

BANCO SANTANDER CHILE
Form 6-K
August 04, 2008

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

Report of Foreign Issuer

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

For the month of Dec. 2007

Commission File Number: 001-14554

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

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

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

Form 20-F 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):

Yes No

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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Item

1. Material Event published on July 30, 2008 (English translation)
2. Second Quarter Earnings Report published on July 30, 2008 (nominal terms)
3. First Half 2008 Earnings (Spanish version, real terms)

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Material Event

In the Board meeting held on July 29, 2008, the appointment of Vittorio Corbo Lioi as a new Board member was ratified.

In the same Board meeting, Lucía Santa Cruz was appointed as the new member of the Bank's Audit Committee, replacing Benigno Rodríguez Rodríguez.

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SECTION 1: SUMMARY OF RESULTS AND STRATEGY

Second Quarter 2008 Results Summary

* Core revenues: Net interest income + fee income

** Net operating income: Core revenues + provision expense + operating expenses + market related income + other operating income, net

In 2Q08, net income attributable to shareholders totaled Ch\$78,440 million (Ch\$0.42 per share and US\$0.83/ADR) decreasing 2.5% YoY. Core revenues increased 24.3% YoY and net operating income increased 6.1% YoY. These strong operating trends in 2Q08 were offset by higher costs and a larger loss from price level restatement compared to 2Q07, both negatively impacted by rising inflation. Net income increased 3.7% QoQ with a 14.4% rise in core revenues and a 14.7% increase in net operating income. ROAE in 2Q 2008 reached 23.2% compared to 21.6% in 1Q08 and 25.8% in 2Q07. We have the highest ROE in the Chilean financial system.

Results in 2Q 2008 were in line with our strategy, which in 2Q08 was fine-tuned in order to align it with slower expected economic growth. The main strategic objectives set in 2Q08 for the next 18 months are the following:

1. Proactive management of the balance sheet.

· Selective loan growth with a focus on upper and middle income individuals and companies.

In 2Q08, total loans increased 6.3% QoQ and 19.1% YoY. Loan growth accelerated in the quarter due to the pick up in lending to companies and solid growth in the middle and upper income individual business segment. Corporate lending increased 3.2% QoQ and 14.2% YoY and lending to the middle market increased 7.4% QoQ and 17.4% YoY. Retail lending continued to expand at a steady pace in the quarter, increasing by 5.6% QoQ and 19.7% YoY with all loan growth coming from middle to upper income clients. Lending to lower income individuals decreased 15.2% QoQ and 10.3% YoY.

· Increasing spreads.

A key part of the Bank's strategy since 2007 has been to focus strongly on spreads in order to sustain profitability in riskier segments and to compensate for potentially higher funding costs. In 2Q08, the Bank's average loan spread reached 5.5%, increasing 20 bp compared to 1Q08 and 30bp compared to 2Q07. The net interest margin increased 60 basis points QoQ and 40 basis points YoY, reaching 6.2% in 2Q08.

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Focus on customer deposits, liquidity and maintaining strong capitalization ratios.

In 2Q08, customer funds increased 5.5% QoQ and 16.8% YoY. The average balance of non-interest bearing checking accounts increased 7.6% QoQ and 16.1% YoY. The positive performance of checking account balances reflects our strong growth in checking account holders and the Bank's solid positioning in the cash-management business. This also reduced the negative impact of rising rates on funding costs, as the yield on checking accounts rises with rate hikes. The ratio of free funds (average equity plus average demand deposits over interest earning assets) increased from 30.8% in 1Q08 to 31.9% in 2Q08 and remained flat compared to 2Q07.

The Bank's BIS ratio as of June 30, 2008 reached 12.9% with a Tier I ratio of 9.6%. In July 2008, the Bank issued in the local market US\$117 million in subordinated bonds in the local market to further strengthens capital ratios. This bond was issued at an attractive yield of 70bp over the 30 year Chilean Central Bank rate. Following this issue, the Bank's BIS ratio reached a solid level of 13.3%. This is the highest BIS ratio among our main competitors.

As a result of the proactive management of the asset and funding mix coupled with rising spreads and higher inflation, in 2Q08 net interest income was up 17.2% QoQ and 27.1% YoY.

2. Proactive management of risks to balance growth with an expected rise in risks.

As mentioned in previous releases, provisions are expected to increase due to the growth of lending to higher yielding and the expected economic slowdown foreseen for 2H 2008. In 2Q08, the Bank continued increasing spreads and tightened admission standards in the middle and lower income segments in order to contain the growth of provision expense. As a result of these measures, the growth rate of new non-performing loans has been descending, especially among individuals.

In 2Q08, the Bank's net provision expense increased 15.5% QoQ and 56.7% YoY. This rise was mainly driven by the YoY loan growth in retail banking and higher charge-offs in consumer loans due to the economic slowdown. It is important to point out that despite this rise in provision expense, net interest income including provision expense increased 18.0% QoQ and 16.8% YoY, reflecting that the increase in spreads, the higher inflation rates and the improved funding mix has more than offset the rise in risk.

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3. Focus on increasing cross-selling and product usage to boost fees

Net fee income increased 4.4% QoQ and 14.5% YoY in 2Q08 base. The expansion of cross-selling and product usage, especially in retail banking is driving fee income growth. The total number cross-sold clients increased 13.4% YoY in June 2008. In the second half of 2008, the Bank is planning to continue dedicating more resources towards increasing cross-selling instead of expanding the total client base. This should also positively impact the Bank's productivity and efficiency levels in retail banking.

4. Tight control of costs. Focus on productivity gains and control of recurring costs. Maximize profitability of new branches.

In 2Q08, the efficiency ratio continued to improve, reaching 38.8% compared to 39.1% in 2Q07 and 39.0% in 1Q08. Total operating expenses increased 14.2% QoQ and 19.4% YoY. The YoY increase in operating expenses was due to higher commercial activities, the expansion of the distribution network and the higher inflation. In light of the expected slowdown in economic growth, the Bank has begun to shift its strategic focus by limiting the opening of new branches in order to maximize the profitability of the existing network and to control costs. Since 1/3 of the Bank's branches have been opened in the past three years, there is still ample room to sustain growth by maximizing profitability of the newly opened offices. As of June 2008, the Bank's distribution network totaled 468 offices, increasing 0.4% QoQ and 9.3% YoY. As of June 2008, the Bank had 2,016 ATMs, representing an increase of 15.6% YoY and 1.4% QoQ.

1H 2008 Results Summary

In the first half of 2008 (1H08), net income attributable to shareholders increased 0.9% YoY and totaled Ch\$154,083 million (Ch\$0.82/share and US\$1.63/ADR). Growth was led by a 26.2% increase in core revenues. Net interest income increased 29.8% and fee income 14.4% YoY. The net interest margin in 1H08 reached a record level of 5.9% compared to 5.4% in 1H07. The efficiency ratio reached 38.9% in the same period. Net operating income increased 9.2%. These higher operating results were offset by an 86.2% rise in non-operating losses, net which were negatively affected by higher losses from price level restatement. ROAE reached 22.5% in 1H08.

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Banco Santander Chile: Summary of Results

(Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07	2Q08 / 2Q07	2Q / 1Q 2008
Net interest income	221,451	188,914	174,208	27.1%	17.2%
Fee income	55,946	53,584	48,877	14.5%	4.4%
Core revenues	277,397	242,498	223,085	24.3%	14.4%
Market related income	22,019	13,288	21,344	3.2%	65.7%
Other operating income	4,850	9,447	8,507	(43.0)%	(48.7)%
Total operating income	304,266	265,233	252,936	20.3%	14.7%
Operating expenses	(118,112)	(103,405)	(98,943)	19.4%	14.2%
Provision expense	(70,374)	(60,929)	(44,900)	56.7%	15.5%
Net operating income	115,780	100,899	109,093	6.1%	14.7%
Net income	79,573	76,522	80,768	(1.5)%	4.0%
Minority interest	1,133	879	281	303.2%	28.9%
Net income attributable to shareholders	78,440	75,643	80,487	(2.5)%	3.7%
Net income/share (Ch\$)	0.42	0.40	0.43	(2.5)%	3.7%
Net income/ADR (US\$) ¹	0.83	0.95	0.84	(1.2)%	(12.5)%
Total loans	13,216,808	12,435,062	11,098,130	19.1%	6.3%
Customer funds	14,619,427	13,851,334	12,512,694	16.8%	5.5%
Shareholders' equity	1,373,197	1,419,268	1,245,938	10.2%	(3.2)%
Net interest margin	6.2%	5.6%	5.8%		
Efficiency ratio	38.8%	39.0%	39.1%		
Return on average equity ³	23.2%	21.6%	25.8%		
PDL / Total loans	1.1%	1.1%	1.0%		
Coverage ratio of PDLs	173.2%	180.3%	199.8%		
Expected loss ⁴	1.9%	2.0%	1.9%		
BIS ratio	12.9%	13.3%	13.0%		
Branches ⁵	468	466	428		
ATMs	2,016	1,989	1,744		
Employees	9,230	9,177	8,913		

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

2. Annualized Quarterly Earnings / Average Equity.

3. Allowance for loan losses / Total loans.

4. Includes SuperCaja and mini payment centers.

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SECTION 2: VOLUME GROWTH**LOANS**

Selective loan growth with a focus on upper and middle income individuals and companies

Loans (Ch\$ million)	Quarter ended,			% Change	
	Jun-08	Mar-08	Jun-07 (reclassified)	June 08 / 07	June 08 / Mar. 08
Total loans to individuals ¹	6,397,456	6,051,080	5,376,224	19.0%	5.7%
Consumer loans	2,205,135	2,158,563	1,931,833	14.1%	2.2%
Residential mortgage loans	3,637,108	3,454,383	3,068,067	18.5%	5.3%
SMEs	2,314,975	2,200,282	1,905,480	21.5%	5.2%
Institutional lending	231,156	218,446	191,410	20.8%	5.8%
Total retail lending	8,943,587	8,469,808	7,473,114	19.7%	5.6%
Middle-Market & Real estate	2,703,058	2,516,708	2,302,678	17.4%	7.4%
Corporate	1,461,899	1,416,921	1,280,267	14.2%	3.2%
Total loans ^{2,3}	13,216,808	12,435,062	11,098,130	19.1%	6.3%

1 A part from consumer and mortgage loans, total loans to individuals includes other loan products to individuals

2 Includes past due loans in each category.

3 Excludes allowance for loan losses, interbank loans and other non-segmented loans

In 2Q08, total loans increased 6.3% QoQ and 19.1% YoY. Loan growth accelerated in the quarter due to the pick up in high yielding loan products to companies, translation gain produced by the depreciation of the peso against the US\$ dollar and higher inflation and continued growth in retail banking.

Corporate lending increased 3.2% QoQ and 14.2% YoY and lending to the middle market increased 7.4% QoQ and 17.4% YoY. The 18.5% depreciation of the peso against the US\$ dollar in the quarter resulted in a translation gain in dollar denominated loans. As a result, foreign trade loans increased 34.9% QoQ. Excluding foreign trade loans, commercial loans increased 4.7% QoQ and 17.6% YoY. High yielding factoring operations increased 53.1% QoQ and 79.8% YoY. Leasing, another high spread commercial loan, increased 5.9% QoQ and 18.5% YoY. Ample local liquidity coupled with a contraction of financing abroad and higher spreads has boosted lending to companies in the quarter. This is a trend we expect to continue in the second half of 2008.

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Retail lending continued to expand at a steady pace in the quarter, increasing by 5.6% QoQ and 19.7% YoY. Residential mortgage lending increased 5.3% QoQ and 18.5% YoY. Despite higher long-term rates, demand for residential mortgages remained healthy, especially among middle-upper income segments. Consumer loans expanded 2.2% QoQ and 14.1% YoY. All loan growth was concentrated in middle to upper income segments. In light of an expected slowdown in economic growth, the Bank is focusing on increasing its retail loan book in high income segments in the coming quarters. Lending to low income individuals decreased 15.2% QoQ and 10.3% YoY.

CUSTOMER FUNDS

Solid growth of customer deposits reflects a healthy liquidity scenario

Customer funds (Ch\$ million)	Quarter			Change %	
	Jun-08	Mar-08	Jun-07 (reclassified)	June 08 / 07	June 08 / Mar. 08
Non-interest bearing deposits	3,195,906	2,773,548	2,591,979	23.3%	15.2%
Time deposits	8,390,418	8,407,623	7,343,085	14.3%	(0.2)%
Total customer deposits	11,586,324	11,181,171	9,935,064	16.6%	3.6%
Mutual funds	3,033,103	2,670,163	2,577,630	17.7%	13.6%
Total customer funds	14,619,427	13,851,334	12,512,694	16.8%	5.5%
Bonds	2,405,006	2,196,889	1,708,506	40.8%	9.5%
Quarterly inflation rate	2.17%	1.02%	1.00%		
Avg. overnight interbank rate (nominal)	6.39%	6.22%	5.08%		
Avg. 10 year Central Bank yield (real)	3.06%	2.84%	2.90%		
Avg. 10 year Central Bank yield (nominal)	6.98%	6.46%	5.94%		

In 2Q08, inflation continued to exceed market expectations fuelling further rises in short-term interest rates. The average overnight interbank rate went up 17 basis points in the quarter and average long-term nominal rates increased 52 basis points. Despite this, the funding mix continued to improve. In 2Q08, customer funds increased 5.5% QoQ and 16.8% YoY. Time deposits decreased 0.2% QoQ and 14.3% YoY. During the quarter, the Bank continued to issue long-term bonds in the local market in order to increase the maturity of its funding base, especially among institutional investors, in order to shield funding costs from rising short-term rates and to match the Bank's long term mortgage portfolio.

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The balance of non-interest bearing deposits increased 15.2% QoQ and 23.3% YoY. The average balance of non-interest bearing checking accounts increased 7.6% QoQ and 16.1% YoY. The positive performance of checking account balances reflects our strong growth in checking account holders and the Bank's solid positioning in the cash-management business. This also helps to reduce the negative impact of rising rates on funding costs, as the yield on checking accounts rises with rate hikes. Translation gains on dollar denominated checking account also partially explains this rise in non-interest bearing demand deposits in the quarter.

Despite more unfavorable market conditions, assets under management in our mutual fund subsidiary increased 13.6% QoQ and 17.7% YoY. The weaker stock market hurt equity funds, but long-term fixed income funds were positively impacted by higher inflation and foreign funds were positively affected by the depreciation of the peso against the U.S. dollar in the quarter.

SECTION 3: ANALYSIS OF QUARTERLY INCOME STATEMENT

NET INTEREST INCOME

Positive evolution of NIM driven by improved asset/funding mix and higher inflation. Focus in 2H08 on spreads and funding mix.

Net Interest Income / Margin (Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Net interest income	221,451	188,914	174,208	27.1%	17.2%
Average interest-earning assets	14,252,583	13,547,248	11,931,595	19.5%	5.2%
Average loans	12,817,994	12,285,523	11,121,879	15.3%	4.3%
Net interest margin (NIM)	6.2%	5.6%	5.8%		
Avg. equity + non-interest bearing demand deposits / Avg. interest earning assets	31.9%	30.8%	32.0%		
Quarterly inflation rate	2.17%	1.02%	1.00%		
Avg. overnight interbank rate (nominal)	6.39%	6.22%	5.08%		
Avg. 10 year Central Bank yield (real)	3.06%	2.84%	2.90%		

1. Annualized.

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

In 2Q08, net interest income was up 27.1% YoY. Average earning assets increased 19.5% YoY, while the net interest margin - NIM - increased 40 basis points in the same period. Among the reasons for this improved NIM, it is worth mentioning:

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Focus on spreads. A key part of the Bank's strategy since 2007 has been to focus strongly on spreads in order to sustain profitability in riskier segments and to compensate for potentially higher funding costs. In 2Q08, the Bank's average loan spread reached 5.5%, increasing 20 bp compared to 1Q08 and 30bp compared to 2Q07.

* Excludes Corporate banking

Inflation. The rise in margins is also due to higher inflation rates in 2Q08. The Bank maintains long-term assets (mainly medium and long-term financial investments and mortgage loans) that are denominated in Unidades de Fomento (UFs), and inflation indexed unit, which are partially funded with nominal or non-interest bearing peso short-term deposits. As the Bank maintains a positive gap between assets and liabilities indexed to inflation, a rise in inflation has a positive effect on net interest income and margins. This is partially offset by the loss from price level restatement and higher operating costs which, to a large extent are indexed to inflation. Going forward margins could continue expand or contract depending on the evolution of inflation. For this reason, management has remained focused on increasing spreads and improving the asset and funding mix to sustain margins going forward.

Funding mix. During the quarter, as inflation continued to exceed market expectations, the Central Bank has continued increasing short-term interest rates. This has pressured the Bank's NIM by increasing deposit costs. Two other factors have contributed to counterbalancing the higher short-term rates: (i) the Bank's balance sheet has a positive sensitivity to rising short-term rates as the Bank has been issuing long-term bonds in the local market at attractive rates and (ii) as short-term rates rise, the yield obtained over non-interest bearing deposits and capital also goes up. The ratio of free funds (average equity plus average demand deposits over interest earning assets) increased from 30.8% in 1Q08 to 31.9% in 2Q08 and remained flat compared to 2Q07.

Net interest income in 2Q08 increased 17.2% QoQ and the NIM increased 60bp. This QoQ rise in margins was mainly due to the higher inflation rate and higher loan spreads in 2Q08 compared to 1Q08.

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PROVISION FOR LOAN LOSSES

Net provision expense affected by lower loan loss recoveries, a rise in charge-offs in retail banking and higher provisions in the middle market.

Provision for loan losses (Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Gross provisions	(12,824)	(13,579)	(11,242)	14.1%	(5.6)%
Charge-offs	(66,250)	(57,570)	(47,965)	38.1%	15.1%
Gross provisions and charge-offs	(79,074)	(71,149)	(59,207)	33.6%	11.1%
Loan loss recoveries	8,700	10,220	14,307	(39.2)%	(14.9)%
Net provisions for loan losses	(70,374)	(60,929)	(44,900)	56.7%	15.5%
Total loans	13,216,808	12,435,062	11,098,130	19.1%	6.3%
Total reserves (RLL)	(256,183)	(243,982)	(211,112)	21.3%	5.0%
Past due loans* (PDL)	147,874	135,354	105,668	39.9%	9.2%
Gross provision expense /					
Loans	2.39%	2.29%	2.13%		
Cost of credit**	2.13%	1.96%	1.62%		
PDL / Total loans	1.12%	1.09%	0.95%		
Expected loss (RLL / Total loans)	1.94%	1.96%	1.90%		
Coverage of past due loans***	173.2%	180.3%	199.8%		

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

** Net provision expense / loans annualized.

*** RLL / Past due loans.

In 2Q08, the Bank's net provision expense increased 15.5% QoQ and 56.7% YoY. This rise was mainly driven by the YoY loan growth in retail banking and higher charge-offs in consumer loans due to the economic slowdown. The increase in provision expense was also due in part to a one-time provision expense of approximately Ch\$2,000 million recognized in April 2008 and directly related to a single client in the Middle-market segment.

Net provisions for loan losses by segment

(Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Retail banking*	64,068	61,356	42,758	49.8%	4.4%
Middle-market	6,308	(600)	2,028	211.0%	(1151.3)%
Corporate banking	123	(27)	(32)	(484.4)%	(555.6)%
Total net provisions for loan losses**	70,499	60,729	44,754	57.5%	16.1%

* Includes individuals, institutional lending and SMEs.

As mentioned in previous releases, provisions are expected to increase due to the growth of retail lending and the expected economic slowdown foreseen for 2H 2008. In 2Q08, the Bank proactively tightened admission standards in the middle and lower income segments in order to contain the growth of provision expense. Spreads have also been incremented to cover for a high risk scenario expected in the coming quarters. As a result of these measures, net interest income after net provision expense increased 18.0% QoQ and 16.8% YoY.

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The increase in net provision expense was also due to the 14.9% QoQ and 39.2% YoY reduction in loan loss recoveries. The collection departments is now focused on incrementing the rate of recoverability in the first six months of non-performance as efforts to collect after this period tend to be less cost efficient. After this period, the Bank tries to sell these charged-off loans and any gain will be recognized as market related income.

The expected loan loss ratio (Loan loss allowances / Total loans), which is a ratio that measures how much of the Bank's loan portfolio is at risk remained steady QoQ and YoY at 1.94% due to the Bank's conservative charge-off policies. The cost of credit (Net provision expense / Total loans, annualized) reached 2.13% in 2Q08 up from 1.96% in 1Q08 and 1.62% in 2Q07. Going forward, the expected loan loss ratio and the cost of credit should rise given the expected lower economic growth.

The past due loan ratio (Past due installment >90 days / Total loans) as of June 2008 reached 1.12% compared to 1.09% in 1Q08 and 0.95% in 2Q08. Coverage of past due loans (Loan loss allowance / Past due loans) reached a healthy 173.2% as of June 2008 compared to 180.3% at March 2008 and 199.8% at June 2007. It is important to point out that the Bank has been proactively managing credit risk in order to limit future deterioration of asset quality. Total gross non-performing loans (total balance of all loans at least 90 day overdue + charge-offs - recoveries) have shown a positive evolution in 2Q08, especially among individuals. This should help to contain the expansion of past due loans and provision expense in the coming quarters.

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NET FEE INCOME*Focus on cross-selling*

Fee Income (Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Checking accounts & lines of credit	15,468	15,593	14,826	4.3%	(0.8)%
Credit, debit & ATM card fees	10,524	11,245	8,153	29.1%	(6.4)%
Collection fees	10,265	8,744	9,364	9.6%	17.4%
Asset management	7,592	7,153	7,208	5.3%	6.1%
Insurance brokerage	4,286	3,500	3,176	34.9%	22.5%
Guarantees, pledges and other contingent operations	3,960	3,812	3,533	12.1%	3.9%
Fees from brokerage and custody of securities	2,115	1,493	1,723	22.7%	41.6%
Other Fees	1,736	2,043	894	94.2%	(15.0)%
Total fees	55,946	53,584	48,877	14.5%	4.4%

Net fee income increased 4.4% QoQ and 14.5% YoY in 2Q08. The expansion of cross-selling and product usage, especially in retail banking is driving fee income growth. Santander Chile has the largest client base (excluding the state owned bank). The total number of clients increased 11.6% YoY to 2.95 million in 2Q08 and the amount of cross-sold clients increased 13.4% YoY in June 2008. Despite this improvement, only 30% of our clients have 2 or more products, reflecting the high cross-selling potential of the Bank's client base.

Fees from checking accounts and lines of credit decreased 0.8% QoQ and increased 4.3% YoY. Going forward and, especially in 2009, fee income from lines of credit may be hampered by regulatory changes that will limit amounts charged for un-authorized overdrafts. This reduction in checking account fees, which are in general flat fees, was offset by an increase in usage related fees in line with the Bank's strategy for fee growth in 2008.

Fees from credit, debit and ATM cards increased 29.1% YoY. The usage of electronic means of payments continues to steadily grow in Chile as bank penetration and cross-selling ratios improve. According to information published by Transbank, the industry's credit card processor, as of June 2008, Santander Chile's market share in bank credit cards reached 36.0%, reflecting an increase of 10.7% YoY in the Bank's number of credit card accounts. Purchases with Santander credit cards in monetary terms grew more than 20% YoY as of June 2008. Market share in terms of purchases reached 35.9% as of June 2008 compared to 35.4% as of June 2007. Including department stores, we estimate our market share in the credit card business at 14.6% of total purchases. Fees from credit, debit and ATM cards decreased 6.4% QoQ due to seasonal factors as the month of March is a high expenditure month following summer holidays.

Collection fees increased 17.4% QoQ and 9.6% YoY. The main driver of fee growth in this line item is the collection of loan insurance policies on behalf of third parties which evolves with overall commercial activity. Other collection services have been decreasing in importance as clients use on-line banking, which is more cost efficient for the Bank and the client. Seasonal factors also impact the QoQ evolution of fees in this item.

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Asset management fees increased 6.1% QoQ and 5.3% YoY led by the rise in assets under management (See Customer Funds).

Fees from guarantees, pledges and other contingent operations increased 3.9% QoQ and 12.1% YoY, in line with higher commercial activity in corporate segments. These activities do not consume capital and generate fee income. The corporate segments main focus is on non-lending activities that generates 60% of net operating profits.

Insurance brokerage fees increased 22.5% QoQ and 34.9% YoY in 2Q08. The continued strength in distributing insurance products has continued to fuel insurance related fees. The Bank's strength in cross-selling the client base by offering attractive insurance products through the Internet has been a key driver in this line item.

Fees securities brokerage and custody increased 41.6% QoQ and 22.7% YoY due to an increase in cross-selling of brokerage services to retail clients, an increase in traded volumes with institutional investors and more foreign investment activity in our local stock brokerage.

OPERATING EXPENSES AND EFFICIENCY

The efficiency ratio continues to improve. The Bank to tighten cost control and maximize profitability of new branch network

Operating Expenses (Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Personnel expenses	(51,800)	(44,339)	(42,742)	21.2%	16.8%
Administrative expenses	(41,969)	(38,698)	(37,275)	12.6%	8.5%
Depreciation and amortization	(13,078)	(11,474)	(10,013)	30.6%	14.0%
Other operating expenses	(11,265)	(8,894)	(8,913)	26.4%	26.7%
Operating expenses	(118,112)	(103,405)	(98,943)	19.4%	14.2%
Efficiency ratio*	38.8%	39.0%	39.1%		

*Operating expenses / Operating income. Operating income = Net interest income + Net fee income+ Market related income + Other operating income.

In 2Q08, the efficiency ratio reached 38.8% improving from 39.1% in 2Q07 and 39.0% in 1Q08. Total operating expenses increased 14.2% QoQ and 19.4% YoY. Personnel expenses increased 16.8% QoQ and 21.2% YoY. The QoQ increase in personal expenses was due in part to seasonal factors. The YoY and QoQ rise in personnel expenses was also due to the annual increase in wages by CPI in April. The wage increase was 4% for all employees following a 4% rise in September of 2007 and 3% in April 2007. The Bank's average headcount increased 5.5% YoY.

The 8.5% QoQ and 12.6% YoY increase in administrative expenses was directly linked to the higher commercial activities, the larger distribution network and the higher inflation. In light of the expected slowdown in economic growth, the Bank has begun to shift its strategic focus by limiting the opening of new branches in order to maximize the profitability of the existing network and to control costs. As of June 2008, the Bank's distribution network totaled 468 offices, increasing 0.4% QoQ and 9.3% YoY. As of June 2008, the Bank had 2,016 ATMs, representing an increase of 15.6% YoY and 1.4% QoQ. Since 1/3 of the Bank's branches have been opened in the past three years, there is still ample room to sustain growth by maximizing profitability of the newly opened offices.

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The 26.4% YoY rise in depreciation and amortization expenses is also directly related to the growth of the Bank's distribution network.

Other operating expenses are mainly expense primarily relating to the Bank's call center, credit card related expenses and expenses related to repossessed assets. The increase in other operating expenses was mainly driven by higher insurance expenses linked to greater credit card usage.

GAINS (LOSSES) ON FINANCIAL TRANSACTIONS

Positive results from client related activities despite sharp rise in rates and inflation

In 2Q08, the gains from market related income totaled Ch\$22,019 million. The 65.7% QoQ and 3.2% YoY increase in market related income was mainly due to a positive evolution of the market-making business and the sale of treasury products through Santander Global Connect to corporate and middle market clients.

Net Result from Financial Transactions

(Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Net gains from mark-to-market and trading	163,192	(88,693)	33,339	389.5%	—%
Exchange differences, net	(141,173)	101,981	(11,995)	1,076.9%	—%
Net result from financial transactions	22,019	13,288	21,344	3.2%	65.7%

*For analysis purposes only, we have created the line item: Net results form financial transactions. This is the sum of the net gain (loss) from trading, the mark-to-market of financial investment and derivatives and exchange differences. The results recorded as exchange differences, net mainly includes the translation gains or losses of assets and a liability denominated in foreign currency, but does not include the mark-to-market of FX derivatives. As Santander Chile limits its foreign exchange gap, the results recorded in foreign exchange transactions are, for the most part, offset by the mark-to-market of foreign currency forwards. For this reason they are added to the net gains (loss) from trading and mark-to-market, which includes the mark-to-market of FX forwards.

** Quarterly variation of the Unidad de Fomento (UF).

These gains were partially offset by lower results from proprietary trading, which were negatively affected by rising rates and inflation as can be observed in the graphs.

Source: Bloomberg

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OTHER OPERATING INCOME AND NON-OPERATING ITEMS

Other Income and Expenses (Ch\$ million)	Quarter			Change %	
	2Q08	1Q08	2Q07 (reclassified)	2Q08 / 2Q07	2Q / 1Q 08
Other operating income	4,850	9,447	8,507	(43.0%)	(48.7)%
Income attributable to investments in other companies	1,180	(262)	(728)	—%	—%
Price level restatement	(22,546)	(8,873)	(13,633)	65.4%	154.1%
Income tax	(14,841)	(15,242)	(13,964)	6.3%	(2.6)%

Other operating income, which mainly includes the results from the sale and maintenance of repossessed assets and other results, totaled Ch\$4,850 million in 2Q08, decreasing 48.7% QoQ and 43.0% YoY. The QoQ decline was mainly due to the one-time gain of Ch\$3,274 million from the sale of shares held in Visa and a Ch\$974 million gain from the sale of a share in the Santiago Stock Exchange recorded in 1Q08. The YoY decline was mainly due to higher non-credit provision for legal contingencies recognized in 2Q08.

Price level restatement in the quarter totaled a loss of Ch\$22,546 million. The difference in inflation rates explains the variation in price level restatement. The Bank must adjust its capital and fixed assets for the variations in price levels. When inflation is positive, the Bank records a loss from price restatement, since the Bank's capital is larger than fixed assets. The inflation rate was 2.17% in 2Q08 compared to 1.02% in 1Q08 and 1.0% in 2Q07.

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SECTION 4: SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL*Solid capitalization ratios*

Shareholders' Equity (Ch\$ million)	Quarter			Change %	
	Jun-08	Mar-08	Jun-07 (reclassified)	June 08 / 07	June 08 / Mar. 08
Capital	818,535	818,535	761,853	7.4%	0.0%
Reserves	89,057	58,797	65,096	36.8%	51.5%
Unrealized gain (loss)					
Available-for-sale financial assets	(45,900)	(21,155)	(4,445)	932.6%	117.0%
Retained Earnings:					
Retained earnings previous periods	381,030	581,651	252,872	50.7%	(34.5)%
Net income	154,083	75,643	152,675	0.9%	103.7%
Provision for mandatory dividend	(46,225)	(115,288)	0		
Minority Interest	22,616	21,085	17,887	26.4%	7.3%
Total Equity	1,373,196	1,419,268	1,245,938	10.2%	(3.2)%

* Equivalent to 30% of earnings. By law banks must payout at least 30% of earnings and the Bank must now provision for this minimum mandatory dividend.

Shareholders' equity totaled Ch\$1,373,197 million (US\$2.6 billion) as of June 30, 2008. ROAE in 2Q08 reached 23.2% compared to 21.6% in 1Q08 and 25.8% in 2Q07. During 2Q08, the Bank paid its annual dividend, which this year totaled Ch\$1.0646 per share, corresponding to 65% of 2007 net income and 8.1% higher than the dividend paid in 2007. In US dollars, the dividend was approximately US\$2.37 per ADR and 21.4% higher than the last yearly dividend paid. This corresponded to a dividend yield of 4.5% based on local share price on the record date.

The Bank's BIS ratio as of June 30, 2008 reached 12.9% with a Tier I ratio of 9.6%. In July 2008, the Bank issued in the local market US\$117 million in subordinated bonds in the local market to further strengthen capital ratios. This bond was issued at an attractive yield of 70bp over the 30 year Chilean Central Bank rate. Following this issue, the Bank's BIS ratio reached a solid 13.3%. This is in line with our strategic objectives for 2H08 to focus on liquidity, funding and capital.

Capital Adequacy (Ch\$ million)	Quarter ended			Change %	
	Jun-08	Mar-08	Jun-07 (reclassified)	June 08 / 07	June 08 / Mar. 08
Tier I*	1,350,580	1,398,183	1,075,377	25.6%	(3.4)%
Tier II	461,436	415,905	467,469	(1.3%)	10.9%
Regulatory capital	1,812,015	1,814,088	1,542,846	17.4%	(0.1)%
Risk weighted assets	14,066,367	13,593,098	11,851,230	18.7%	3.5%
Tier I ratio	9.6%	10.3%	9.1%		
BIS ratio	12.9%	13.3%	13.0%		

* Tier I includes year-to-date net income in 2008

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SECTION 5: CREDIT RISK RATINGS**International ratings:**

The Bank has credit ratings from three leading international agencies. We have the highest risk rating in Latin America.

Moody's	Rating
Long-term bank deposits	A2
Senior bonds	Aa3
Subordinated debt	Aa3
Bank Deposits in Local Currency	Aa2
Bank financial strength	B-
Short-term deposits	P-1
Outlook	Stable

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

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

Local ratings:

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

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

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SECTION 6: SHARE PERFORMANCE**June 2008****Ownership Structure:****ADR Price Evolution****Santander ADR vs. Global 1200 Financial Index (Base 100 = 12/31/2003)**

ADR price (US\$) 2008

Year-end 2007:	50.99
Maximum (2008):	54.60
Minimum (2008):	41.78
Close (3/31/08):	43.01

Market Capitalization: US\$7,802 million

P/E 12 month trailing:	13.0
P/BV:	2.94
Dividend yield*:	4.5%

* Based on closing price on record date of last dividend payment.

Daily traded volumes 2Q 2008**Local Share Price Evolution****Santander vs IPSA Index****(Base 100 = 12/31/2003)**

Local share price (Ch\$) 2008

Year-end 2007:	24.49
Maximum (2008):	24.86
Minimum (2008):	20.00
Close (3/31/08):	21.41

Dividends:

Year paid	Ch\$/share	% of previous year earnings
2005:	1.05	100%
2006:	0.83	65%
2007:	0.99	65%
2008:	1.06	65%

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SECTION 7: INSTITUTIONAL BACKGROUND

As per latest public records published by the Superintendency of Banks of Chile for June 2008, Banco Santander Chile was the largest bank in terms of loans and deposits. The Bank has the highest credit ratings among all Latin American companies, with an A+ rating from Standard and Poor's, A+ by Fitch and A2 by Moody's, which are the same ratings assigned to the Republic of Chile. The stock is traded on the New York Stock Exchange (NYSE: SAN) and the Santiago Stock Exchange (SSE: Bsantander). The Bank's main shareholder is Santander, which controls 76.91% of Banco Santander Chile.

Santander (SAN.MC, STD.N) is the largest bank in the euro zone by market capitalization and fifth in the world by profit. Founded in 1857, Santander has EUR 912,915 million in assets and EUR 1,063,892 million in managed funds, 65 million customers, 11,178 branches and a presence in 40 countries. It is the largest financial group in Spain and Latin America, and is the sixth largest bank in the United Kingdom, through its Abbey subsidiary, and is the third largest banking group in Portugal. Through Santander Consumer Finance, it also operates a leading consumer finance company in 12 European countries (Germany, Italy and Spain, among others) and the United States. In 2007, Santander registered €9,060 million in net attributable profits, an increase of 19% from the previous year.

In Latin America, Santander manages over US\$200 billion in business volume (loans, deposits, mutual funds, pension funds and managed funds) through 4,498 offices. In 2007, Santander reported \$3,648 million in net attributable income in Latin America, 27% higher than the previous year.

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ANNEX 1: BALANCE SHEET

Unaudited Balance Sheet Assets	Jun-08 US\$ths	Jun-08	Mar-08	Jun-07	June 2008 / 2007 % Chg.	June / March 2008 % Chg.	
		Ch\$ million nominal					
		(Reclassified)					
Cash and balances from Central Bank	2,461,524	1,280,337	647,473	861,227	48.7%	97.7%	
Funds to be cleared	937,423	487,591	626,731	361,098	35.0%	(22.2)%	
Financial assets held for trading	1,718,649	893,938	715,729	764,369	17.0%	24.9%	
Investment collateral under agreements to repurchase	22,488	11,697	4,655	31,112	(62.4)%	151.3%	
Derivatives	2,371,596	1,233,562	1,427,176	419,417	194.1%	(13.6)%	
Interbank loans	289,164	150,406	116,991	350,393	(57.1)%	28.6%	
Loans, net of reserves for loan losses	24,917,572	12,960,626	12,191,080	10,887,018	19.0%	6.3%	
Available-for-sale financial assets	2,076,779	1,080,216	1,457,900	673,992	60.3%	(25.9)%	
Held-to-maturity investments	-	-	-	-			
Investments in other companies	13,198	6,865	6,181	5,707	20.3%	11.1%	
Intangible assets	118,157	61,458	58,071	49,856	23.3%	5.8%	
Fixed a							