

BANCO SANTANDER CHILE  
Form 6-K  
November 01, 2005

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Issuer**

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

For the month of October, 2005

Commission File Number: 001-14554

**Banco Santander Chile**

**Santander Chile Bank**

(Translation of Registrant's Name into English)

**Bandera 140**

**Santiago, Chile**

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

Yes  No

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

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

Yes  No

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

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**Banco Santander Chile**

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1. Press release dated October 26, 2005, entitled, Santander Santiago Announces Third Quarter 2005 Earnings.
2. Third Quarter 2005 Results.
3. English translation of the Bank's Financial Statements as published in the *Estrategia* Newspaper on October 26, 2005.

## Santander Santiago Announces

### Third Quarter 2005 Earnings

In 3Q 2005 net income totaled Ch\$66,433 million (Ch\$0.35 per share and US\$0.69/ADR), increasing 24.1% compared to 3Q 2004.

The Bank's return on average equity (ROAE) in the quarter reached 26.8% compared to 22.7% in 3Q 2004. The efficiency ratio reached 39.9% in 3Q 2005.

Earnings growth in 3Q 2005 was mainly driven by core revenues. Net financial income increased 15.5% YoY and fee income grew 18.6% YoY.

In 3Q 2005 the Bank continued to show strong commercial activity, especially in retail banking. Total loans increased 3.4% QoQ and 12.8% YoY. Consumer loans increased 7.1% QoQ and 31.6% YoY on an adjusted basis. Residential mortgage loans grew 7.2% on a sequential quarterly basis and 26.5% YoY. Lending to Small and Mid-sized Enterprises (SMEs) increased 7.7% QoQ and 29.0% YoY.

Market share in consumer lending has increased 100 basis points since the beginning of the year, while residential mortgage loan market share has risen 120 basis points since December 2004.

Asset quality continued to improve in the quarter. Past due loans at September 30, 2005 decreased 16.4% YoY and 6.3% QoQ. The ratio of past due loans to total loans decreased from 1.58% in 3Q 2004 to 1.17% in 3Q 2005.

In the nine-month period ended September 30, 2005 net income totaled Ch\$182,494 million (Ch\$0.97/share and US\$1.89/ADR), increasing 26.0% YoY. In the same period, net operating income increased 23.0%. ROAE reached 24.3% compared to 19.9% as of September 30, 2004. The efficiency ratio improved to 40.2% compared to 43.1% in the same periods.

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**Santiago, Chile, October 26, 2005.** Banco Santander Santiago (NYSE: SAN) announced today its unaudited results for the third quarter of 2005 and the nine month period ended September 30, 2005. These results are reported on a consolidated basis in accordance with Chilean GAAP<sup>1,2</sup> in nominal Chilean pesos.

In the third quarter of 2005 net income totaled Ch\$66,433 million (Ch\$0.35 per share and US\$0.69/ADR), increasing 24.1% compared to 3Q 2004 (from now on YoY). The Bank's return on average equity (ROAE) in the quarter reached 26.8% compared to 22.7% in 3Q 2004.

### **Santander Santiago: outperforming the market**

ROE,%\*

\* Return on average equity = Annualized quarterly net income divided by average equity

Source: Superintendence of Banks

Earnings growth was mainly driven by retail banking activities, reflected in the rise of net interest income and fee income growth. Net financial income increased 15.5% YoY in the quarter. This increase in net financial income was mainly due to strong loan growth in retail banking in the period. As of September 30, 2005 total loans increased 3.4% compared to the second quarter of 2005 (from now on QoQ) and 12.8% YoY. Total retail loans (includes loans to individuals and SMEs) increased 6.4% QoQ and 24.6% YoY. Consumer loans increased 7.1% QoQ and 20.3% YoY (31.6% excluding Santiago Express in 2004<sup>3</sup>). Market share in consumer lending increased 100 basis points (bp.) since the beginning of the year and 19 bp. since June 2005.

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<sup>1</sup> Safe harbor statement under the Private Securities Litigation Reform Act of 1995: All forward-looking statements made by Banco Santander Santiago involve material risks and uncertainties and are subject to change based on various important factors which may be beyond the Bank's control. Accordingly, the Bank's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, those described in the Bank's filings with the Securities and Exchange Commission. The Bank does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized.

<sup>2</sup> The Peso/US dollar exchange rate as of September 30, 2005 was Ch\$533.69 per dollar. All figures presented are in nominal terms. Historical figures are not adjusted by inflation.

<sup>3</sup> Santiago Express, a consumer finance division of Banco Santander Santiago was sold in December 2004 to Empresas París.

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Residential mortgage loans grew 7.2% on a sequential quarterly basis and 26.5% YoY. Market share in this product increased 120 bp. since the beginning of the year. Lending to Small and Mid-sized Enterprises (SMEs) increased 7.7% QoQ and 29.0% YoY. The Bank has been focusing on expanding its presence among SMEs due to the strong economic indicators that favor growth in this low penetrated and profitable segment.

### **Strong growth in retail lending drives expansion of core revenues**

Retail lending and core revenues, Ch\$ billion\*

\* Core revenues: net interest income plus fee income. Retail loans; Loans to SMEs and individuals

In 3Q 2005 the growth of customer funds reflected the rising interest rate environment. As a result, time deposits increased 2.8% QoQ and the balance of non-interest bearing deposits decreased 6.4%. Assets under management increased 14.5% QoQ and 14.3% YoY driven by growth of fixed income funds that rise in periods of high monthly inflation rates. In the quarter the Bank launched 9 new funds which also contributed to high growth of funds under management. With these growth rates the Bank's market share in total customer funds increased 84 bp. since the beginning of the year to 21.5% as of September 30, 2005.

Net fee income increased 18.6% YoY. This growth was led by an increase in various fee income lines and segments. Fees by product reflect this increase in client base and cross-selling. Checking account fees grew 54.4% YoY in the quarter. Credit card fee increased 36.0% in the same period. Stock brokerage fees increased 28.6% YoY.

Asset quality continued to improve in the quarter. Total gross provisions and charge-offs decreased 14.9% YoY. Past due loans at September 30, 2005 decreased 16.4% YoY and 6.3% QoQ. The gross charge-off ratio (annualized gross provisions and charge-offs divided by total loans) improved from 1.68% in 3Q 2004 to 1.26% in 3Q 2005. This improvement in asset quality was mainly due to the expanding economy and better unemployment figures.

In 3Q 2005 the Bank's efficiency ratio remained among the lowest in the world at 39.9%. In 3Q 2005 the Bank anticipated part of its 2006 investment plans in order to sustain current commercial growth levels, especially in retail banking. In this period operating expenses increased 5.7% YoY and 6.7% QoQ. In 2005 the Bank has opened 24 new branches of which 8 were opened in 3Q 2005,

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increasing the total to 335. The Bank has also installed 132 new ATMs in 2005 of which 97 were placed in 3Q 2005, representing a rise of 11% since the beginning of the year.

Banco Santander Santiago	Quarter			Change %	
				3Q	3Q / 2Q
	3Q 2005	2Q 2005	3Q 2004	2005/2004	2005
(Ch\$ million)					
Net financial income	138,018	141,316	119,521	15.5%	(2.3%)
Fees and income from services	36,030	31,905	30,390	18.6%	12.9%
Total provisions, net of recoveries	(17,793)	(12,109)	(17,822)	(0.2%)	46.9%
Operating expenses	(71,648)	(67,146)	(67,810)	5.7%	6.7%
Operating income, net	90,113	92,269	85,110	5.9%	(2.3%)
Income before income taxes	80,769	74,377	68,019	18.7%	8.6%
<b>Net income</b>	<b>66,433</b>	<b>62,101</b>	<b>53,515</b>	<b>24.1%</b>	<b>7.0%</b>
Net income/share (Ch\$)	0.35	0.33	0.28	24.1%	7.0%
Net income/ADR (US\$) <sup>1</sup>	0.69	0.59	0.49	41.2%	16.0%
<b>Total loans</b>	<b>9,751,240</b>	<b>9,431,262</b>	<b>8,647,468</b>	<b>12.8%</b>	<b>3.4%</b>
<b>Customer funds</b>	<b>9,545,571</b>	<b>9,339,425</b>	<b>7,911,165</b>	<b>20.7%</b>	<b>2.2%</b>
Shareholders equity	1,029,890	956,435	972,904	5.9%	7.7%
Net financial margin	4.6%	4.8%	4.5%		
Efficiency ratio	39.9%	39.1%	39.7%		
Return on average equity <sup>2</sup>	26.8%	25.7%	22.7%		
PDL / Total loans	1.17%	1.29%	1.58%		
Coverage ratio of PDLs	129.4%	137.6%	120.3%		
Risk index <sup>3</sup>	1.52%	1.78%	1.91%		
BIS ratio	13.2%	13.4%	13.1%		
Branches	335	327	351		
ATMs	1,322	1,225	1,050		
Employees	7,431	7,383	7,675		

<sup>1.</sup> The change in earnings per ADR may differ from the change in earnings per share due to the exchange rate.

<sup>2.</sup> Annualized Quarterly Earnings / Average Equity.

<sup>3.</sup> Total reserve for loan losses / Total loans

In the nine-month period ended September 30, 2005 net income totaled Ch\$182,494 million (Ch\$0.97/share and US\$1.89/ADR), increasing 26.0% YoY. In the same period net operating income increased 23.0%. ROAE reached 24.3% compared to 19.9% as of September 30, 2004. The efficiency ratio improved to 40.2% compared to 43.1% in the same periods.

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**INTEREST EARNING ASSETS***Gaining market share in higher yielding segments and products*

Interest Earning Assets (Ch\$ million)	Quarter ended,			% Change	
	Sept. 30, 2005	June 30, 2005	Sept. 30, 2004	Sept. 2005/2004	Sept. / June 2005
Commercial loans	3,519,785	3,379,584	3,004,167	17.2%	4.1%
Consumer loans	1,307,269	1,220,740	1,086,588	20.3%	7.1%
Residential mortgage loans*	2,148,833	2,004,425	1,698,860	26.5%	7.2%
General purpose mortgage loans**	273,290	301,748	467,200	(41.5%)	(9.4%)
Foreign trade loans	562,784	577,044	581,602	(3.2%)	(2.5%)
Leasing	618,027	571,878	499,433	23.7%	8.1%
Factoring	134,453	119,472	53,444	151.6%	12.5%
Other outstanding loans	14,152	14,761	16,841	(16.0%)	(4.1%)
Contingent loans	860,050	935,155	1,014,843	(15.3%)	(8.0%)
<b>Total loans excl. interbank and PDL</b>	<b>9,438,643</b>	<b>9,124,807</b>	<b>8,422,978</b>	<b>12.1%</b>	<b>3.4%</b>
Past due loans	114,133	121,798	136,485	(16.4%)	(6.3%)
Interbank loans	198,464	184,657	88,005	125.5%	7.5%
<b>Total loans</b>	<b>9,751,240</b>	<b>9,431,262</b>	<b>8,647,468</b>	<b>12.8%</b>	<b>3.4%</b>
Total financial investments	1,418,588	1,489,859	1,685,322	(15.8%)	(4.8%)
<b>Total interest-earning assets</b>	<b>11,169,828</b>	<b>10,921,121</b>	<b>10,332,790</b>	<b>8.1%</b>	<b>2.3%</b>

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

\*\* Includes general purpose mortgage loans backed by mortgage bonds (letra de crédito fines generales) and other commercial mortgage loans (préstamos hipotecarios endosables para fines generales).

In 3Q 2005 the Bank continued to show strong loan growth in high yielding products with a positive effect on net interest income and margins. As of September 30, 2005 total loans (excluding interbank and past due loans) increased 3.4% QoQ and 12.1% YoY. Consumer loans increased 7.1% QoQ and 20.3% YoY (31.6% excluding Santiago Express in 2004). Market share in consumer lending reached 25.8% as of September 2005, increasing 100 bp. since the beginning of the year and 19 bp. since June 2005.

The Bank continues to successfully innovate in the mortgage business through the SuperHipoteca product. Residential mortgage loans grew 7.2% on a sequential quarterly basis and 26.5% YoY. Market share in this product reached 24.7% at the end of the quarter increasing 120 bp. since the beginning of the year.



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**Santander Santiago: gaining market share in key products**

Market share, %

Source: Superintendence of Banks

Commercial loans rose 4.1% QoQ and 17.2% YoY driven mainly by loans granted to small and mid-sized companies (SMEs). The growth in lending to SMEs was also apparent in the increase of high yielding leasing and factoring operations. Leasing increased 8.1% QoQ and 23.7% YoY. Factoring operations rose 12.5% QoQ and 151.6% YoY. These growth rates also reflect the switch in the strategic focus of offering leasing and factoring. Previously, these were offered as a separate business managed by subsidiaries of the Bank, and are now offered as a part of the complete package of products sold to Middle-Market and SMEs clients.

***Lending to SMEs and individuals continues to drive loan growth***

Loans by business segment (Ch\$ million)	Quarter ended,			% Change	
	Sept. 30, 2005	June 30, 2005	Sept. 30, 2004	Sept. 2005/2004	Sept. / June 2005
Santander Banefe	459,058	434,742	377,074	21.7%	5.6%
Middle/upper income	3,521,901	3,305,448	2,818,003	25.0%	6.5%
<b>Total loans to individuals</b>	<b>3,980,959</b>	<b>3,740,190</b>	<b>3,195,077</b>	<b>24.6%</b>	<b>6.4%</b>
SMEs	1,317,681	1,223,618	1,021,429	29.0%	7.7%
<b>Total retail lending</b>	<b>5,298,640</b>	<b>4,963,808</b>	<b>4,216,507</b>	<b>25.7%</b>	<b>6.7%</b>
<b>Middle-Market &amp; Real estate</b>	<b>1,943,136</b>	<b>1,899,395</b>	<b>1,695,306</b>	<b>14.6%</b>	<b>2.3%</b>
<b>Corporate</b>	<b>1,442,584</b>	<b>1,448,925</b>	<b>1,536,289</b>	<b>(6.1%)</b>	<b>(0.4%)</b>

Total retail loans (includes loans to individuals and SMEs) increased 6.4% QoQ and 24.6% YoY (28.3% excluding Santiago Express in 2004). This increase was mainly driven by the higher economic activity and the continuous investments being made to maintain a leading position in the Chilean retail banking market. In 2005 the Bank has opened 14 new branches of which 8 were opened in 3Q 2005, increasing the total to 335.

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Loans to middle and upper income individuals rose 6.5% QoQ and 25.0% YoY (29.2% excluding Santiago Express). Loan growth in this segment was led by credit card loans that increased 11.1% QoQ. Residential mortgage loans in this segment increased 7.3% QoQ. Finally, installment consumer loans increased 5.3% QoQ.

In 3Q 2005 loans in Santander Banefe increased 5.6% QoQ and 21.7% YoY. Installment consumer lending increased 9.1% QoQ. Residential mortgage lending in this segment grew 5.8% QoQ. Santander Banefe continued to expand its distribution network and opened 4 new branches in 3Q 2005. Banefe now has a total of 84 branches, the largest distribution network for this client category.

Lending to SMEs increased 7.7% QoQ and 29.0% YoY. Loan growth in this segment was driven by a 15.5% QoQ growth of high yielding leasing operations. Consumer lending in this segment also increased 15.4% QoQ driven by a rise in loans through credit cards, overdraft lines and installment consumer loans. Commercial loans in this segment increased 7.1% QoQ. The Bank is placing a larger emphasis on expanding its presence among SMEs due to the strong economic indicators that favor growth in this low penetrated and attractive segment.

Lending to the middle market and real estate financing increased 2.3% QoQ and 14.6% YoY. This growth was led by a 2.9% QoQ increase in loans to companies in the middle market segment. Total loans in corporate banking decreased 0.4% QoQ and 6.1% YoY. Corporate banking follows a strict profitability driven strategy which is focused mainly on increasing its share of non-lending activities such as cash management, treasury services, corporate finance and advisory services. The QoQ decline was also due in part to the translation losses produced by the 7.8% appreciation of the peso against the dollar between June 30, 2005 and September 30, 2005.

#### **Lending to SMEs and individuals continues to drive loan growth**

Santander Santiago: loans by client segment, Ch\$ billion

\* Excludes Santiago Express from Individual figures in 2004

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**CUSTOMER FUNDS***Solid growth of customer deposits led by time deposit growth*

<b>Funding</b>	<b>Quarter ended,</b>			<b>Change %</b>	
	<b>Sept. 30,</b>	<b>June 30,</b>	<b>Sept. 30,</b>	<b>Sept.</b>	<b>Sept. / June</b>
<b>(Ch\$ million)</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2005/2004</b>	<b>2005</b>
Non-interest bearing deposits	2,374,788	2,537,313	2,333,709	1.8%	(6.4%)
Time deposits and savings accounts	5,418,466	5,271,750	4,044,813	34.0%	2.8%
<b>Total customer deposits</b>	<b>7,793,254</b>				