two thousand four on this date. ~~SIX:~~ In all matters not amended by this instrument, the provisions of the Bond Issue Contract will remain in full force and effect. Note is made of the fact that

GONZALO DE LA CUADRA FABRES
NOTARY OFFICE No. 38
SANTIAGO

Notary Seal

on July eighteenth, two thousand two, an Extraordinary Shareholders' Meeting of Banco Santander-Chile was held, the minutes of which were registered in a public document dated July nineteenth, two thousand two, at the Santiago Notary Office of Nancy de la Fuente. That meeting approved a merger between Banco Santander-Chile and Banco Santiago, with the former being taken over by the latter, which acquired its assets and liabilities. The meeting also approved the early dissolution of Banco Santander-Chile and the name change from Banco Santiago to Banco Santander-Chile. The change was authorized by Resolution Number seventy-nine of the Office of the Superintendent of Banks and Financial Institutions issued on July twenty-sixth, two thousand two, published in the Official Gazette on August first, two thousand two, and registered on page nineteen thousand nine hundred ninety-two, number sixteen thousand three hundred forty-six, two thousand two, in the Commerce Registry of the Santiago Registrar of Deeds. All these instruments are not inserted because they are known to the certifying Notary Public. The legal capacities of the representatives of Banco Santander-Chile are on record in the public documents dated July twenty-fourth and twenty-fifth, two thousand two, both executed at the Santiago Notary Office of Nancy de la Fuente Hernández. The legal capacities of the representatives of the Banco de Chile are on record in the public instruments dated October eleventh, nineteen eighty-nine, and September seventh, two thousand one, both executed at the Santiago Notary Office of René Benavente Cash. The individual in charge of processing this public document was MARTA ROJAS JORQUERA, and the master document was prepared by HUGO MALDONADO SEPULVEDA. This document having been read to the appearing parties, they ratify and sign it for the record. COPY ISSUED. This public document is recorded in

the Index Book of Public Instruments of this Notary Office under No. 21.362 -2004. IN WITNESS WHEREOF.

Signature: [signature]

FERNANDO MASSU TARE
I.D. Card No.: 6.783.826-2
Taxpayer I.D.: 97.036.000-K

Signature: [signature]

OSCAR VON CHRISMAR CARVAJAL
I.D. Card No.: 6.926.511-1
Taxpayer I.D.: 97.036.000-K

Signature: [signature]

JUAN ALBERDI MONFORTE
I.D. Card No.: 7.095.242-4
Taxpayer I.D.: 97.004.000-5

Signature: [signature]

FELIPE FIGUEROA CANDIA
I.D. Card No.: 9.906.060-3
Taxpayer I.D.: 97.004.000-5

C O N F O R M S T O O R I G I N A L

APRIL 7, 2005

To pay:
Fees: CLP 40,000

PEDRO RICARDO REVECO HORMAZABAL
NOTARY PUBLIC

INDEX No. 6666
M.S.I.
13.501.bancodechile.amendment

AMENDMENT OF BOND ISSUE CONTRACT

BANCO SANTANDER-CHILE

[notary
seal]

AND

BANCO DE CHILE

[notary
seal]

IN SANTIAGO, CHILE, on May third, two thousand five, before me, **PEDRO RICARDO REVECO HORMAZABAL**, Chilean, married Attorney and Notary Public in charge of Santiago Notary Office Nineteen, located at number three hundred forty-one Calle Bandera, office three hundred fifty-two, with National I.D. Card and Taxpayer I.D. number three million six hundred thirty-four thousand two hundred forty-seven dash one, **APPEAR: OSCAR VON CHRISMAR CARVAJAL**, Chilean, married, civil engineer, National I.D. Card Number six million nine hundred twenty-six thousand five hundred eleven dash one, and **FERNANDO MASSÚ TARÉ**, Chilean, married, commercial engineer, National I.D. Card number six million seven hundred eighty-three thousand eight hundred twenty-six dash two, both representing, as will be evidenced, **BANCO SANTANDER-CHILE**, a banking corporation, Taxpayer I.D. number nine hundred seven million thirty-six thousand dash K, all domiciled at number one hundred forty Calle Bandera, Santiago, hereafter also called “the Issuer;” and **JUAN ALBERDI MONFORTE**, Chilean, married, civil engineer, National I.D. Card number seven million ninety-five thousand two hundred forty-two dash four, and **ALBERTO ESQUIVEL MUÑOZ**, Chilean,

[notary
seal]

married, commercial engineer, National I.D. Card number six million three hundred seventy-four thousand five hundred ninety-seven dash nine, both representing **BANCO DE CHILE**, a banking corporation, both domiciled at number two hundred fifty-one Calle Ahumada, Santiago, who appear in their capacity as bondholders' representative, hereafter also called the "Bondholders' Representative." The appearing parties are of legal age, furnish evidence of their identities with the aforementioned I.D. Cards, and state: **ONE:** On March sixteenth, two thousand one, a bond issue contract, hereafter also called the "Bond Issue Contract," was formalized between the Issuer and the Bondholders' Representative by public document executed at the Notary Office of Pedro Ricardo Reveco Hormazabal, Index Number three thousand eight hundred seven. That contract was amended on two occasions, the first by public document dated May thirtieth, two thousand three, executed at the Notary Office of Gonzalo de la Cuadra Fabres, Index Number nine thousand six hundred seventy-three; and the second by public document dated October twenty-second, two thousand four, executed at the Notary Office of Gonzalo de la Cuadra Fabres, Index Number twenty-one thousand three hundred sixty-two dash two thousand four. The contract and its amendment are hereafter called the "Bond Issue Contract," without distinction. The respective issue was registered at the Office of the Superintendent of Banks and Financial Institutions under number one/two thousand one on March twenty-seventh, two thousand one. **TWO:** The Issuer and the Bondholders' Representative represent that, as of this date, the bonds in question have not been placed. **THREE:** The Issuer and the Bondholders' Representative hereby

PEDRO RICARDO REVECO HORMAZABAL
NOTARY PUBLIC

come to amend Clause Four of the Bond Issue Contract, replacing it with the following: “FOUR: Interest. The Series K One bonds will earn three point zero percent annual interest at the end of each year, based on three hundred sixty days, calculated on the capital adjusted according to the variation in the Unidad de Fomento [UF: unit of accounting for inflation-protected bonds in Chile], counted from the bonds’ issue date up to their repayment. The Series K Two bonds will earn three point seven percent annual interest at the end of each year, based on three hundred sixty days, calculated on the capital adjusted according to the variation in the Unidad de Fomento, counted from the bonds’ issue date until they are amortized. Interest will be earned from March first, two thousand one, for each of the series issued and will be paid on the dates indicated in Clause Seven.” **FOUR:** Moreover, each time that the public documents referenced in Clause One hereof make mention of the interest, it will be understood that this refers to the interest indicated in the amendment agreed to in the preceding clause. **FIVE:** In view of the modification of the interest and amortization and their payment dates mentioned above, the payment schedules indicated in Clause Seven of the public instrument hereby amended are replaced. Therefore, I add the respective Payment Schedules for the **Series K One** and **Series K Two** bonds issued to the end of my records under Index number **six thousand six hundred sixty-six** dated May third, two thousand five. **SIX:** In all matters not amended by this instrument, the provisions of the Bond Issue Contract and its indicated amendments will remain in full force and effect.

[notary
seal]

Note is made of the fact that on July eighteenth, two thousand two, an Extraordinary Shareholders' Meeting of Banco Santander-Chile was held, the minutes of which were registered in a public document dated July nineteenth, two thousand two at the Santiago Notary Office of Nancy de la Fuente. That meeting approved a merger between the Banco Santander-Chile and the Banco Santiago, with the former being taken over by the latter, which acquired its assets and liabilities. The meeting also approved the early dissolution of the Banco Santander-Chile and the name change from Banco Santiago to Banco Santander-Chile. The change was authorized by Resolution number seventy-nine of the Office of the Superintendent of Banks and Financial Institutions issued on July twenty-sixth, two thousand two, published in the Official Gazette on August first, two thousand two, and registered on page nineteen thousand nine hundred ninety-two, number sixteen thousand three hundred forty-six, two thousand two, in the Commerce Registry of the Santiago Registrar of Deeds. All these instruments are not inserted because they are known to the certifying Notary Public. The legal capacities of the representatives of the Banco Santander-Chile are on record in the public documents dated July twenty-fourth and twenty-fifth, two thousand two, both executed at the Santiago Notary Office of Nancy de la Fuente Hernández. The legal capacities of the representatives of the Banco de Chile are on record in the public instruments dated October eleventh, nineteen eighty-nine, and March sixteenth, two thousand five, both executed at the Santiago Notary Office of René Benavente Cash. The draft of this public document was drawn up by Attorney Fernando Azofeifa. This document having been read to the appearing parties, they ratify and sign it

[Appearing throughout the document
various NOTARY PUBLIC stamps]

PEDRO RICARDO REVECO HORMAZABAL
NOTARY PUBLIC

for the record. COPY ISSUED. This public document is recorded under Index Number

SIX THOUSAND SIX HUNDRED SIXTY-SIX. IN WITNESS WHEREOF.

[signatures]
Both representing BANCO DE CHILE

[signatures]
Both representing BANCO SANTANDER DE CHILE

[left margin:]
[stamp] FERNANDO AZOFEIFA CASTRO
Lawyer
BANCO SANTANDER SANTIAGO

[stamp] I SIGN AND SEAL THIS DOCUMENT,
WHICH IS A NOTARIZED COPY OF THE
ORIGINAL
SANTIAGO MAY 6 2005

[NOTARY PUBLIC
stamps appear on this
page and throughout the
document]

This side not used.

[stamp]
Pedro Ricardo Reveco Hormazabal
Notary Public - Notary Office 19
Bandera 341 - Office No. 352
Corte – Santiago

PAYMENT SCHEDULE - BANCO SANTANDER CHILE SERIES K2 BONDS

Certificate Amount: UF 5,000

Interest Payments: Biannual

Amortization: At maturity (Bullet)

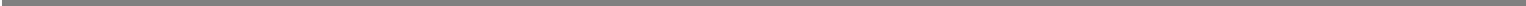
Interest Rate: 3.70 %

Issue Date: March 1, 2001

Term: 14 years

Coupon Number	Maturity Date	Interest	Amortization	Installment Value	Unpaid Capital
1	September 1, 2001	92.500000	0.000000	92.500000	5,000.000000
2	March 1, 2002	92.500000	0.000000	92.500000	5,000.000000
3	September 1, 2002	92.500000	0.000000	92.500000	5,000.000000
4	March 1, 2003	92.500000	0.000000	92.500000	5,000.000000
5	September 1, 2003	92.500000	0.000000	92.500000	5,000.000000
6	March 1, 2004	92.500000	0.000000	92.500000	5,000.000000
7	September 1, 2004	92.500000	0.000000	92.500000	5,000.000000
8	March 1, 2005	92.500000	0.000000	92.500000	5,000.000000
9	September 1, 2005	92.500000	0.000000	92.500000	5,000.000000
10	March 1, 2006	92.500000	0.000000	92.500000	5,000.000000
11	September 1, 2006	92.500000	0.000000	92.500000	5,000.000000
12	March 1, 2007	92.500000	0.000000	92.500000	5,000.000000
13	September 1, 2007	92.500000	0.000000	92.500000	5,000.000000
14	March 1, 2008	92.500000	0.000000	92.500000	5,000.000000
15	September 1, 2008	92.500000	0.000000	92.500000	5,000.000000
16	March 1, 2009	92.500000	0.000000	92.500000	5,000.000000
17	September 1, 2009	92.500000	0.000000	92.500000	5,000.000000
18	March 1, 2010	92.500000	0.000000	92.500000	5,000.000000
19	September 1, 2010	92.500000	0.000000	92.500000	5,000.000000
20	March 1, 2011	92.500000	0.000000	92.500000	5,000.000000
21	September 1, 2011	92.500000	0.000000	92.500000	5,000.000000
22	March 1, 2012	92.500000	0.000000	92.500000	5,000.000000
23	September 1, 2012	92.500000	0.000000	92.500000	5,000.000000
24	March 1, 2013	92.500000	0.000000	92.500000	5,000.000000
25	September 1, 2013	92.500000	0.000000	92.500000	5,000.000000
26	March 1, 2014	92.500000	0.000000	92.500000	5,000.000000
27	September 1, 2014	92.500000	0.000000	92.500000	5,000.000000
28	March 1, 2015	92.500000	5,000.000000	5,092.500000	0.000000

[initials and NOTARY PUBLIC stamp]



This side not used.
Art. 404 C.O.T.

[stamp]
Pedro Ricardo Reveco Hormazabal
Notary Public - Notary Office 19
Bandera 341 - Office No. 352
Corte – Santiago

PAYMENT SCHEDULE – BANCO SANTANDER CHILE SERIES K1 BONDS

Certificate Amount: UF 10,000

Interest Payments: Biannual

Amortization: At maturity (Bullet)

Interest Rate: 3.00%

Issue Date: March 1, 2001

Term: 9 years

Coupon Number	Maturity Date	Interest	Amortization	Installment Value	Unpaid Capital
1	September 1, 2001	150.000000	0.000000	150.000000	10,000.000000
2	March 1, 2002	150.000000	0.000000	150.000000	10,000.000000
3	September 1, 2002	150.000000	0.000000	150.000000	10,000.000000
4	March 1, 2003	150.000000	0.000000	150.000000	10,000.000000
5	September 1, 2003	150.000000	0.000000	150.000000	10,000.000000
6	March 1, 2004	150.000000	0.000000	150.000000	10,000.000000
7	September 1, 2004	150.000000	0.000000	150.000000	10,000.000000
8	March 1, 2005	150.000000	0.000000	150.000000	10,000.000000
9	September 1, 2005	150.000000	0.000000	150.000000	10,000.000000
10	March 1, 2006	150.000000	0.000000	150.000000	10,000.000000
11	September 1, 2006	150.000000	0.000000	150.000000	10,000.000000
12	March 1, 2007	150.000000	0.000000	150.000000	10,000.000000
13	September 1, 2007	150.000000	0.000000	150.000000	10,000.000000
14	March 1, 2008	150.000000	0.000000	150.000000	10,000.000000
15	September 1, 2008	150.000000	0.000000	150.000000	10,000.000000
16	March 1, 2009	150.000000	0.000000	150.000000	10,000.000000
17	September 1, 2009	150.000000	0.000000	150.000000	10,000.000000
18	March 1, 2010	150.000000	10,000.000000	10,150.000000	0.000000

[initials and NOTARY PUBLIC stamp]



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Art. 404 C.O.T.

[stamp]
Pedro Ricardo Reveco Hormazabal
Notary Public - Notary Office 19
Bandera 341 - Office No. 352
Corte – Santiago

PAYMENT SCHEDULE – BANCO SANTANDER CHILE SERIES K2 BONDS

Certificate Amount: UF 5,000

Interest Payments: Biannual

Amortization: At maturity (Bullet)

Interest Rate: 3.70%

Issue Date: March 1, 2001

Term: 14 years

Coupon Number	Maturity Date	Interest	Amortization	Installment Value	Unpaid Capital
1	September 1, 2001	92.500000	0.000000	92.500000	5,000.000000
2	March 1, 2002	92.500000	0.000000	92.500000	5,000.000000
3	September 1, 2002	92.500000	0.000000	92.500000	5,000.000000
4	March 1, 2003	92.500000	0.000000	92.500000	5,000.000000
5	September 1, 2003	92.500000	0.000000	92.500000	5,000.000000
6	March 1, 2004	92.500000	0.000000	92.500000	5,000.000000
7	September 1, 2004	92.500000	0.000000	92.500000	5,000.000000
8	March 1, 2005	92.500000	0.000000	92.500000	5,000.000000
9	September 1, 2005	92.500000	0.000000	92.500000	5,000.000000
10	March 1, 2006	92.500000	0.000000	92.500000	5,000.000000
11	September 1, 2006	92.500000	0.000000	92.500000	5,000.000000
12	March 1, 2007	92.500000	0.000000	92.500000	5,000.000000
13	September 1, 2007	92.500000	0.000000	92.500000	5,000.000000
14	March 1, 2008	92.500000	0.000000	92.500000	5,000.000000
15	September 1, 2008	92.500000	0.000000	92.500000	5,000.000000
16	March 1, 2009	92.500000	0.000000	92.500000	5,000.000000
17	September 1, 2009	92.500000	0.000000	92.500000	5,000.000000
18	March 1, 2010	92.500000	0.000000	92.500000	5,000.000000
19	September 1, 2010	92.500000	0.000000	92.500000	5,000.000000
20	March 1, 2011	92.500000	0.000000	92.500000	5,000.000000
21	September 1, 2011	92.500000	0.000000	92.500000	5,000.000000
22	March 1, 2012	92.500000	0.000000	92.500000	5,000.000000
23	September 1, 2012	92.500000	0.000000	92.500000	5,000.000000
24	March 1, 2013	92.500000	0.000000	92.500000	5,000.000000
25	September 1, 2013	92.500000	0.000000	92.500000	5,000.000000
26	March 1, 2014	92.500000	0.000000	92.500000	5,000.000000
27	September 1, 2014	92.500000	0.000000	92.500000	5,000.000000
28	March 1, 2015	92.500000	5,000.000000	5,092.500000	0.000000

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Art. 404 C.O.T.

[stamp]
Pedro Ricardo Reveco Hormazabal
Notary Public - Notary Office 19
Bandera 341 - Office No. 352
Corte – Santiago

Payment Schedules

PAYMENT SCHEDULE – BANCO SANTANDER CHILE SERIES K1 BONDS

Certificate Amount: UF 5,000
Interest Payments: Biannual
Amortization: At maturity (Bullet)
Interest Rate: 3.00%
Issue Date: March 1, 2001
Term: 9 years

Coupon Number	Maturity Date	Interest	Amortization	Installment Value	Unpaid Capital
1	September 1, 2001	75.000000	0.000000	75.000000	5,000.000000
2	March 1, 2002	75.000000	0.000000	75.000000	5,000.000000
3	September 1, 2002	75.000000	0.000000	75.000000	5,000.000000
4	March 1, 2003	75.000000	0.000000	75.000000	5,000.000000
5	September 1, 2003	75.000000	0.000000	75.000000	5,000.000000
6	March 1, 2004	75.000000	0.000000	75.000000	5,000.000000
7	September 1, 2004	75.000000	0.000000	75.000000	5,000.000000
8	March 1, 2005	75.000000	0.000000	75.000000	5,000.000000
9	September 1, 2005	75.000000	0.000000	75.000000	5,000.000000
10	March 1, 2006	75.000000	0.000000	75.000000	5,000.000000
11	September 1, 2006	75.000000	0.000000	75.000000	5,000.000000
12	March 1, 2007	75.000000	0.000000	75.000000	5,000.000000
13	September 1, 2007	75.000000	0.000000	75.000000	5,000.000000
14	March 1, 2008	75.000000	0.000000	75.000000	5,000.000000
15	September 1, 2008	75.000000	0.000000	75.000000	5,000.000000
16	March 1, 2009	75.000000	0.000000	75.000000	5,000.000000
17	September 1, 2009	75.000000	0.000000	75.000000	5,000.000000
18	March 1, 2010	75.000000	5,000.000000	5,075.000000	0.000000

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Art. 404 C.O.T.

[stamp]
Pedro Ricardo Reveco Hormazabal
Notary Public - Notary Office 19
Bandera 341 - Office No. 352
Corte – Santiago

Index No. 158.818/2005
O.T. No. 56.287

AMENDMENT OF BOND ISSUE CONTRACT

BANCO SANTANDER-CHILE

AND

BANCO DE CHILE

IN SANTIAGO, CHILE, on **September twentieth, two thousand five**, before me, **COSME FERNANDO GOMILA GATICA**, Attorney and Notary Public in charge of Santiago Notary Office Four, located at number three hundred forty-one Paseo Ahumada, fourth floor, Santiago, appear: **OSCAR VON CHRISMAR CARVAJAL**, Chilean, married, civil engineer, National I.D. Card Number **six million nine hundred twenty-six thousand five hundred eleven dash one**, and **FERNANDO MASSÚ TARÉ**, Chilean, married, commercial engineer, National I.D. Card Number **six million seven hundred eighty-three thousand eight hundred twenty-six dash two**, both representing, as will be evidenced, **BANCO SANTANDER- CHILE**, a banking corporation, Taxpayer I.D. Number **nine hundred seven million thirty-six thousand dash K**, all domiciled at number one hundred forty Calle Bandera, Santiago, hereafter also called “the Issuer;” and **JUAN ALBERDI MONFORTE**, Chilean, married, civil engineer, National I.D. Card Number **seven million ninety-five thousand two hundred forty-two dash four**, and **ALBERTO ESQUIVEL MUÑOZ**, Chilean, married,

commercial engineer, National I.D. Card Number **six million three hundred seventy-four thousand five hundred ninety-seven dash nine**, both representing **BANCO DE CHILE**, a banking corporation, both domiciled at number two hundred fifty one Calle Ahumada, Santiago, who appear in their capacity as bondholders' representative, hereafter also called the "Bondholders' Representative." The appearing parties are of legal age, furnish evidence of their identities with the aforementioned I.D. Cards, and state: **ONE:** On March sixteenth, two thousand one, a bond issue contract, hereafter also called the "Bond Issue Contract," was formalized between the issuer and the Bondholders' Representative by public document executed at the Notary Office of Pedro Ricardo Reveco Hormazabal, Index Number three thousand eight hundred seven zero one. That contract was amended on three occasions, the first by public document dated May thirtieth, two thousand three, executed at the Notary Office of Gonzalo de la Cuadra Fabres, Index Number nine thousand six hundred seventy-three; the second by public document dated October twenty-second, two thousand four, executed at the Notary Office of Gonzalo de la Cuadra Fabres, Index Number twenty-one thousand three hundred sixty-two dash two thousand four; and the third by public document dated May third, two thousand five, executed at the Notary Office of Pedro Ricardo Reveco Hormazabal, Index Number six thousand six hundred sixty-six – two thousand five. The contract and its amendments are hereafter called the "Bond Issue Contract," without distinction. The respective issue was registered at the Office of the Superintendent of Banks and Financial Institutions under number one/two

thousand one on March twenty-seventh, two thousand one. **TWO:** The Issuer and the Bondholders' Representative represent that, as of this date, the bonds in question have not been placed. **THREE:** The Issuer and the Bondholders' Representative hereby come to amend Clause Four of the Bond Issue Contract, replacing it with the following: **FOUR:** Interest. The Series K One bonds will earn two point sixty percent annual interest at the end of each year, based on three hundred sixty days, calculated on the capital adjusted according to the variation in the Unidad de Fomento [UF: a unit of accounting for inflation-protected bond issues in Chile], counted from the bonds' issue date up to their repayment. The Series K Two bonds will earn three point seven percent annual interest at the end of each year, based on three hundred sixty days, calculated on the capital adjusted according to the variation in the Unidad de Fomento, counted from the bonds' issue date until they are amortized. Interest will be earned from March first, two thousand one, for each of the series issued and will be paid on the dates indicated in Clause Seven." **FOUR:** Moreover, each time that the public documents referenced in Clause One hereof make mention of the interest, it will be understood that this refers to the interest indicated in the amendment agreed to in the preceding clause. **FIVE:** In view of the modification of the interest and amortization and their payment dates mentioned above, the payment schedules indicated in Clause Seven of the public instrument hereby amended are replaced. Therefore, I add the respective Payment Schedules for the Series K One bonds issued to the end of my records under Index Number fifteen thousand eight hundred eighteen, dated September twentieth, two thousand five. **SIX:** In all matters

not amended by this instrument, the provisions of the Bond Issue Contract and its indicated amendments will remain in full force and effect. Note is made of the fact that on July eighteenth, two thousand two, an Extraordinary Shareholders' Meeting of Banco Santander-Chile was held, the minutes of which were registered in a public document dated July nineteenth, two thousand two, at the Santiago Notary Office of Nancy de la Fuente. That meeting approved a merger between the Banco Santander-Chile and the Banco Santiago, with the former being taken over by the latter, which acquired its assets and liabilities. The meeting also approved the early dissolution of the Banco Santander-Chile and the name change from Banco Santiago to Banco Santander-Chile. The change was authorized by Resolution Number seventy-nine of the Office of the Superintendent of Banks and Financial Institutions issued on July twenty-sixth, two thousand two, published in the Official Gazette on August first, two thousand two, and registered on page nineteen thousand nine hundred ninety-two, number sixteen thousand three hundred forty-six, two thousand two, in the Commerce Registry of the Santiago Registrar of Deeds. All these instruments are not inserted because they are known to the certifying Notary Public. **The legal capacities of the representatives of the Banco Santander-Chile** are on record in the public documents dated July twenty-fourth and twenty-fifth, two thousand two, both executed at the Santiago Notary Office of Nancy de la Fuente Hernández. **The legal capacities of the representatives of the Banco de Chile** are on record in the public instruments dated October eleventh, nineteen eighty-nine and September seventh, two thousand one, both executed at the Santiago Notary Office of René Benavente Cash. These legal capacities are not inserted because they are known by the parties and the certifying Notary Public. This

document having been read to the appearing parties, they ratify and sign it for the record. Copy issued. In witness whereof.

[signature]
OSCAR VON CHRISMAR CARVAJAL
for BANCO SANTANDER-CHILE
National I.D. Card No. 6.296.511-1

[signature]
FERNANDO MASSÚ TARÉ
for BANCO SANTANDER-CHILE
National I.D. Card No. 6.783.826-2

[signature]
JUAN ALBERDI MONFORTE
for BANCO DE CHILE
National I.D. Card No. 7.095.242-4

[signature]
ALBERTO ESQUIVEL MUÑOZ
for BANCO DE CHILE
NATIONAL I.D. CARD No. 6.374.597-9

Index: 1518/2005
Registry CBC
Input by: FCB
No. of Signatures: 4
No. of Copies 3
Fees: _____

[stamp]
I SIGN AND SEAL THIS DOCUMENT,
WHICH IS A NOTARIZED COPY OF THE
ORIGINAL EXECUTED IN 5 COPIES

Santiago SEPT 27 2005

COSME FERNANDO GOMILA GATICA
NOTARY PUBLIC in charge of
Notary Office 4 of Santiago

CERTIFIED COPIES 3
SIMPLE COPIES _____
DATE 9/20/2005

PAYMENT SCHEDULE – BANCO SANTANDER CHILE SERIES K1 BONDS

Certificate Amount: UF 5,000
Interest Payments: Biannual
Amortization: At maturity (Bullet)
Interest Rate: 2.60%
Issue Date: March 1, 2001
Term: 9 years

Coupon Number	Maturity Date	Interest	Amortization	Installment Value	Unpaid Capital
1	September 1, 2001	65.000000	0.000000	65.000000	5,000.000000
2	March 1, 2002	65.000000	0.000000	65.000000	5,000.000000
3	September 1, 2002	65.000000	0.000000	65.000000	5,000.000000
4	March 1, 2003	65.000000	0.000000	65.000000	5,000.000000
5	September 1, 2003	65.000000	0.000000	65.000000	5,000.000000
6	March 1, 2004	65.000000	0.000000	65.000000	5,000.000000
7	September 1, 2004	65.000000	0.000000	65.000000	5,000.000000
8	March 1, 2005	65.000000	0.000000	65.000000	5,000.000000
9	September 1, 2005	65.000000	0.000000	65.000000	5,000.000000
10	March 1, 2006	65.000000	0.000000	65.000000	5,000.000000
11	September 1, 2006	65.000000	0.000000	65.000000	5,000.000000
12	March 1, 2007	65.000000	0.000000	65.000000	5,000.000000
13	September 1, 2007	65.000000	0.000000	65.000000	5,000.000000
14	March 1, 2008	65.000000	0.000000	65.000000	5,000.000000
15	September 1, 2008	65.000000	0.000000	65.000000	5,000.000000
16	March 1, 2009	65.000000	0.000000	65.000000	5,000.000000
17	September 1, 2009	65.000000	0.000000	65.000000	5,000.000000
18	March 1, 2010	65.000000	5,000.000000	5,065.000000	0.000000

PAYMENT SCHEDULE – BANCO SANTANDER CHILE SERIES K1 BONDS

Certificate Amount: UF 10,000
Interest Payments: Biannual
Amortization: At maturity (Bullet)
Interest Rate: 2.60%
Issue Date: March 1, 2001
Term: 9 years

Coupon Number	Maturity Date	Interest	Amortization	Installment Value	Unpaid Capital
1	September 1, 2001	130.000000	0.000000	130.000000	10,000.000000
2	March 1, 2002	130.000000	0.000000	130.000000	10,000.000000
3	September 1, 2002	130.000000	0.000000	130.000000	10,000.000000
4	March 1, 2003	130.000000	0.000000	130.000000	10,000.000000
5	September 1, 2003	130.000000	0.000000	130.000000	10,000.000000
6	March 1, 2004	130.000000	0.000000	130.000000	10,000.000000
7	September 1, 2004	130.000000	0.000000	130.000000	10,000.000000
8	March 1, 2005	130.000000	0.000000	130.000000	10,000.000000
9	September 1, 2005	130.000000	0.000000	130.000000	10,000.000000
10	March 1, 2006	130.000000	0.000000	130.000000	10,000.000000
11	September 1, 2006	130.000000	0.000000	130.000000	10,000.000000
12	March 1, 2007	130.000000	0.000000	130.000000	10,000.000000
13	September 1, 2007	130.000000	0.000000	130.000000	10,000.000000
14	March 1, 2008	130.000000	0.000000	130.000000	10,000.000000
15	September 1, 2008	130.000000	0.000000	130.000000	10,000.000000
16	March 1, 2009	130.000000	0.000000	130.000000	10,000.000000
17	September 1, 2009	130.000000	0.000000	130.000000	10,000.000000
18	March 1, 2010	130.000000	10,000.000000	10,130.000000	0.000000

[stamp]

Added this day to the end of the
public instrument registries kept by
my office under No. 15818
Santiago 9 / 20 / 05

[stamp]

I SIGN AND SEAL THIS DOCUMENT,
WHICH IS A NOTARIZED COPY OF THE
ORIGINAL EXECUTED IN 5 COPIES

Santiago SEPT 27 2005

COSME FERNANDO GOMILA GATICA
NOTARY PUBLIC in charge of
Notary Office 4 of Santiago

[logo]
NOTARIA MUSALUM

DIGEST No. 16.776 -2004

PURCHASE-SALE CONTRACT

BANCO SANTANDER – CHILE

TO

EMPRESAS ALMACENES PARIS S.A.

In Santiago, Chile, on the sixth day of December, two thousand four, before me, **JOSÉ MUSALEM SAFFIE**, an attorney and Notary Public, Head of the Forty-Eighth Notarial Office of Santiago, with domicile in this city at Calle Huérfanos number seven hundred seventy, third floor, appear: **Oscar Von Chrismar Carvajal**, Chilean, married, a commercial agent, with National I.D. Card Number six million nine hundred twenty-six thousand five hundred eleven [dash] one, representing **BANCO SANTANDER – CHILE**, a banking institution, both domiciled in this city at number one hundred forty Calle Bandera, hereinafter also the "**BANK**" or the "**Vendor**," for one part; and **EMPRESAS ALMACENES PARÍS S.A.**, a company domiciled in this city at number two thousand two hundred seventy Calle Coyancura, eleventh floor, Providencia Commune, duly represented by **Andrés Munita Izquierdo**, Chilean, married, a commercial engineer, with National I.D. Card Number six million eight hundred seventy-two thousand five hundred seventy-two dash zero, having the same domicile, hereinafter also "**EMPRESAS PARIS**" or the "**Purchaser**," for the other;

both appearing parties being of legal age and furnish evidence of their identity with the aforementioned I.D. cards, who declare that they come to enter into the following purchase-sale contract: **RECITALS AND WHEREAS CLAUSES. One)** By private instrument dated the nineteenth of November, two thousand three, the BANK and EMPRESAS PARÍS entered into a framework agreement, hereinafter the "Framework Agreement," to pursue a long-term strategic alliance with the aim of taking advantage of the synergies between their respective businesses, to strengthen both businesses, and generate exclusive benefits for their clientele while not injuring, inhibiting, or restricting the parties' business activities thereby. **Two)** As prescribed under the Framework Agreement's provisions, by private instrument dated the sixteenth of July, two thousand four, the BANK entered into an agreement titled "Commercial Strategic Alliance Contract and Other Agreements," hereinafter the "Alliance Contract," with EMPRESAS PARIS and Sociedad Comercial de Tiendas Limitada. **Three)** In the Alliance Contract, the BANK promised, among other stipulations, to sell, assign, and transfer to BANCO PARÍS, to which end the companies indicated in provision One), above, promised to buy, accept, and acquire, assets of the BANK's "Santiago-Express Division," upon the terms and conditions prescribed in said Contract. **Four)** Without prejudice to the foregoing, the BANK, BANCO PARÍS, and EMPRESAS PARÍS agree to enter into the promised contract between the BANK and the parent company of BANCO PARÍS, i.e., EMPRESAS PARÍS. **Five)** In the promise of sale alluded to in provision Three), above, the parties agreed that the promised purchase-sale transaction would be entered into within thirty days after fulfillment of the last of the conditions precedent, which must be fulfilled within a maximum of one hundred eighty days from the date on which the transaction is entered into, to wit: a) The Superintendency of Banking and Financial Institutions, hereinafter the "**SBIF**," must have authorized the existence and approved the bylaws of BANCO PARÍS, and the certificate evidencing said authorization and approval and containing an excerpt from the bylaws must have been registered and published as required by Article Thirty-One of the General Banking Act; and b) The SBIF must have granted BANCO PARÍS the operating authorization prescribed in Article Thirty-One of the General Banking Act

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NOTARIA MUSALUM

[Item Six) is missing, possibly from a preceding page]...and must have authorized the promised contract, if necessary. **Seven)** By Resolution Number three, dated the ninth of August, two thousand four, the SBIF authorized the existence and approved the bylaws of BANCO PARÍS, and the certificate evidencing said authorization and approval, and containing an excerpt from the bylaws, was registered on the eleventh of August, two thousand four, on page twenty-four thousand eight hundred thirty-four, under number eighteen thousand five hundred fifty-two, of the Commercial Registry for two thousand four, kept by the Santiago Conservator of Real Properties, and was published in the Official Journal on the thirteenth of August, two thousand four, as prescribed by Article Thirty-One of the General Banking Act. **Eight)** By Resolution Number one hundred fifty-seven, dated the twenty-fifth of November, two thousand four, the SBIF granted BANCO PARÍS the operating authorization prescribed in Article Thirty-One of the General Banking Act. By virtue thereof, and of the fact that the conditions precedent prescribed in the aforementioned promise of purchase-sale have been fulfilled, the parties come in this act to enter into the following purchase-sale contract: **ONE:** The BANK hereby sells, assigns, and transfers to EMPRESAS PARÍS, for which its aforementioned representative buys, accepts, and acquires, the Financial Assets of the "Santiago-Express" Division and the Intangible Assets associated with said Financial Assets, upon the following terms and conditions. **TWO: Scope of the object bought and sold:** The following are included in this sale, assignment, and transfer: **One)** the Financial Assets, comprising the placements or loans granted by the BANK's Santiago-Express Division that are either current or past due for up to one hundred seventy-nine days but not written off as of the date hereof. Said placements or loans, with an indication of each one's initial amount and date of execution, currency, customer's name and RUT, and customer's demographic data, outstanding balance as of the date hereof, and value of installments pending as of the date hereof, as well as that of any installments past due and not written off that are subject to pre-judicial and judicial collection at this time, are recorded on magnetic media in a compact disc that the Vendor delivers to the Purchaser in this act, and which shall be deemed an integral part of this purchase-sale contract for all legal intents and purposes. An express record is made of the fact that: **a)** the placements and loans involved in

this purchase-sale transaction consist of non-readjustable consumer loans, credits under MasterCard credit card lines of credit, and seventy-three consumer loans financing computer purchases for educators, owed by customers of the "Santiago-Express" Division who do not have checking accounts with the BANK; and **b)** the procedure for the transfer of the credits associated with MasterCard credit cards held by customers of the BANK's "Santiago-Express" Division to EMPRESAS PARÍS, in view of the fact that said credits will be transferred by EMPRESAS PARÍS to BANCO PARÍS, shall be governed by the provisions in the document that, having been signed by the parties, is attached hereto as Exhibit B of this purchase-sale contract, which shall be deemed an integral part thereof for all legal intents and purposes; and **Two)** the Intangible Assets, consisting of all those that permit the Santiago-Express Division's operation as a going-concern business unit, such as the strategic location of the branch network and partial knowledge for attraction of credit cards and consumer credits, which are delivered in this act through electronic manuals or operating procedure documents, which Empresas París acknowledges receiving in perfect condition. **THREE: Rights included in the purchase-sale transaction.** The purchase-sale transaction expressly includes all the rights of any other kind pertaining to the BANK as creditor and holder of the credits or other portfolio transactions covered by it. In addition, pursuant to the provisions of Article One Thousand Nine Hundred Six of the Civil Code, all the guarantees, bonds, privileges, and mortgages are understood as being including in the sale, assignment, and transfer of the Financial Assets to which the preceding clause refers. An express record is made of the fact that, insofar as these are rights subject to litigation, their price is the face value of the credits in litigation. **FOUR: Sale price.** The total price of the purchase-sale transaction is the sum of **one hundred twelve billion five hundred sixty-three million seven hundred forty-five thousand two hundred twenty-three pesos**, distributed as follows: **a) ninety billion four hundred thirty-four million sixty-five thousand two hundred twenty-three pesos**, reflecting the sale price of the Financial Assets; and **b) twenty-two billion one hundred twenty-nine million six hundred eighty thousand pesos**, reflecting the sale price of the Intangible Assets associated with the

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Financial Assets. The total price of this purchase-sale transaction is paid in this act by the Purchaser, in cash, and the Vendor declares that it has received said price to its full and total satisfaction. **FIVE: The BANK's Representations and Warranties.** In connection with the conclusion of this purchase-sale transaction, the BANK makes the following representations and warranties for the exclusive benefit of EMPRESAS PARÍS and BANCO PARÍS, which are true, accurate, and complete as of the date hereof: **a) Incorporation.** It is a banking institution, incorporated, existing, fully authorized, and in good standing in conformity with the laws of the Republic of Chile, having all the corporate powers required to own and lease its properties and pursue the activities inherent in its industry; **b) Powers vis-à-vis this contract.** It has all the corporate powers required to sign and execute this contract and to carry out the transactions contemplated herein, having obtained all the corporate decisions needed to authorize said signing and execution and the conduct of said transactions, as a result of which this contract is a valid and binding obligation for the BANK, enforceable in accordance with its terms; **c) Absence of dispute and dispensation of approval.** The BANK's signing, execution, and performance of this contract, or any other document that must be executed by the BANK by virtue hereof, and the performance and satisfaction of the terms and conditions of this contract or those documents: (i) are not inconsistent with and do not constitute an infringement, default, or violation of the provisions of the BANK's bylaws; (ii) are not inconsistent with and do not require the subsequent approval of any party, nor do they constitute an infringement, default, or violation, nor cause the forfeiture of rights or benefits or the assumption of responsibilities or liabilities by virtue of any contractual term or condition, nor will they provoke the cancellation, amendment, or accelerated expiration of any contract, deed, or obligation of the BANK; (iii) are not inconsistent with, nor do they require the subsequent approval of any person by virtue of the provisions of any applicable law binding on the BANK, nor will they constitute an infringement of said laws; **d) Taxes.** (i) The Santiago-Express Division is not a taxpayer independent of the BANK, and, accordingly, is not required to file separate income tax returns with any government agency; (ii) it has paid all taxes due, including the

stamp taxes that are required to have been paid by the date hereof in respect of the Financial Assets covered by the sale and assignment, and to which no objection has been raised by the tax authorities; and (iii) all the tax returns filed by the BANK in relation to the Financial Assets covered by this sale and to which no objection has been raised by the tax authorities are true, accurate, and complete. It is expressly agreed that EMPRESAS PARÍS and/or BANCO PARÍS shall be exclusively responsible for the stamp tax applicable to the notes issued from the date hereof onward to document obligations emanating from the lines of credit associated with MasterCard credit cards issued by the BANK's Santiago-Express Division that are included in this purchase-sale transaction; **e) Litigation.** The BANK shall be solely responsible for the prosecution and results of the litigation brought against the BANK up to the date of this purchase-sale transaction in relation to the Financial Assets covered by this sale and assignment, before any court, arbitrator, or administrative, governmental, or regulatory authority or agency; **f) Lists of Financial Assets.** As of the date hereof, the computer lists of the Santiago-Express Division's Financial Assets and credits not written off and subject to pre-judicial and judicial collection that are covered by this purchase-sale transaction are complete and correct; **g) Absence of certain changes and events.** From the date on which the Framework Agreement was signed to the date hereof, the BANK has conducted the business of the Santiago-Express Division according to its normal form of business and historic practice; **h) Origin of the Financial Assets.** As of the date hereof, each and all of the Financial Assets covered by this sale and assignment belong to and (i) have originated in concrete transactions falling within the Santiago-Express Division's normal form of business, and have in all material respects been entered into in conformity with the SBIF standards applicable to commercial loans and consumer bank credit in particular; (ii) represent legal, valid, and binding obligations of the respective borrowers, being enforceable in conformity with their terms, and the respective notes for the consumer credits covered by this purchase-sale transaction are plaintiff's rights that have not expired and are not subject to the expiration of any statute of limitations during the twelve months subsequent to the date on which the respective debtor fell into arrears; and (iii) insofar as they are secured, said security creates a valid and enforceable right over the

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pledged goods, which right may be freely assigned together with the loans so secured. **SIX: EMPRESAS PARIS's Representations and Warranties.** In connection with the conclusion of this purchase-sale transaction, EMPRESAS PARÍS makes the following representations and warranties for the exclusive benefit of the BANK, which are true, accurate, and complete in all material respects as of the date hereof: **a) Incorporation.** It is a corporation that is incorporated, existing, fully authorized, and in good standing in conformity with the laws of the Republic of Chile, having all the corporate powers required to own and lease its properties and pursue the activities inherent in its industry; **b) Powers vis-à-vis this contract.** It has all the corporate powers required to sign and execute this contract and to carry out the transactions contemplated therein, having obtained all the corporate decisions needed to authorize said signing and execution and the conduct of said transactions, as a result of which this contract is a valid and binding obligation for EMPRESAS PARÍS, enforceable in accordance with its terms; **c) Absence of dispute and dispensation of approval.** No subsequent consent, waiver, or approval by government authorities or public agencies, and no other notice or presentation before them, nor any consent or approval by third parties is required in relation to (i) the signing, execution, and performance of this contract by BANCO PARÍS or (ii) EMPRESAS PARIS's conduct of the transactions contemplated herein. **SEVEN: Extent and scope of the BANK's liability.** The BANK's liability as Vendor shall be limited exclusively to the existence of the credits and their privileges, accessories, insurance, and security at the time of the assignment, as well as to the effectiveness of its status as legitimate owner or holder thereof, and it does not assume or bear any liability for the current or future solvency of the borrowers under the loans included in this purchase-sale transaction. On this score, EMPRESAS PARÍS undertakes in this act to: (i) fully and promptly inform the BANK of any claim or legal action filed against it in relation to the loan portfolio transferred hereby, of which it becomes aware, so that the BANK may take all the actions that may be necessary to adequately safeguard its interests and equity, in good time and form;

and (ii) fully indemnify the BANK for all direct and foreseen equity losses the BANK may experience within twenty months from the date hereof due to third-party claims or legal actions relating to the loan portfolio covered by this purchase-sale transaction, as a consequence of minor faults by EMPRESAS PARÍS, with the exception of injuries caused by facts, acts, or omissions of the BANK prior to the date hereof. The BANK undertakes in this act to fully indemnify EMPRESAS PARÍS for all direct and foreseen equity losses EMPRESAS PARÍS may experience within twenty months from the date hereof due to third-party claims or legal actions relating to the loan portfolio covered by this purchase sale transaction, as a consequence of minor faults [committed] by THE BANK prior to the date hereof. **EIGHT: Obligation for clearance and indemnification of damages.** Notwithstanding the limitation of liability prescribed in the preceding clause, the BANK undertakes in this act to assure EMPRESAS PARÍS of the ownership and peaceful possession of the Financial Assets sold, assigned, and transferred to it by means hereof, and to answer for the losses provoked by eviction or the redhibitory defects said Financial Assets may have. The parties expressly agree to consider the falsehood, inaccuracy, incompleteness, or incorrectness of any of the BANK's representations and warranties in the Fifth Clause of this purchase-sale contract as redhibitory defects that shall entitle EMPRESAS PARÍS to demand payment of the corresponding indemnification for damages, provided the falsehood, inaccuracy, incompleteness, or incorrectness of one or more of the BANK's representations is alleged within the term of twenty months from the date hereof. **NINE: Delivery of credit instruments and other documentation.** In compliance with the provisions of Article One Thousand Nine Hundred One and following of the Civil Code, and Article Seventeen and following of Law Eighteen Thousand Ninety-Two on bills of exchange and promissory notes, the BANK materially delivers and conveys ownership of the instruments representing each and all of the assigned credits, as well as all the supporting documentation for them and all the information regarding the lines of credit associated with MasterCard credit cards issued by the BANK's Santiago-Express Division and used by the users thereof, to EMPRESAS PARÍS in this act.

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Together with the foregoing, the BANK gives EMPRESAS PARÍS in this act a computer list on magnetic media containing all the historical information, from the last five years prior to the date hereof, associated with the customer transactions transferred to EMPRESAS PARÍS, which assures the continued commercial management of each product. The BANK likewise gives EMPRESAS PARÍS, in this act, on magnetic media and with access to all the physical documents, all the historical information it has for the last five years prior to the date hereof, inherent in all the risk assessment processes for the Santiago-Express Division's entire portfolio, including both the current and the past-due transactions. EMPRESAS PARÍS undertakes to use all the information furnished it by the BANK in strict confidentiality for purposes appropriate to its activity, and undertakes to respect and comply with all the provisions of Law Number Nineteen Thousand Six Hundred Twenty-Eight as amended, insofar as they are applicable. **TEN: Insurance.** Within fifteen days subsequent to the date hereof, the BANK shall give EMPRESAS PARÍS all the current insurance policies insuring the credits or placements that are assigned and transferred, duly endorsed. **ELEVEN: Special rules on credits subject to judicial collection and not written off.** As regards the credits, rights, and assets of the BANK's Santiago-Express Division that are not written off and are included in this purchase-sale transaction, and which are subject to judicial collection by the BANK as of the date hereof, the parties expressly agree that EMPRESAS PARÍS, together with its acquisition of the ownership of said credits, rights, and assets, also becomes the owner of the respective actions for collection of the borrowers', debtors', and/or guarantors' obligations. To that end, the BANK assigns and transfers to EMPRESAS PARÍS in this act the respective collection actions as prescribed by law, whether for credits or notes owed, either nominative or to the bearer, and whether said collection actions are of an executory, ordinary, or other nature. This transfer is made in conformity with the provisions regulating assignments of credits and rights under Chilean legislation, and an express record is made of the fact that

what is assigned are the credits and rights with their respective privileges and security and the respective actions for collection of the obligations owed by those required to pay, in their current condition and including those emanating from executed judgments or those subject to execution in proceedings of any kind; EMPRESAS PARÍS takes upon itself the responsibility and costs of the continuation of said procedures and the exercise of the rights and actions to which litigants are entitled in view of the type of judicial proceeding in question, and it relieves the BANK of all subsequent liability in this respect. EMPRESAS PARÍS, together with its acquisition of the ownership of the collection actions, makes itself responsible for and assumes all the obligations that may arise from the judicial enforcement of the respective loans, credits, or security, and the BANK is not thereby obligated to carry out any other procedures or steps distinct from those that might be strictly necessary at law to formalize, at its expense, the transfer of the ownership of the respective credits rights and collection actions to EMPRESAS PARÍS, provided however, that from the date hereof onward, the proceedings shall continue to be prosecuted by the attorneys appointed by the BANK while EMPRESAS PARÍS shall pay said attorneys' fees from the date hereof onward, and without prejudice to the agreements EMPRESAS PARÍS may have with said professionals in regard to the continuity of their services. **TWELVE: Reimbursement.** The BANK undertakes to reimburse EMPRESAS PARÍS for each and all the sums received for any reason subsequent to the date hereof in connection with the credits assigned to EMPRESAS PARÍS. Said reimbursement must be paid to the checking account indicated to the BANK by EMPRESAS PARÍS within three days following receipt. **THIRTEEN: Trademark use.** The parties expressly agree that, for a period of one year from the date hereof, the BANK may not use the expression "Santiago Express" as a trademark for a Commercial Banking Network, nor may it use said expression for advertising purposes. "Santiago Express" shall continue to be the BANK's property and may not be used by BANCO PARÍS except insofar as it is indispensable for the continuity of certain operations, and, in any event, only for a period of six months from the date hereof. **FOURTEEN: Noncompetition.** The BANK and its subsidiaries, and Banefe in particular, shall refrain from engaging in special positive actions,

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through mass contacts or the mass media, intended to commercially exploit and/or work the Santiago-Express Division's portfolio that is divested hereby. **FIFTEEN:**
Conciliation and arbitration. The parties agree that any problem or dispute that may arise between them in respect of the application, construction, duration, validity, or enforcement of this contract or for any other reason shall be submitted to a Conciliation Committee comprised of the following persons: The BANK appoints Sergio Urrejola Monckeberg, and in the event of his absence, impediment, or resignation, Eustaquio Martínez Martínez. EMPRESAS PARÍS, for its part, appoints Carlos Urenda Zegers, and, in the event of his absence, impediment, or resignation, Juan Carlos Dörr Zegers. Proof of the resignation, impediment, or absence of the principal member shall not be necessary for his replacement to act. If the Conciliation is unsuccessful for any reason or cause, the issue shall be brought before an Arbitration Panel, which shall resolve as a collective court and act as a mixed referee. Said Panel shall be comprised of the aforementioned persons, who in addition to convening as an Arbitration Panel must by agreement appoint an umpire who shall chair the Panel. In the absence of agreement regarding the name of the person who will chair said Arbitration Panel, he shall be appointed in accordance with the currently applicable Procedural Arbitration Regulations of the Cámara de Comercio de Santiago A.G. (Santiago Chamber of Commerce) Center for Arbitration and Mediation. The parties confer an irrevocable special power of attorney on the Cámara de Comercio de Santiago A.G., so that, at the written request of any of the members of the Arbitration Panel appointed by them, it may designate the chairman of the Arbitration Panel. Said designee may be any of the attorneys who make up the corps of arbitrators of the Cámara de Comercio de Santiago A.G. Center for Arbitration and Mediation. The Arbitration Panel's decisions shall be adopted by simple majority and there shall be no appeal therefrom, wherefore the parties expressly waive any such appeal. The Arbitration Panel must determine its own rules, procedures, and time limits for the parties' actions before it and for any award, and must in all cases provide a hearing for the parties and arrangements to receive the evidence and information they submit, and it must establish, as soon as its members are appointed, the form in which petitions or claims shall be made and the

mechanism of notification to be used to inform the parties of its resolutions or decisions. It shall likewise be empowered to resolve all issues relating to its competence and/or jurisdiction. The Arbitration Committee's members appointed by the parties may be replaced by them. **SIXTEEN: Communications.** Pursuant to the provisions of Chapter Eighteen Dash Ten of the Compendium of Banking and Financial Standards, within two days subsequent to the date hereof, the BANK and EMPRESAS PARÍS shall report it as an essential fact to the Superintendency of Banks and Financial Institutions, the Superintendency of Securities and Insurance, and the Stock Exchanges, as appropriate, in compliance with the provisions of Article Ten of the Securities Market Act. By the same token, within five days from the date hereof, the BANK and BANCO PARÍS shall jointly publish a conspicuous notice in the *El Mercurio* Newspaper and in a newspaper of each city where offices of the BANK's Santiago-Express Division operate, informing the public of BANCO PARIS's acquisition of the Financial Assets of the BANK's Santiago-Express Division, and shall jointly therewith send a notice to the debtors of the assigned credits informing them of the transaction. **SEVENTEEN: Scope of certain stipulations.** The parties expressly agree that, from the time EMPRESAS PARÍS sells, assigns, and transfers the Financial Assets it acquires hereby to BANCO PARÍS, all the provisions of the Seventh, the Eighth, the last paragraph of the Ninth, the Twelfth, the Thirteenth, and the Fifteenth Clauses that make reference to EMPRESAS PARÍS shall be understood to refer solely to BANCO PARÍS and all the provisions hereof that make reference to obligations of the BANK shall refer to those of BANCO PARÍS; accordingly, the BANK's obligations are not extinguished or modified by virtue of the Financial Assets' sale by EMPRESAS PARÍS to BANCO PARÍS. **EIGHTEEN: Expenses.** The notarial fees stemming from this contract's execution shall be paid in equal parts by both parties; the fees for registration, annotation, sub-registration, and notifications that are required by law shall be borne by EMPRESAS PARÍS. **NINETEEN: Registrations, sub-registrations, annotations, and publications.** The parties empower the bearer of an authorized copy of this contract to request and sign

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all the required registrations, sub-registrations, and marginal annotations in the appropriate public registries and those of the respective Conservators of Real Property, as well as to make all the publications required by law. **TWENTY: Fulfillment of the promise of sale and discharge.** By virtue of the conclusion of this contract, the parties deem the promise to buy-sell into which they entered on the sixteenth of July, two thousand four, and to which reference is made in Chapter II of the Alliance Contract mentioned in provision Three) of the RECITALS section hereof, to be fulfilled in all its parts to their full satisfaction, solely in respect of the credits acquired hereby, and they grant each other a broad reciprocal discharge in respect of said promise. **TWENTY-ONE: Applicable law.** This contract is governed by Chilean law. **TWENTY-TWO: BANCO PARÍS.** Being present at this act, Nelson Guerra Avila, Chilean, married, an engineer, with National I.D. Card number five million three hundred fourteen thousand four hundred sixty-three dash two, in representation of BANCO PARÍS, both domiciled at number one hundred fifteen Calle Morandé, fourth floor, Santiago Commune, of legal age, who furnishes evidence of his identity with the aforementioned I.D. card, declares as follows: That he accepts each and all of the provisions of this instrument that make reference to EMPRESAS PARÍS and undertakes to perform all the obligations imposed by this contract commencing as of the date on which EMPRESAS PARÍS acquires the Financial Assets covered by this purchase-sale transaction. **CAPACITIES.** Mr. Oscar Von Chrismar Carvajal's capacity to act in representation of Banco Santander Chile emanates from the instrument dated the twenty-third of July, two thousand three, executed before Santiago Notary Nancy de la Fuente Hernández. Mr. Andrés Munita Izquierdo's capacity to act in representation of Empresas Almacenes París S.A. emanates from the instrument dated the third of December, two thousand four, executed before Santiago Notary Raúl Undurraga Laso. Mr. Nelson Guerra Avila's capacity to act in representation of Banco París emanates from the instrument dated the sixth of December, two thousand four, executed before Santiago Notary Raúl Undurraga Laso. These capacities are not inserted herein because they are known to the parties, and at the parties' express request. In witness whereof and after reading the document, the persons present sign. This page corresponds to the Deed of

Purchase-Sale entered into between Banco Santander Chile and Empresas Almacenes París S.A. A copy is furnished.

[signature]
Oscar Von Chrismar Carvajal
CNI No. 6926511-1
For BANCO SANTANDER – CHILE
[fingerprint]

[signature]
Andrés Munita Izquierdo
CNI No.
For: EMPRESAS ALMACENES PARÍS S.A.
[fingerprint]

[signature]
Nelson Guerra Avila
CNI No. 5,314.463-2
For: BANCO PARÍS
[fingerprint]

[Stamp] I authorize, as Alternate Notary, pursuant to Decree N° 634/2004,
Court of Appeals of Santiago, and Article 402, Section 4, C.O.T.
Santiago, December 7, 2004

[signature]
[Seal] Martín Vásquez Cordero – Alternate Notary,
48th Notarial Office of Santiago

[Stamp] This copy is identical to its original.
December 7, 2004
José Musalem Saffie
Notary Public

[signature]
[Seal] Martín Vásquez Cordero – Alternate Notary
48th Notarial Office of Santiago

DIGEST N° 16,776

EXHIBIT B

**PURCHASE-SALE CONTRACT
BANCO SANTANDER – CHILE
AND
EMPRESAS ALMACENES PARÍS S.A.**

**AGREEMENTS RELATED TO THE TRANSFER TO EMPRESAS PARIS OF CREDITS OWED
BY CUSTOMERS OF THE BANCO SANTANDER – CHILE SANTIAGO-EXPRESS DIVISION
WHO ARE HOLDERS OF MASTERCARD CREDIT CARDS ISSUED BY THE BANK**

RECITALS

A. By a public instrument of the same date, executed before Santiago Notary José Musalem Saffie (the "Purchase-Sale Transaction"), Banco Santander Chile, hereinafter the BANK, has sold, assigned, and transferred to EMPRESAS ALMACENES PARÍS S.A., which by public instrument having the same date as this instrument, executed before the aforementioned Notary, has likewise sold, assigned, and transferred to BANCO PARÍS the placements of loans described in the computer lists that, having been signed by the parties, are attached as Exhibit A to the Purchase-Sale Transaction, consisting of non-readjustable consumer loans, credits under MasterCard credit card lines of credit, and seventy-three consumer loans financing computer purchases for educators, owed by customers of the "Santiago-Express" Division who do not have checking accounts with the BANK;

B. In compliance with the provisions of Clause One of the Purchase-Sale Transaction, the parties sign this instrument to make a record of the following agreements related to the transfer to BANCO PARÍS of the lines of credit associated with MasterCard credit cards issued by the BANK (the "Cards") and owed by Santiago-Express Division customers who do not have checking accounts at the BANK;

ONE: As of the date hereof, together with its acquisition, by virtue of the Purchase-Sale Transaction, of ownership of all the BANK's credits and rights in connection with the use of the Cards by the customers of its Santiago-Express Division listed in Exhibit A of the Purchase-Sale Transaction, BANCO PARÍS assumes and takes charge of the BANK's obligations and liabilities toward those customers, hereinafter also the "Users," by virtue of the "Contracts for Opening of Credit in National Currency and Affiliation with the MasterCard System and Use of MasterCard Credit Cards, Use of Automated Services, and Special Mandates" and/or "Complementary Rules for the Use of the International Credit Card," as appropriate, hereinafter "the Contracts," which are integral parts of this instrument.

TWO: In the event the Users do not accept the BANK's substitution by BANCO PARÍS as of the date of this Instrument, in this act the BANK confers upon BANCO PARÍS a free and irrevocable mandate, pursuant to the provisions of Article No. 241 of the Commercial Code, so that in its name and on its behalf, it may comply with all the obligations prescribed in the Contracts, in the form, within the time limits, and in accordance with the terms prescribed therein. By the same token, all the BANK's powers in connection with the Contracts that can be delegated pursuant to law are delegated to BANCO PARÍS in this act, and it must be understood for all legal intents and purposes that BANCO PARÍS shall have, from the date hereof, the same powers as held by the BANK under said Contracts in its legal relations with the Users, including the following powers, among others: (i) to cancel or revoke the Card at any time and without giving the reason, and as a consequence thereof, cancel the line of credit the User had with the BANK and judicially or extrajudicially collect the balance thereof that had been used, with the power in connection therewith to charge said balance to the User's time deposits at the BANK, all of which must be understood as being without prejudice to BANCO PARÍS's right, in the event that the value of said time deposits is insufficient, to exercise all other applicable rights to recover the sums that the User owes the BANK for any reason and which emanate from the User's use of the Card in question; (ii) charge the value of the acquisitions of goods and/or payments for services rendered in the country or overseas through the Card to the line of credit the BANK has given the User; (iii) collect, without the need for any further procedures, the sums owed to the BANK by the User exceeding the authorized amount of the revolving line of credit approved by the BANK; and (iv) protest and collect, extrajudicially or judicially, the note signed by the User through

the special agent appointed to that end in the BANK's favor, pursuant to the Contracts.

THREE: Solely as regards the costs and benefits indicated below, all of them associated with situations stemming from the Credit Card business for the customers of the Santiago-Express Division managed by the BANK until the date hereof, the parties agree to abide by the following special rules of distribution:

(a) the BANK shall be responsible for making the disbursements BANCO PARÍS must make in relation to claims whose validity is duly approved by Transbank and which came into being prior to the date hereof;

(b) BANCO PARÍS shall assume the financial cost of the payments made to the affiliated commercial establishments, in both local and foreign currency, for the purchases or services made from the date hereof onward. On the other hand, the financial cost of the payments made to the affiliated commercial establishments, in both local and foreign currency, for purchases or services acquired prior to the date hereof must be borne by the BANK. To that end, and without prejudice to the Card operating company's attributions or deductions, the parties settle as of the date hereof, in particular and to their full satisfaction, any differences between the rules stipulated above and the collections or deductions actually performed by the operator;

(c) the fees for charges applied to the affiliated commercial establishments and those for "Immediate Charge Purchases" and "Cash Advances" applied to the Users or customers of the BANK's Santiago-Express Division to date shall belong entirely to the BANK for the intents and purposes of the Card Operation Contract entered into by it and Transbank. BANCO PARÍS must reimburse the BANK for the funds it receives under the aforementioned fees from the date hereof onward, on the banking day immediately after its receipt thereof;

(d) from the date hereof onward, BANCO PARÍS shall be responsible for its costs for issuance of Cards, such as those associated with Transbank and MasterCard, incurred in relation to the BANK's Santiago-Express Division customers who are transferred to BANCO PARÍS. Accordingly, the BANK must pay the cost of advertising for the

MasterCard brand in proportion to the BANK's Santiago-Express Division's customers transferred to BANCO PARÍS up to the date hereof;

(e) in the event transactions performed prior to the date hereof are reversed, the BANK must return the respective fees to the commercial establishments and/or the fees on overseas purchases;

(f) from the date hereof onward, BANCO PARÍS shall pay the costs of the Security Bulletin for all stolen or lost Cards belonging to customers of the BANK's Santiago-Express Division that are transferred to BANCO PARÍS.

FOUR: If the foregoing provisions relating to the mandate conferred in the Second Clause cannot be applied for any cause or reason, the pertinent relations among the parties shall be governed by the following procedure for purposes of achievement of the objectives provided for in this mandate.

1. On the 15th and 30th day of each month, or on the banking day immediately thereafter if either of the foregoing dates falls on a non-business day, BANCO PARÍS shall send the BANK a list containing all the debtors of original credits for the use of Cards acquired by BANCO PARÍS that are in arrears or for which payments are past due for more than 90 days, indicating in each case the date of the arrears or simple lateness and the total value owed in terms of principal, regular and penalty interest or late fees, and extrajudicial expenses, if any;

2. Together with the foregoing, BANCO PARÍS shall send the BANK all the background information and folders for each of the debtors listed in the aforementioned list, as well as a credit assignment contract signed by BANCO PARÍS in duplicate bearing the same date, which shall cover all the credits reflected in the list;

3. On the day after receipt of the background information and documentation indicated in the preceding provisions, the BANK shall send BANCO PARÍS a copy of the credit assignment contract, duly signed by the BANK, and a chamber voucher or equivalent medium of payment for the total amount of the portfolio in arrears that is being assigned;

4. Thereupon the BANK shall proceed, as the owner of the credit in question and in the exercise of the mandate conferred by the respective debtor alluded to in provision 1, above, to fill out and sign the respective note, which must be authorized by a Notary, in an amount including principal, regular and penalty interest or late fees, extrajudicial collection expenses, applicable tax stamps, and the respective notarial fees;

5. Within the 5 banking days following receipt of the items indicated in provisions 1 and 2, above, the BANK shall send BANCO PARÍS a list of all the debtors shown on the received list, accompanied by the notes signed by the appropriate person in representation of the respective debtors, duly authorized before a notary, which must have been filled out as indicated, reflecting the principal owed, the regular and penalty interest or late fees, the extrajudicial collection expenses, if any, the applicable tax stamps, and the respective notarial fees, and endorsed by the BANK to BANCO PARÍS. Together with the foregoing, the BANK shall send BANCO PARÍS a credit assignment contract signed by the BANK in duplicate, bearing the same date, which shall include all the credits covered by it and the total value of the list of assigned credits;

6. On the day after receipt of the background information and documentation indicated in provision 5, above, BANCO PARÍS shall send the BANK a copy of the credit assignment contract, duly signed by BANCO PARÍS, and a chamber voucher or equivalent medium of payment for the total value of the portfolio in arrears that is being assigned.

This Exhibit shall be deemed to be an integral part of the Purchase-Sale Transaction for all legal intents and purposes.

Santiago, December 6, 2004.

[Stamp] I certify that, at the request of
Eugenio [illegible], this document was
solemnized under N° 16,776 at the end of
my Current Registry of Public Instruments.
Santiago, December 6, 2004

[Stamp] I authorize, as Alternate Notary,
pursuant to Decree N° 634/2004, Court of
Appeals of Santiago, and Article 402,
Section 4, C.O.T.
Santiago, December 7, 2004

[signature]
[Seal] Martín Vásquez Cordero –
Alternate Notary,
48th Notarial Office of Santiago

[Stamp] I CERTIFY: That this document is a true copy of the one
solemnized under N° 16,776 at the end of my Registry of Public
Instruments for the current [illegible], consisting of 5 pages.
SANTIAGO, December 7, 2004

[signature]
[Seal] Martín Vásquez Cordero –
Alternate Notary,
48th Notarial Office of Santiago

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Oscar von Chrismar, certify that:

1. I have reviewed this annual report on Form 20-F of Banco Santander-Chile;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Oscar von Chrismar

Name: Oscar von Chrismar

Title: Chief Executive Officer

Date: April 12, 2006

CHIEF FINANCIAL OFFICER CERTIFICATION

I, David Turiel, certify that:

1. I have reviewed this annual report on Form 20-F of Banco Santander-Chile;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ David Turiel

Name: David Turiel

Title: Chief Financial Officer

Date: April 12, 2006

Section 906 Certification

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F for the year ended December 31, 2005 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Oscar von Chrismar, the Chief Executive Officer and David Turiel, the Chief Financial Officer of Banco Santander-Chile, each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Banco Santander-Chile.

April 12, 2006

By: /s/ Oscar von Chrismar

Name: Oscar von Chrismar
Chief Executive Officer

By: /s/ David Turiel

Name: David Turiel
Chief Financial Officer
