

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

BANCO SANTANDER CHILE

Form 6-K

October 29, 2002

=====

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20459

-----  
FORM 6-K  
Report of Foreign Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

October 29, 2002

-----  
Banco Santander Chile  
(Exact name of registrant as specified in its charter)

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

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

Form 20-F   X                           Form 40-F  
-----    -----

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

Yes   No   X  
-----   -----

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

----

=====

Banco Santander Chile

TABLE OF CONTENTS

Item

-----

- 1. Press release dated October 28, 2002 titled "Banco Santander Chile

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Announces Results or Third Quarter 2002"

2. Copy of the unaudited quarterly income statements of Banco Santander Chile for third quarter of 2001 and second and third quarters of 2002
3. Copy of the unaudited nine-month income statements of Banco Santander Chile for third quarter of 2001 and 2002
4. Copy of the unaudited consolidated balance sheet of Banco Santander Chile and Subsidiaries at September 30, 2001 and 2002 and at June 30, 2002

ITEM 1

[GRAPHIC OMITTED] Banco Santander Chile

### CONTACTS:

Raimundo Monge	Robert Moreno	Desiree Soulodre
Banco Santander Chile	Banco Santander Chile	Banco Santander Chile
562-320-8505	562-320-8284	562-647-6474

### BANCO SANTANDER CHILE ANNOUNCES RESULTS FOR THE THIRD QUARTER 2002

- o Net income totaled Ch\$157,292 million (Ch\$0.83/share and US\$1.16/ADR) in the nine month period ended September 30, 2002, a 5.5% decrease from pro forma net income for the same period in 2001. This decrease was mainly due to a charge of Ch\$18,557 million stemming from the integration process of Old Santander-Chile and Santiago. Excluding this charges pre-tax net income in the nine-month period ended September 30, 2002 would have totaled Ch\$199,798 million, increasing 11.4% compared to pro forma pre-tax income for the same period in 2001. Pre-tax ROE, excluding the merger integration charge reached 31.8% in this period compared to pro forma pre-tax ROE of 29.8% in the 2001 period. Pro forma 2001 amounts reflect the combination of our two predecessor banks, Old Santander-Chile and Santiago.
- o In the third quarter of 2002, net income reached Ch\$33,375 million (US\$44.6 million, Ch\$0.18/share and US\$0.25/ADR). Merger integration expenses in the quarter totaled Ch\$18,557 million. Adjusting for these expenses pre-tax net income totaled Ch\$57,158 million with no variation compared to the pro forma third quarter of 2001.
- o Net client contribution (net financial income plus fees) remained flat compared to the pro forma third quarter of 2001 despite the lower interest rate environment and weaker than expected economic growth, which impacted spreads. Fee income rose 17.2% compared to the pro forma third quarter of 2001 with strong growth in various products, compensating the lower net financial margin. The net financial margin reached 4.4% in the third quarter compared to pro forma 4.6% in the third quarter of 2001.
- o Operating expenses excluding merger integration charges decreased 7.1% compared to the third quarter of 2001 as the Bank continues to exert a strict control over costs.
- o The Bank's loan and funding mix improved during the quarter. Consumer loans grew at an annualized rate of 15%. Low yielding interbank and

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

contingent loans decreased 71.1% and 14.6%, respectively in the same period.

- o Substantial progress has been made in the integration process, which is on schedule and should be completed in less than 12 months since the merger became legally effective on August 1, 2002.

3

Santiago, Chile, October 28, 2002.(1)- Banco Santander Chile (NYSE: SAN) announced today its unaudited results for the nine month period and third quarter ended September 30, 2002. These results reflect the combined businesses of the merged banks for both periods. For accounting purposes the merger was effective as of January 1, 2002. These results are reported on a consolidated basis in accordance with Chilean GAAP(2). Pro forma amounts at and for the nine month period and the third quarter ended September 30, 2001 reflect the combined financial condition and results of operations of Old Santander-Chile and Santiago at that date and for those periods, without elimination of inter-company balances or transactions. Pro forma amounts are provided to facilitate comparison between the 2001 and 2002 periods.

Net income totaled Ch\$157,292 million (Ch\$0.83/share and US\$1.16/ADR) in the nine month period ended September 30, 2002, a 5.5% decrease from pro forma net income for the same period in 2001. This decrease was mainly due to a charge of Ch\$18,557 million stemming from the merger integration of Old Santander-Chile and Santiago. Net income was also affected by the higher effective tax rate in 2002 compared to 2001, as Santiago did not pay income tax in 2001. Pre-tax net income in the nine-month period ended September 30, 2002 excluding the merger integration charge totaled Ch\$199,798 million, a 11.4% increase compared to pro-forma pre-tax of the same period of 2001. Pre-tax ROE, excluding the merger integration charge reached 31.8% in this period compared to pro-forma 29.8% in 2001. This rise in pre-tax net income was mainly due to higher fee income and a strict control of operating expenses. The Bank's efficiency ratio, excluding the merger integration charge reached 46.1%, the lowest among the Bank's main competitors. These strong results have been achieved despite the lower interest rate environment and the weaker than expected economic growth.

Net income for the third quarter of 2002 totaled Ch\$33,375 million (Ch\$0.18/share and US\$0.25/ADR), decreasing 36.8% compared to the pro forma third quarter of 2001. During the third quarter the Bank recognized Ch\$18,557 million in pre-tax restructuring charges related to the merger integration of Old Santander-Chile and Santiago. At the same time former Santiago did not pay income tax until this year. Pre-tax net income excluding merger integration charges totaled Ch\$57,158 million in the third quarter of 2002 compared to pro-forma Ch\$57,169 million in the same period of 2001. Pre-tax ROE excluding merger integration charges in the quarter reached 28.8%, which was among the highest of the Bank's main competitors. During the quarter the benefits of lower operating expenses and higher fee income were offset by a decrease in the gains from mark-to-market and trading and in net financial revenue. The Bank's fee income rose 17.2% compared to pro-forma fee income in the third quarter of 2001. This rise in fee income mainly reflects the merged Bank's strategy of seeking to become a leader in fee-based businesses by promoting fee-generating products in various business segments and by taking advantage of cross-selling opportunities among our client base, the largest in Chile. At the same time this rise

-----

(1) Safe harbor statement under the Private Securities Litigation Reform Act of 1995: All forward-looking statements made by Banco Santander Chile

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

involve material risks and uncertainties and are subject to change based on various important factors which may be beyond the Bank's control. Accordingly, the Bank's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, those described in the Bank's filings with the Securities and Exchange Commission. The Bank does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized.

- (2) The Peso/US dollar exchange rate as of September 30, 2002 was Ch\$747.62 per dollar. September 30 figures are in constant Chilean pesos as of September 30, 2002. September 2001 figures have been adjusted by the price level restatement factor of 1.0218.

4

in fee income also reflects the efforts to minimize client service problems during the integration process. Operating expenses adjusted for merger related expenses decreased 7.1% compared to the pro-forma operating expenses in the third quarter of 2001, reflecting the continued imposition of tight cost control in the new merged Bank. Both personnel expenses and administrative expenses excluding merger integration charges decreased by 4.3% and 21.6% in the quarter, respectively.

Banco Santander Chile (Ch\$ million September 30, 2002)	Quarter Pro-forma IIIQ 2002	Pro-forma IIIQ 2001	Change IIIQ 2002/2001
Net income	33,375	65,689	(36.8%)
Adjusted pre-tax net income	57,158	76,570	0.0%
Net income/share (Ch\$)	0.18	0.35	(36.8%)
Net income/ADR (US\$) (1)	0.25	0.52	(39.8%)
Total loans	8,353,691	8,708,217	(4.7%)
Customer funds	7,636,521	8,177,626	0.5%
Customer deposits	6,552,149	7,149,297	(2.5%)
Mutual funds (quarterly average)	1,084,372	1,028,239	23.8%
Shareholder's equity	960,169	913,559	(0.2%)
Net financial margin	4.4%	4.7%	4.6%
Efficiency ratio	52.9%	43.8%	50.7%
ROE(2)	16.8%	32.5%	27.3%
Adjusted pre-tax ROE(3)	28.8%	32.4%	29.6%
PDLs / Total loans	1.74%	1.35%	1.33%
Coverage of past due loans	108.6%	129.9%	145.0%
BIS ratio	13.9%		
Branches	349		
ATMs	1,104		
Employees	8,363		

- (1) The change in earnings per ADR may differ than the change in earnings per share due to the exchange rate.

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

(2) Annualized Earnings / Average Capital & Reserves.

(3) Adjusted for merger expenses

### MERGER UPDATE

-----

The Bank has made substantial progress in the integration process and expects to complete it in 12 months or less from the date the merger was legally effective on August 1, 2002. The merger process is progressing as planned and the costs of the merger are within management's estimations. The majority of the different administrative and back office areas of the Bank have been merged as well as the Wholesale banking business unit.

### Credit Risk

The Credit Risk Department is currently leveling the credit risk classifications of the portfolios of Santiago and Old Santander-Chile. In those cases in which a client of both banks has been

5

assigned a dissimilar risk classification, the Bank has adopted the policy of classifying the client in the lower classification level. In the third quarter this process signified additional provisions and charge-offs of Ch\$8,100 million. The cost of this process is included in the total merger cost calculation.

### Personnel

In August 2002 the Bank offered a voluntary retirement program to all employees in non-commercial areas. The retirement offer was accepted by 500 people, or 6.4% of the combined workforce. Headcount should be further reduced by 800 people between 2003-2004 due to normal attrition and the conclusion of merger related activities.

### Systems Integration

The systems integration is still in process. The former Santiago platform will be the standard system. Management has adopted a cautious approach to the merger of systems so as to minimize client-service disruptions. The process of defining the compatibility of both systems and the master plan for integrating them has been concluded. The integration itself should be completed by the middle of 2003.

### Distribution Network

The integration of the Santiago and Old Santander-Chile branch networks will be completed once the operating systems of both banks are integrated. This will enable the branch offices to minimize client-service difficulties. As of the date of this release, each of the Santiago and Old Santander-Chile branch networks continued to operate independently under its former brand name. The ATM networks remain separate, but both are connected to the Redbanc network, the largest ATM network in Chile. Clients of both banks can utilize each other's ATMs, as well as all ATMs connected to the Redbanc network.

### Merger Expenses

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

During the third quarter the Bank recognized Ch\$18,557 million in merger integration charges. Of the total merger integration charges, Ch\$6,457 million have been recognized in a special merger charges account in the income statement included in non-operating income, net. These charges consist of Ch\$3,846 million in severance payments related to the voluntary retirement program, and Ch\$2,611 million correspond to administrative expenses. Additionally, personnel expenses includes approximately Ch\$4,000 million in merger integration charges in connection with the integration of staff. Finally, provision expense include Ch\$8,100 million in the leveling of credit risk classification and other charge-offs.

6

### NET FINANCIAL INCOME

Improvement in asset mix offset by lower interest rate environment

Net Financial Income  (Ch\$ million September 30, 2002)	Quarter		
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001
Net interest income	158,007	148,086	146,896
Net results of hedging positions(3)	(37,581)	(16,663)	(22,168)
Net financial income	120,426	131,423	124,728
Net financial margin*	4.4%	4.7%	4.6%
<b>Interest Earning Assets</b>			
Commercial loans	3,045,831	3,228,708	3,374,900
Consumer loans	694,576	669,932	647,718
Residential mortgage loans**	1,350,327	1,355,637	1,365,110
Foreign trade loans	845,739	835,856	826,492
Contingent loans	625,905	732,553	733,997
Leasing	420,409	424,807	383,759
Other outstanding loans***	1,329,822	1,318,677	1,327,779
Interbank loans	41,082	142,047	110,458
Total loan	8,353,691	8,708,217	8,770,213
Financial investments	2,379,547	2,339,829	2,257,888
Total interest-earning assets	10,733,238	11,048,046	11,028,101

\* Annualized. The average balance of the third quarter 2002 was calculated by taking the simple average of the balance of the combined interest earning assets as of September 2002 and June 2002. The average balance of the second quarter 2002 was calculated by taking the simple average of the balance of the combined interest earning assets as of June 2002 and March 2002. The average balance for the third quarter of 2001 was calculated by taking the simple average of the balance of the combined interest earning assets as of September

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

2001.

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

\*\*\* Includes non-residential mortgage loans backed by a mortgage bond (letras hipotecarias para fines generales), past due loans and other loans.

Net financial income decreased 3.4% compared to pro-forma net financial income for the third quarter of 2001. Despite a 0.9% increase in average earning assets, the Bank's net interest margin decreased 20 basis points to 4.4% in the same period. The lower interest rate environment has negatively impacted the net financial margin. Although there is some initial benefit to margins when interest rates fall because liabilities re-price faster than our interest earning assets, over time interest earning assets also reprice at a lower rate. This effect is further amplified by contraction of the spread earned over the Bank's non-interest bearing liabilities and capital and inflation adjusted earning assets, and by the inherent difficulty of maintaining spreads in absolute terms as interest rates decline.

-----

- (3) For analysis purposes results from foreign exchange transactions, which consist mainly of the results of forward contracts which hedge foreign currency positions, has been included in the calculation of the net financial income and net financial margin. Under SBIF guidelines these gains/losses cannot be considered interest revenue, but must be considered as gains/losses from foreign exchange transactions and, accordingly, registered in a different line of the income statement. This accounting asymmetry distorts net interest income and foreign exchange transaction gains especially in periods of high volatility of the exchange rate. The results of these hedging positions have been added to net financial income to indicate the Bank's actual net interest margin as they are linked to normal credit operations.

7

Despite these negative effects, the net interest margin contracted only 20 basis points as the Bank has continued its strategy of focusing on improving asset mix rather than asset growth in order to sustain a high level of profitability. The evolution of loan volumes in the quarter reflected the Bank's focus on optimizing its asset mix by focusing loan growth in retail segments. Compared to pro-forma September 30, 2001 and June 30, 2002, total loans decreased 4.7% and 4.1% respectively, but consumer loans in these same periods increased 7.2% and 3.7%, respectively. This growth was mainly concentrated in the middle to upper income retail segments, which offer a high spread relative to wholesale lending and have been less affected by the high unemployment levels. The lower interest rate environment has also led to an increase in demand for consumer financing. On the other hand commercial loans decreased 5.7% as the Bank has been reducing its activity in the low yielding large corporate short term lending market as well as reducing its exposure to the commercial real estate sector for credit risk reasons. In addition, low-yielding Interbank and contingent loans decreased 71.1% and 14.6%, respectively in the same period.

CUSTOMER FUNDS

-----

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Funding  (Ch\$ million September 30, 2002)	Quarter ended,			Cha
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001	IIIQ 2002/2001
Non-interest bearing liabilities	1,993,514	1,977,984	1,843,621	8.1%
Savings and time deposits	4,558,635	5,171,313	4,876,724	(6.5%)
Total customer deposits	6,552,149	7,149,297	6,720,345	(2.5%)
Mutual funds (quarterly average)	1,084,372	1,028,329	875,852	23.8%
Total customer funds	7,636,521	8,177,626	7,596,197	0.5%

Total customer funds decreased 6.6% between the second and third quarters of 2002. The 0.8% increase of non-interest bearing liabilities in twelve months was mainly due to the low monthly inflation rates in this period and also reflects in part the Bank's efforts to minimize client service difficulties throughout the integration process. The 11.8% reduction in time deposits between the end of the second quarter and the third quarter of 2002 was mainly due to:

- o The Bank has been following a strategy of reducing low yielding assets from its balance sheet which are mainly funded through the Bank's deposit base.
- o The fall in deposits was also due to a decrease in pension fund deposits. Currently, each Chilean pension fund can invest up to 7% of its assets under management in securities of a single issuer. As a result of the merger the amount of the AFPs' aggregate exposure to the new Santander Chile was approximately 11% or an excess exposure of Ch\$973,909 million (U.S.\$1.3 billion) or 8.0% of the Bank's liabilities at September 30, 2002. The AFPs have until August 1, 2005, to reduce their investments to within the limit. It is important to point out that approximately 85% of the short-term deposits with AFPs that expired before year-end 2002 were renewed for a period greater than 1 year, in line with the Bank's strategy of increasing the maturity of its deposit base. The Bank does not believe this will impact its cost of funds as the spread earned over deposits from AFPs is similar to other interbank deposits, although more expensive than retail deposits. In addition, we expect to be able to replace much of the excess AFP liabilities with customer deposits through the branch network, interbank funding and bond offerings during the next three years.

8

- o The low inflation rates and the lower interest rates have made other investment alternatives more attractive for clients. The Bank has also been proactively encouraging clients to invest in mutual funds instead of short-term deposits as the Bank has excess liquidity given the constrained outlook for loan growth. Moreover, mutual funds offer a better yield for the client and the Bank generates fee income. In the quarter average mutual funds under management increased 5.5% compared to the end of the second quarter of 2002 and 23.8% in twelve months.

PROVISION FOR LOAN LOSSES



## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

-----  
 The Bank recognized Ch\$8,100 million in extraordinary charge-offs and provisions

Provision for loan losses (Ch\$ million September 30, 2002)	IIIQ 2002	Quarter Pro-forma IIQ 2002	Pro-forma IIIQ 2001
Total provisions and charge-offs	30,961	9,393	24,101
Merger related provisions and charge-offs	8,100	--	--
Reclassified provisions*	--	6,968	--
Total adjusted provisions and charge-offs	22,861	16,361	24,101
Loan loss recoveries	6,641	6,547	5,378
Total loans	8,353,691	8,708,217	8,770,213
Total reserves for loan losses (RLL)	(157,351)	(152,647)	(169,741)
Past due loans (PDL)	144,941	117,540	117,081
PDL/Total loans	1.74%	1.35%	1.33%
RLL/Past due loans	108.6%	129.9%	145.0%
Risk index(4)	1.56%	1.50%**	

\* Reclassified to Other Income, net following new guidelines set by the SBIF.

\*\* As of July 2002

In the third quarter of the present year total provision expense increased 28.5% compared to the third quarter of 2001. Provision expense in the quarter included Ch\$8,100 million in the leveling of credit risk classifications and other merger related charge-offs. The Bank is in the process of reviewing the loan portfolios of both banks in order to level the credit risk classifications of the client base in those cases in which clients overlapped. In this process the Bank adopted the conservative policy of rating a client in the lower risk category of either Bank. As a result, the Bank's risk index in the quarter increased to 1.56% which was higher than the risk index of both former Santander and Santiago previous to the merger, but still below the average for the Chilean financial system which as of June 30, 2002, the latest figure available, was 2.00%

Past due loans increased 23.8% in the third quarter of 2002 and the coverage ratio was 108.6%. This is mainly related to the merger process as the combined loan portfolio has to be re-

-----  
 (4) Chilean banks are required to classify their outstanding loans on an ongoing basis for the purpose of determining the amount of loan loss reserves. Banks must evaluate the expected losses of their loan portfolio and set aside specific provisions against these losses. For example, a risk index of 1% implies that a bank is expecting to lose 1% of its loan portfolio. The risk index is the key measure used to monitor asset quality and is periodically reviewed by the Superintendence of Banks and Financial Institutions (SBIF), the industry's main regulator.

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

evaluated. The Credit Risk Department of the new Bank is independent of the commercial areas and is currently implementing the credit risk standards of our parent company Santander Central Hispano. This process in the short-term results in a rise in past due loans as Credit Risk Department becomes more familiarized with client's business patterns and cycles, especially those coming from Santiago.

To a lesser extent, both the rise in the risk index and in past due loans were also due to the weaker economic environment which has impacted asset quality throughout the financial system.

### FEE INCOME

-----

Strong fee income growth reflects commercial strength of the new Bank

Net Fee Income by Subsidiary	Quarter			
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001	II 2002
(Ch\$ million September 30, 2002)				
Total net fee income	28,098	24,023	23,968	17

The Bank's fee income rose 17.2% compared to the third quarter of 2002. This rise in fee income reflects the merged Bank's strategy of seeking to become a leader in fee-based businesses by promoting fee-generating products in various business segments and by taking advantage of cross-selling opportunities among our client base, the largest in Chile. At the same time this rise in fee income also reflects the efforts to minimize client service problems during the integration process. In the quarter checking account fees rose 13.9%, ATM related fees were up 10.5%. This is also in line with the Bank's policy of incrementing fees in the corporate business area to counteract falling spreads. Financial advisory fees rose 305.6% in the third quarter of 2002 as compared to the same period in 2001. It is important to point out that this large increase in financial advisory fees may not always be recognized in every quarter despite the fact that the Bank has been very active in this type of business. At the same time, the fees recognized by the Bank's subsidiaries also showed important growth. Fees from asset management increased 11.7% compared to the third quarter of 2001, while insurance brokerage fees increased 12.2% in the same period.

### OTHER OPERATING INCOME

-----

Other operating income	Quarter			
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001	II 2002
(Ch\$ million September 30, 2002)				
Net gain from trading and mark-to-market of securities	4,826	8,651	5,059	(4

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Other	(5,300)	(3,879)	4,249	(224)
Total	(474)	4,772	9,308	(105)

The net gain from trading and mark-to-market of securities totaled Ch\$4,826 million in the third quarter of 2002. The decrease in the net gain from trading and mark-to-market compared to the

10

third quarter of 2001 and the second quarter of 2002 was mainly due to higher gains in those periods from the sale of bonds in the investment portfolio.

The increase in the loss in other operating income compared to the third quarter of 2001 was mainly due to the reclassification of the variable portion of sales force expenses from administrative expenses to other operating income, net as of the fourth quarter of 2001 in former Santander-Chile.

OPERATING EXPENSES AND EFFICIENCY

Operating expenses impacted by merger related charges

Operating Expenses (Ch\$ million September 30, 2002)	Quarter			
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001	II 2002
Personnel expenses	41,349	36,798	39,015	6
Administrative expenses	25,844	24,175	32,977	(21)
Depreciation and amortization	11,146	9,218	8,058	38
Operating expenses	78,339	70,191	80,050	(2)
Operating expenses adjusted for merger	74,339	70,191	80,050	(7)
Efficiency ratio*	52.9%	43.8%	50.7%	

\* Operating expenses/Operating income

Operating expense adjusted for merger related expenses decreased 7.1% compared to the third quarter of 2002 reflecting the tight cost control continued to be imposed in the new merged Bank. Operating expenses includes Ch\$4,000 million in merger related expenses. Adjusted personnel expense decreased 4.3% in the same period despite the fact that salaries are adjusted for inflation on a quarterly base. Administrative expenses decreased 21.6% in the quarter, reflecting various actions undertaken in order to improve efficiency, such as modifying the branch format, centralizing back office functions and increasing the space dedicated to complementary channels such as ATMs, Internet and other automated terminals. These reductions in costs were offset by the 38.3% rise in amortization and depreciations, which reflects the high level of recent investments in technology in both Old Santander-Chile and Santiago.

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

11

OTHER INCOME/EXPENSES, PRICE LEVEL RESTATEMENT AND INCOME TAX

Other income, net includes Ch\$6,457 million of merger related costs. The effective tax rate increased from 7.7% to 13.5%.

Other Income and Expenses (Ch\$ million September 30, 2002)	Quarter			
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001	II 2002
Recovery of loans	6,641	6,547	5,378	2
Non-operating income, net	(4,268)	(5,717)*	1,007	(52)
Income attributable to investments in other companies	544	136	95	47
Losses attributable to minority interest	(77)	(36)	(24)	22
Total other income, net	2,840	930	6,456	(5)
Price level restatement	(2,989)	(4,993)	(3,140)	(
Income tax	(5,226)	(10,882)	(4,392)	1
Income tax rate	13.5%	14.2%	7.7%	

\* In the second quarter of 2002 in Old Santander Chile As mentioned before, the Bank following new SBIF guidelines reclassified in the balance sheet Ch\$6,968 million from voluntary loan loss reserves to other liabilities and in the income statement from voluntary provisions to other income, net. These voluntary loan provisions were recognized by the Bank in order to improve coverage ratios in periods of high economic instability. These had to be reclassified since they were not specified as credit risk related.

Other income, net totaled Ch\$2,840 million in the quarter. Of the total merger charges recognized in the quarter, Ch\$6,457 million have been recognized in a special merger expenses account in the income statement included in non-operating income, net. These charges consist of Ch\$3,846 million in severance payments related to the voluntary retirement program and Ch\$2,611 million correspond to administrative expenses. In August 2002 we offered a voluntary retirement program to all employees in non-commercial areas, up to a maximum of 700 employees. The retirement offer was accepted by 500 persons, or 6.4% of the combined workforce.

The lower loss from price level restatement reflects the lower UF inflation in the third quarter of 2002 compared to the second quarter of 2002. The Bank has to adjust its capital, fixed assets and other assets for the variations in price levels. Since the Bank's capital is larger than the sum of fixed and other assets, price level restatement fluctuates with the variation of inflation. The lower price level restatement loss in the quarter partially offsets the negative impact of lower inflation on net financial income in the quarter.

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

In the third quarter of 2001 former Santiago did not pay income tax as it still was benefiting from tax loss carryforwards related to the subordinated debt issue with the Central Bank of Chile. These tax loss carryforwards expired in 2002 and the new combined Bank will be paying an effective tax rate similar to the corporate tax rate in Chile, which this year is 16%.

12

### SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

As of September 30, 2002, the Bank's shareholders' equity totaled Ch\$960,169 million (US\$1,284 million). The Bank's ROE in the third quarter reached 16.8% and 24.7% on an adjusted basis.

Shareholders' equity  (Ch\$ million September 30, 2002)	Quarter ended		
	IIIQ 2002	Pro-forma IIQ 2002	Pro-forma IIIQ 2001
Capital and Reserves	802,877	789,135	795,619
Net Income	157,292	124,425	166,424
<b>Total shareholders' equity</b>	<b>960,169</b>	<b>913,560</b>	<b>962,042</b>

The Bank's BIS ratio as of September 30, 2002 was 13.9% and the Bank's Tier I ratio reached a solid level of 9.5%. The Bank's capitalization ratios as of September 30, 2002 were the following.

Capital Adequacy (Ch\$ million September 30, 2002)	June 30, 2002	% risk weighted assets
Capital and reserves	802,877	9.5%
Tier II capital	376,672	4.4%
<b>Regulatory capital</b>	<b>1,179,549</b>	<b>13.9%</b>
<b>Risk weighted assets</b>	<b>8,475,577</b>	--

It is important to point out that as a result of the merger between Banco Santander and Banco Santiago the SBIF has requested that the combined entity to maintain a BIS ratio of no less than 12% compared to the minimum legal ratio of 8%. The BIS ratio as of September 30, 2002 was 13.9%.

13

### INSTITUTIONAL BACKGROUND

## Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

According to the latest figures published by the SBIF, the Bank was the largest bank in Chile in terms of loans, had the largest customer base with over 1.4 million customers and the largest distribution network with 349 branches and 1,104 ATMs. The Bank has the highest credit ratings among all Latin American banks with a Baal rating from Moody's and A- ratings from Standard and Poor's and Fitch, 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 Central Hispano, which directly and indirectly owns 84.14% of Banco Santander Chile.

Banco Santander Central Hispano - Leading Financial Group in Europe  
-----

Santander Central Hispano's Group is the leading financial group in Spain and Latin America, the third larger by market capitalization in the Euro Zone and among the fifteenth largest in the world by market value. Santander's Group provides services to 39 million customers through out 118,000 employees and 10,200 offices. As of March 31, 2002, the Group had more than \$300 billion in customer funds and \$160 billion loan portfolio, spread by countries and sector respectively.

14

ITEM 2

### BANCO SANTANDER CHILE UNAUDITED QUARTERLY INCOME STATEMENTS -----

	----- IIIQ 2002 ----- Ch\$ millions	IIQ 2002 ----- Ch\$ millions	IIIQ 2001 ----- Ch\$ millions
Interest income and expense			
Interest income .....	285,447	301,146	298,175
Interest expense .....	(127,440)	(153,060)	(151,279)
Net interest income .....	158,007	148,086	146,896
Provision for loan losses .....	(30,961)	(9,393)	(24,101)
Fees and income from services			
Fees and other services income .....	32,340	29,533	29,113
Other services expense .....	(4,242)	(5,510)	(5,145)
Total fees and income from services, net	28,098	24,023	23,968
Other operating income, net			
Net gain (loss) from trading and brokerage	4,826	8,651	5,059
Foreign exchange transactions, net .....	(37,581)	(16,663)	(22,168)
Other, net .....	(5,300)	(3,879)	4,249
Total other operating income, net .....	(38,055)	(11,891)	(12,860)
Other income and expenses			

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Recovery of loans previously written off .	6,641	6,547	5,378
Nonoperating income, net .....	(4,268)	(5,717)	1,007
Income attributable to investments in other companies .....	544	136	95
Losses attributable to minority interest .	(77)	(36)	(24)
	-----	-----	-----
Total other income and expenses .....	2,840	930	6,456
	-----	-----	-----
Operating expenses			
Personnel salaries and expenses .....	(41,349)	(36,798)	(39,015)
Administrative and other expenses .....	(25,844)	(24,175)	(32,977)
Depreciation and amortization .....	(11,146)	(9,218)	(8,058)
	-----	-----	-----
Total operating expenses .....	(78,339)	(70,191)	(80,050)
	-----	-----	-----
Gain (loss) from price-level restatement ..	(2,989)	(4,993)	(3,140)
	-----	-----	-----
Income before income taxes .....	38,601	76,570	57,169
Income taxes .....	(5,226)	(10,882)	(4,392)
	-----	-----	-----
Net income .....	33,375	65,689	52,777
	-----	-----	-----

ITEM 3

BANCO SANTANDER CHILE  
UNAUDITED NINE-MONTH INCOME STATEMENTS

-----  
Constant Chilean pesos of September 30, 2002

	30-Sep-02	30-Sep-01	% CHAN
	Ch\$ millions	Ch\$ millions	
	-----	-----	-----
Interest income and expense			
Interest income .....	794,780	861,447	-7
Interest expense .....	(370,321)	(467,000)	-20
	-----	-----	-----
Net interest income .....	424,459	394,446	7
	-----	-----	-----
Provision for loan losses .....	(66,521)	(73,086)	-9
	-----	-----	-----
Fees and income from services			
Fees and other services income .....	91,214	85,539	6
Other services expense .....	(14,502)	(13,357)	8
	-----	-----	-----
Total fees and income from services, net .....	76,712	72,182	6
	-----	-----	-----
Other operating income, net			
Net gain (loss) from trading and brokerage .....	32,031	24,601	30
Foreign exchange transactions, net .....	(58,260)	(23,141)	151
Others, net .....	(13,118)	(3,784)	246
	-----	-----	-----
Total other operating income, net .....	(39,347)	(2,324)	1593
	-----	-----	-----
Other income and expenses			
Recovery of loans previously written off .....	19,714	16,881	16

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Nonoperating income, net .....	(11,980)	(4,904)	144
Income attributable to investments in other companies ...	721	444	62
Losses attributable to minority interest .....	(157)	(85)	84
	-----	-----	-----
Total other income and expenses .....	8,298	12,336	-32
	-----	-----	-----
Operating expenses			
Personnel salaries and expenses .....	(114,125)	(110,330)	3
Administrative and other expenses .....	(74,818)	(81,502)	-8
Depreciation and amortization .....	(28,142)	(22,152)	27
	-----	-----	-----
Total operating expenses .....	(217,085)	(213,984)	1
	-----	-----	-----
Gain (loss) from price-level restatement .....	(5,275)	(10,202)	-48
	-----	-----	-----
Income before income taxes .....	181,241	179,368	1
Income taxes .....	(23,949)	(12,945)	85
	-----	-----	-----
Net income .....	157,292	166,423	-5
	-----	-----	-----

ITEM 4

BANCO SANTANDER CHILE, AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED BALANCE SHEETS  
 (Adjusted for general price level changes and expressed in millions of constant  
 Ch\$ of September 30, 2002)

	30-Sep	30-Jun	30-
	-----	-----	-----
	2002	2002	20
	-----	-----	-----
	Ch\$ millions	Ch\$ millions	Ch\$ mil
<b>ASSETS</b>			
Cash and due from banks .....	1,081,419	1,268,492	1,098
Financial investments .....	2,379,547	2,339,829	2,257
Loans, net			
Commercial loans .....	3,045,831	3,228,708	3,374
Consumer loans .....	694,576	669,932	647
Mortgage loans (Residential and general purpose) .....	1,583,293	1,599,409	1,596
Foreign trade loans .....	845,739	835,856	826
Interbank loans .....	41,082	142,047	110
Leasing .....	420,409	424,807	383
Other outstanding loans .....	951,916	957,366	979
Past due loans .....	144,941	117,540	117
Contingent loans .....	625,905	732,553	733
Reserve for loan losses .....	(157,351)	(152,647)	(169)
	-----	-----	-----
Total loans, net .....	8,196,340	8,555,570	8,600
	-----	-----	-----
Other assets			
Bank premises and equipment .....	226,024	226,396	230



Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Other .....	457,594	613,446	543
Total other assets .....	683,618	839,842	774
TOTAL ASSETS .....	12,340,923	13,003,733	12,731

BANCO SANTANDER CHILE, AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED BALANCE SHEETS  
 (Adjusted for general price level changes and expressed in millions of constant  
 Ch\$ of September 30, 2002)

	30-Sep	30-Jun	30-Sep
	2002	2002	2001
	Ch\$ millions	Ch\$ millions	Ch\$ millio
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Deposits</b>			
Current accounts .....	1,068,976	953,948	870,08
Bankers drafts and other deposits .....	924,538	1,024,035	973,53
	1,993,514	1,977,983	1,843,62
Savings accounts and time deposits .....	4,558,635	5,146,166	4,876,72
Total deposits .....	6,552,149	7,124,149	6,720,34
<b>Other interest bearing liabilities</b>			
Total Banco Central borrowings .....	30,920	87,090	49,86
Investments sold under agreements to repurchase .....	591,369	491,607	557,67
Mortgage finance bonds .....	1,686,385	1,649,863	1,674,11
<b>Other borrowings</b>			
Total other borrowings .....	1,610,257	1,608,959	1,594,32
Total other interest bearing liabilities .....	3,918,931	3,793,499	3,875,97
Other liabilities .....	909,674	1,171,851	1,173,53
<b>Shareholders' equity</b>			
Capital and reserves .....	802,877	789,135	795,61

Edgar Filing: BANCO SANTANDER CHILE - Form 6-K

Income for the year .....	157,292	124,425	166,42
Total shareholders' equity .....	960,169	913,560	962,04
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY .....	12,340,923	13,003,733	12,731,90

SIGNATURE

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

Banco Santander Chile

Date: October 29, 2002

By: /s/ Gonzalo Romero

-----  
Name: Gonzalo Romero  
Title: General Counsel