Santander Santiago Announces Fourth Quarter and Year-end 2004 Earnings

- **In 4Q 2004 net income totaled Ch$53,935 million (Ch$0.29 per share and US$0.53/ADR). ROE reached 26.0% in the quarter.**

- **Core revenues experienced healthy growth in the quarter. Fee income grew 36.0% compared to 4Q 2003. Net financial income increased 12.3% and the net interest margin reached 4.7%.**

- **Strong loan growth in the quarter, especially in retail banking. Consumer loans increased 8.1% compared to the end of 3Q 2004. Mortgage lending expanded 4.1%. The Bank's market share in both products increased 160 bp. during 2004.**

- **Asset quality improved in the quarter. Past due loans at December 31, 2004 decreased 4.5% compared to September 30, 2004 and 24.6% YoY.**

- **Core deposits also expanded at a rapid pace in the quarter. Total customer deposits increased 5.1% between 3Q and 4Q 2004 and the Bank's customer funds market share increased 80 bp.**

- **Moody's changed the outlook of the Bank's foreign currency deposit ratings (Baa1) to Positive following a similar change for the Republic of Chile.**

- **The Bank successfully issued US$700 million of senior and subordinated bonds in 4Q 2004. These bonds were issued at very attractive rates and obtained the best credit rating for any firm in Latin America.**

- **The Bank finished the year with a BIS ratio of 14.9% and Tier I of 10.1%. The Superintendency of Banks lowered the Bank's minimum capital requirement to 11% from 12%.**

- **In 2004 the Bank's net income totaled Ch$198,794 million (Ch$1.05 per share and US$1.96/ADR). The Bank's ROE was 22.8% and its efficiency ratio reached 44.0%.**

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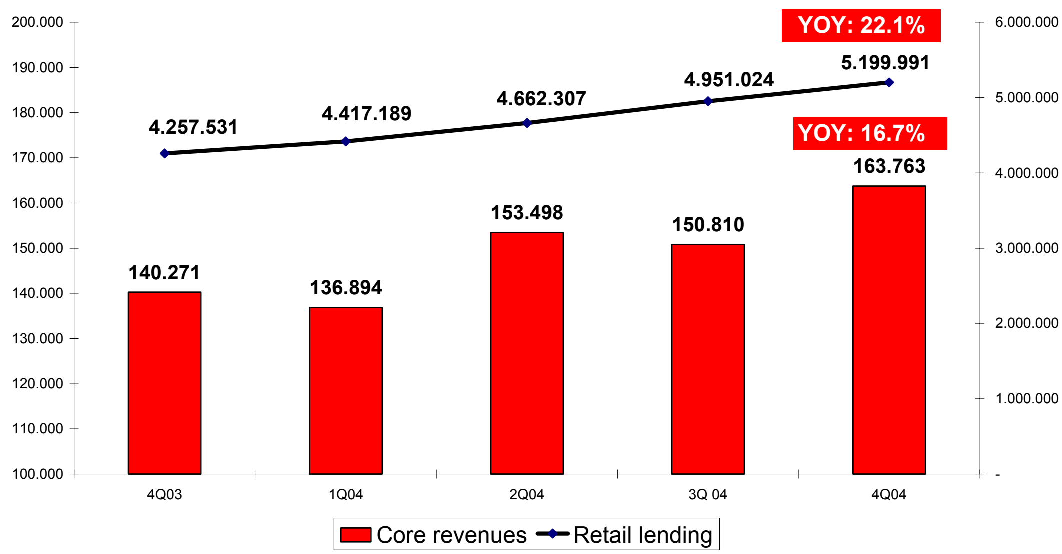
Santiago, Chile, February 25, 2005-. Banco Santander Santiago (NYSE: SAN) announced today its unaudited results for the fourth quarter 2004. These results are reported on a consolidated basis in accordance with Chilean GAAP[1,2]

In 4Q 2004 net income totaled Ch$53,935 million (Ch$0.29 per share and US$0.53/ADR). Core revenues, that is, net financial income plus fees, increased 16.7% in 4Q 2004 compared to 4Q 2003 (from now on, YoY) and 8.6% compared to 3Q 2004 (from now on, QoQ). The Bank's net fee income increased 36.0% YoY and 16.6% QoQ. Throughout 2004 the Bank adopted a strategy of increasing fee income in retail banking by incrementing the client base, product usage and cross-selling ratios, which has begun to bear fruit. Net financial income increased 12.3% YoY and 6.6% QoQ, while the net interest margin reached 4.7%. This increase in net financial income in was mainly due to strong loan growth in retail banking in the period.

Strong growth of retail lending and core revenues*

(Ch$ million December 31, 2004)



* Core revenues: Net financial income + fees. Retail lending excludes sale of Santiago Express

Loan growth remained strong in the quarter, especially in retail banking. Consumer loans (adjusted for the sale of Santiago Express[3]) increased 8.1% QoQ and 28.2% YoY. In these same periods, residential mortgage lending was up 4.1% and 27.0%, respectively, while commercial loans rose 4.3% and 16.8% driven mainly by loans granted to high yielding small and mid-sized companies.

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

2 The Peso/US dollar exchange rate as of December 31, 2004 was Ch$559.83 per dollar. December 2003 figures are in constant Chilean pesos as of December 31, 2004 and have been adjusted by the price level restatement factor of 1.0248. September 2004 figures are in constant Chilean pesos of December 31, 2004 and have been adjusted by the price level restatement factor of 1.006.

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

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This rise in loans was partially offset by a translation loss produced by the appreciation of the Chilean peso against the US dollar. This is reflected in the decrease of foreign trade, contingent and other loans seen during 4Q 2004.

Asset quality improved in the quarter. Past due loans at December 31, 2004 decreased 4.5% QoQ and 24.6% YoY. As a result of this decrease in past due loans, the coverage ratio (reserves for loan losses / past due loans) improved to 128.5%.

Core deposits also expanded at a rapid pace in the quarter. Total customer deposits increased 5.1% QoQ and 19.1% YoY. In 4Q 2004 short-term interest rates continued to rise as economic growth gained momentum. As a result, the demand for time deposits rose, especially among corporate clients. Time deposits increased 9.8% QoQ and 23.8% YoY.

This positive evolution of core revenues and both lending and funding activities was offset by (i) lower gains from the mark-to-market of the investment portfolio mainly due to the rise in market interest rates which limited fixed income trading and mark-to-market gains and, (ii) the 182.0% rise in provision expenses, net of recoveries. This rise was due to the reversal of loan loss provisions recorded in 4Q 2003 as a result of the implementation of the new provisioning guidelines established by the Bank and the Superintendency of Banks (SBIF). One of the most important changes was the elimination of voluntary loan loss reserves which were reversed in 4Q 2003 and resulted in an unusually low level of loan loss provision expense figure in that quarter.

In the quarter the Bank also recognized a one-time pre-tax gain of Ch$21,473 million from the sale of the Santiago Express division to Empresas París, owner of Almacenes París, Chile's third largest retailer. This transaction was part of a broader alliance which also provides for certain coordination of our retail activities with the commercial activities of Almacenes París, including the distribution of certain products through their stores, the granting of discounts at Almacenes Paris to clients of the Bank and the option to acquire certain loans from this retailer.

These positive results were partially offset by Ch$13,172 million in extraordinary charges in the quarter. As a result of the sale of Santiago Express, the Bank had to recognize Ch$3,944 million in deferred sales force expenses that had already been incurred on a cash basis. Operating expenses also included Ch$5,728 million in administrative expenses related to the investments being carried out to expand the Bank's retail banking business. Finally, 4Q 2004 results include Ch$3,500 million in extraordinary provisions for other contingencies.

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Banco Santander Santiago	Quarter			Change %	
(Ch$ million December 31, 2004)	4Q 2004	3Q 2004	4Q 2003	4Q 2004/2003	4Q / 3Q 2004
Net financial income	128,116	120,239	114,062	12.3%	6.6%
Total provisions, net of recoveries	(27,876)	(17,929)	(9,886)	182.0%	55.5%
Fees and income from services	35,646	30,571	26,209	36.0%	16.6%
Operating expenses	(70,018)	(69,404)	(61,890)	13.1%	0.9%
Income before income taxes	66,157	68,428	81,698	(19.0%)	(3.3%)
Net income	53,935	53,836	67,485	(20.1%)	0.2%
Net income/share (Ch$)	0.29	0.29	0.36	(20,1%)	0.2%
Net income/ADR (US$)[1]	0.53	0.49	0.61	(12.9%)	8.4%
Total loans	8,619,639	8,699,391	7,807,699	10.4%	(0.9%)
Customer funds	8,110,586	7,969,567	6,721,184	20.7%	1.6%
Customer deposits	6,747,266	6,416,822	5,663,841	19.1%	5.1%
Mutual funds	1,363,320	1,552,745	1,057,343	28.9%	(12.2%)
Shareholders' equity	1,031,754	978,741	1,042,623	(1.0%)	5.4%
Net financial margin	4.7%	4.5%	4.7%		
Efficiency ratio	46.0%	40.4%	42.1%		
ROE [2]	26.0%	26.0%	32.2%		
PDLs / Total loans	1.52%	1.58%	2.23%		
Coverage ratio of PDLs	128.5%	120.3%	96.9%		
BIS ratio	14.9%	13.1%	14.6%		
Branches	321	351	345		
ATMs	1,190	1,050	1,081		
Employees	7,380	7,675	7,535		

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

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INTEREST EARNING ASSETS

Strong growth in higher yielding segments and products. The loan book of Santiago Express was sold in the quarter.

Interest Earning Assets	Quarter ended,			% Change	
(Ch$ million December 31, 2004)	**Dec. 31, 2004**	**Sept. 30, 2004**	**Dec. 31, 2003**	**Dec. 2004/2003**	**Dec. /Sept. 2004**
Commercial loans	3,151,927	3,022,205	2,574,707	22.4%***	4.3%
Consumer loans	1,079,913	1,093,112	796,478	35.6%***	(1.2%)
Residential mortgage loans*	1,781,681	1,711,213	1,403,166	27.0%	4.1%
Foreign trade loans	494,527	585,094	443,335	11.5%	(15.5%)
Leasing	502,221	502,432	442,661	13.5%	0.0%
Other outstanding loans **	476,525	538,560	977,263	(51.2%)	(11.5%)
Contingent loans	870,794	1,020,937	849,594	2.5%	(14.7%)
Total loans excl. interbank and PDL	**8,357,588**	**8,473,553**	**7,487,204**	**11.6%**	**(1.4%)**
Past due loans	131,068	137,305	173,920	(24.6%)	(4.5%)
Interbank loans	130,983	88,533	146,575	(10.6%)	47.9%
Total loans	**8,619,639**	**8,699,391**	**7,807,699**	**10.4%**	**(0.9%)**
Total financial investments	1,989,486	1,695,442	1,961,106	1.4%	17.3%
Total interest-earning assets	**10,609,125**	**10,394,833**	**9,768,805**	**8.6%**	**2.1%**

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

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

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

Commercial loans: adjusted growth rates (Ch$ million December 31, 2004)	**Loans excluding lines of credit as of Dec. 2004**	**% Change December 2004/2003**
Commercial loans	3,007,740	16.8%

Consumer loans: adjusted growth rates	**Quarter ended,**			**% Change**	
(Ch$ million December 31, 2004)	**Dec. 31, 2004**	**Sept. 30, 2004**	**Dec. 31, 2003**	**Dec. 2004/2003**	**Dec. /Sept. 2004**
Consumer loans	1,079,913	1,093,112	796,478	35.6%***	(1.2%)
Lines of credit	(177,760)	(165,806)	--		
sale of Stgo Express	--	(93,000)	(93,000)		
Comparable consumer loan figure	**902,153**	**834,306**	**703,478**	**28.2%**	**8.1%**

As of December 31, 2004 total loans decreased 0.9% compared to the balance as of September 30, 2004. In December of 2004 the Bank sold its Santiago Express division. This signified a reduction of Ch$93,000 million of consumer loans. At the same time, the appreciation of the peso in the quarter signified a translation loss of Ch$103,000 million in the quarter. This is reflected in the decrease of foreign trade, contingent and other loans, which include the bulk of the Bank's foreign currency operations. Excluding these two factors, loans grew 1.3% QoQ. For the entire year total loans increased 12.0%, adjusting for the sale of Santiago Express.

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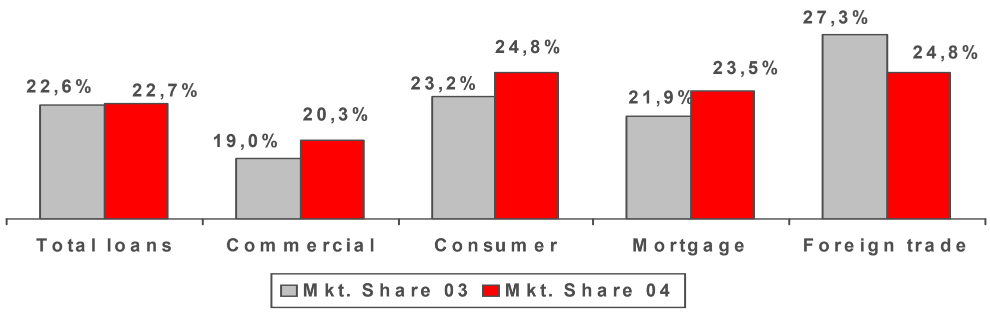
Santander Santiago: gaining market share in key products



Consumer loan market share excludes Santiago Express in 2003 and 2004.
Source: SBIF

In 4Q 2004 the Bank continued to show strong loan growth in high yielding products with a positive effect on net interest income and margins. Loan growth was focused in retail banking, with consumer loans (adjusted for the sale of Santiago Express) growing 8.1% compared to the end of 3Q 2004 and 28.2% YoY. Credit card loans grew 8.1% QoQ and 18.2% YoY. In these same periods, residential mortgage lending was up 4.1% and 27.0%, respectively. Market share in both consumer and mortgage lending increased 160 basis points (bp.) in 2004 to 24.8% and 23.5%, respectively.

Commercial loans rose 4.3% QoQ and 16.8% YoY driven mainly by loans granted to high yielding small and mid-sized companies. Market share in commercial loans went up 130 bp. in 2004 to 20.3%.

Lending to individuals continues to expand at a rapid pace

Loans by business segment	**Quarter ended,**			**% Change**	
(Ch$ million December 31, 2004)	**Dec. 31, 2004**	**Sept. 30, 2004**	**Dec. 31, 2003**	**Dec. 2004/2003**	**Dec. /Sept. 2004**
Middle/upper income	2,978,762	2,936,163	2,495,806	19.4%	1.5%
Excluding sale of Stgo Express	*2,978,762*	*2,843,163*	*2,402,806*	*24.0%*	*4.8%*
Santander Banefe	396,640	379,336	343,718	15.4%	4.6%
Total loans to individuals	**3,375,402**	**3,315,499**	**2,839,524**	**18.9%**	**1.8%**
Total excluding sale of Stgo Express	*3,375,402*	*3,222,499*	*2,746,524*	*22.9%*	*4.7%*

Loans to individuals, excluding the sale of Santiago Express, increased 4.7% between September 30 and December 31, 2004 and 22.9% YoY. This strong loan growth in this segment was mainly driven by the higher economic activity, low interest rates and the investments made throughout 2004 to expand market share in this segment. These investments included the hiring of additional sales and account executives, opening new branches, reengineering of the mortgage department, and strong investments to push credit card usage and loans volumes.

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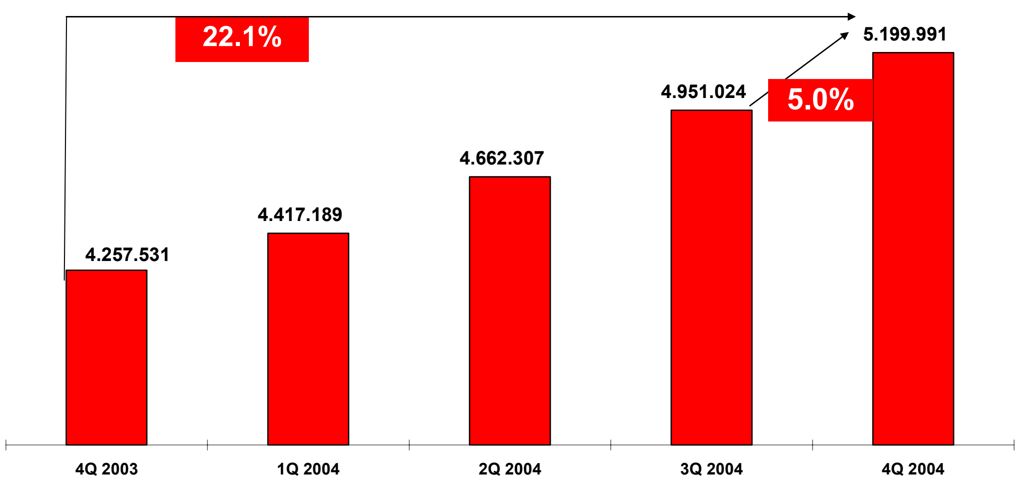
Loan growth in Santander Banefe, the bank's lending unit to middle/lower income individuals, continued to gain momentum in the quarter following the re-launch of the Santander Banefe brand, aggressive marketing campaigns and the opening of 11 branches in the year. In 4Q 2004 loans in Banefe increased 4.6% QoQ and 15.4% YoY.

Lending to SME leads growth in the quarter

Loans by business segment	**Quarter ended,**			**% Change**	
(Ch$ million December 31, 2004)	**Dec. 31, 2004**	**Sept. 30, 2004**	**Dec. 31, 2003**	**Dec. 2004/2003**	**Dec. /Sept. 2004**
Total SMEs	**1,824,589**	**1,728,525**	**1,511,007**	**20.7%**	**5.6%**

Lending to Small and Mid-sized Enterprises (SMEs) increased 5.6% QoQ and 20.7 YoY. The higher growth rate of the economy and lower rates has led to a larger demand in this business segment. The Bank is also placing a larger emphasis on expanding its presence among SMEs due to the low penetration and attractive profitability levels of this segment.

Strong growth in retail lending*
(Ch$ million December 31, 2004)



* Retail loans: Loans to SMEs and individuals. Excludes sale of Santiago Express

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Corporate and large companies lending flat; focus on profitability banking

Loans by business segment	Quarter ended,			% Change	
(Ch$ million December 31, 2004)	Dec. 31, 2004	Sept. 30, 2004	Dec. 31, 2003	Dec. 2004/2003	Dec. /Sept. 2004
Total	**3,269,057**	**3,515,801**	**3,245,427**	**0.7%**	**(7.0%)**

Total loans in the corporate banking segment decreased 7.0% between September 30 and December 31, 2004 and were flat YoY. This decrease was mainly due to the translation loss produced by the appreciation of the peso against the dollar of loans denominated in foreign currencies. The Bank hedges it foreign currency risk and therefore, this translation loss does not have any significant effect over net income. This affected mainly foreign trade loans and contingent loans in this segment. In 4Q 2004 the Bank also reduced its business activity of guaranteeing certain foreign trade operations due to a decrease in spreads in this product, which affected the balance of contingent loans in the quarter. 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.

CUSTOMER FUNDS

Solid growth of customer deposits to fuel loan growth

Funding	Quarter ended,			Change %	
(Ch$ million December 31, 2004)	Dec. 31, 2004	Sept. 30, 2004	Dec. 31, 2003	Dec. 2004/2003	Dec. /Sept. 2004
Non-interest bearing demand deposits	2,279,680	2,347,722	2,055,415	10.9%	(2.9%)
Time deposits and savings accounts	4,467,586	4,069,100	3,608,426	23.8%	9.8%
Total customer deposits	**6,747,266**	**6,416,822**	**5,663,841**	**19.1%**	**5.1%**
Mutual funds	1,363,320	1,552,745	1,057,343	28.9%	(12.2%)
Total customer funds	**8,110,586**	**7,969,567**	**6,721,184**	**20.7%**	**1.8%**

The Bank has increased its deposit base in order to fund the rapid growth of the loan portfolio. Total customer deposits increased 5.1% between 3Q and 4Q 2004 and 21.9% YoY. In 4Q 2004 short-term interest rates continued to rise as economic growth gained momentum. As a result the demand for time deposits rose. Time deposits increased 9.8% in this period and 23.8% YoY. The balance of non-interest bearing demand deposits fell 2.9%, but the average balance of demand deposits increased 2.9% in this period. Apart from focusing on lending, the Bank has concentrated on increasing its checking account base among retail clients and cash management services for corporate clients. For the whole year 2004 the average balance of non-interest bearing demand deposits increased 29.6%, which has been an additional positive factor in supporting the Bank's net interest margins in a period of low interest rates.

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Total monthly average demand deposits*	Quarter ended,			Change %	
(Ch$ million December 31, 2004)	Dec. 31, 2004	Sept. 30, 2004	Dec. 31, 2003	Dec. 2004/2003	Dec. /Sept. 2004
Total	**1,716,790**	**1,668,667**	**1,325,098**	**29.6%**	**2.9%**

* Net of clearance

It is also important to point out that Moody's changed the outlook of the Bank's foreign currency deposit ratings (Baa1) to Positive following a similar change for the Republic of Chile. These are the highest rating for bank deposits in Latin America.

Assets under management decreased 12.2% during 4Q 2004. The rise in short term interest rates has resulted in a shift away from short term money market funds into time deposits. This was an industry wide phenomena and market share of assets managed remained stable at 20.6%. Funds under management increased 29.6% on a YoY basis.

The Bank market share in customer funds increased 80 bp., from 19.8% in 2003 to 20.6% in 2004.

Santander Santiago successfully issues bonds in the US market

In order to fuel future loan growth and improve the funding mix, in 4Q 2004 the Bank issued a 5 year floating senior note for US$400 million and a 10 year fixed subordinated bonds for US$300 million. These bonds were issued at attractive rates above the Chilean sovereign spread and obtained the best credit rating for any private firm in Latin America. The senior bond received an A rating from Standard and Poor's and an A2 rating from Moody's. This note was issued at a floating rate of 39 basis points above Libor. The subordinated bond was issued at 100 basis points above Treasury, which at the time of issuance was below the latest sovereign bond issued by the Republic of Chile. The subordinated bond was swapped into a variable rate in Chilean pesos equivalent to a 30 day deposit rate and can be considered as Tier II capital.

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NET FINANCIAL INCOME

Net interest income up 12.3% and margin reached 4.7%

Net Financial Income	Quarter			Change %	
(Ch$ million December 31, 2004)	4Q 2004	3Q 2004	4Q 2003	4Q 2004/2003	4Q / 3Q 2004
Net interest income	114,501	104,825	24,490	367.5%	9.2%
Foreign exchange transactions [4]	13,615	15,414	89,572	(84.8%)	(11.7%)
Net financial income	**128,116**	**120,239**	**114,062**	**12.3%**	**6.6%**
Average interest-earning assets	10,975,587	10,608,618	9,631,017	13.7%	3.5%
Net interest margin*	**4.7%**	**4.5%**	**4.7%**		
Avg. equity + non-interest bearing demand deposits / Avg. earning assets	22.0%	21.3%	23.4%		
Quarterly inflation rate**	0.73%	1.03%	(0.15%)		
Avg. Overnight interbank rate	2.18%	1.80%	2.65%		

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

Net financial income in 4Q 2004 increased 12.3% compared to 4Q 2003. Average interest earning assets increased 13.7% in the same period. The net interest margin remained stable at 4.7% in 4Q 2004 compared to 4Q 2003. This evolution was mainly due to:

- **Improved asset mix**. The Bank has been steadily improving its asset mix in order to increase margins. Total loans increased 12.0% in 12 months. This growth was led by higher yielding loans to individuals and SMEs that increased 22.9% and 20.7%, respectively in the same period.

- **Higher inflation rate.** The quarterly inflation rate in 4Q 2004 reached 0.73% compared to –0.15% in 4Q 2003. This had a positive effect over margins due to the positive gap between assets and liabilities denominated in Unidades de Fomento (UF, an inflation linked currency). The UF gap results from the Bank's investment in liquid, low risk financial investments denominated in UF funded through deposits denominated in nominal pesos.

- **Higher interest rates**. During 4Q 2004 the interbank rate set by the Central Bank was raised to 2.50%. Higher interest rates in 4Q 2004 compared to 4Q 2003 also had a positive effect on margins by widening the spread earned over the re-investment of non-interest bearing liabilities and capital between these two periods. This was partially offset by a slightly more expensive funding mix in 4Q 2004 compared to 4Q 2003. The ratio of average non-interest bearing demand deposits and equity to average interest earning assets reached 22.0% in 4Q 2004 compared to

4 For analysis purposes results from foreign exchange transactions, which consist mainly of the results of forward contracts that hedge foreign currency positions, has been included in the calculation of the net financial income and net financial margin. Under SBIF guidelines these gains/losses are not be considered interest revenue, but are included as gains/losses from foreign exchange transactions and, accordingly, registered in a different line of the income statement. This distorts net interest income and foreign exchange transaction gains especially in periods of high volatility of the exchange rate. The results of these hedging positions have been added to net financial income to give a clearer indication of the Bank's real net interest margin.

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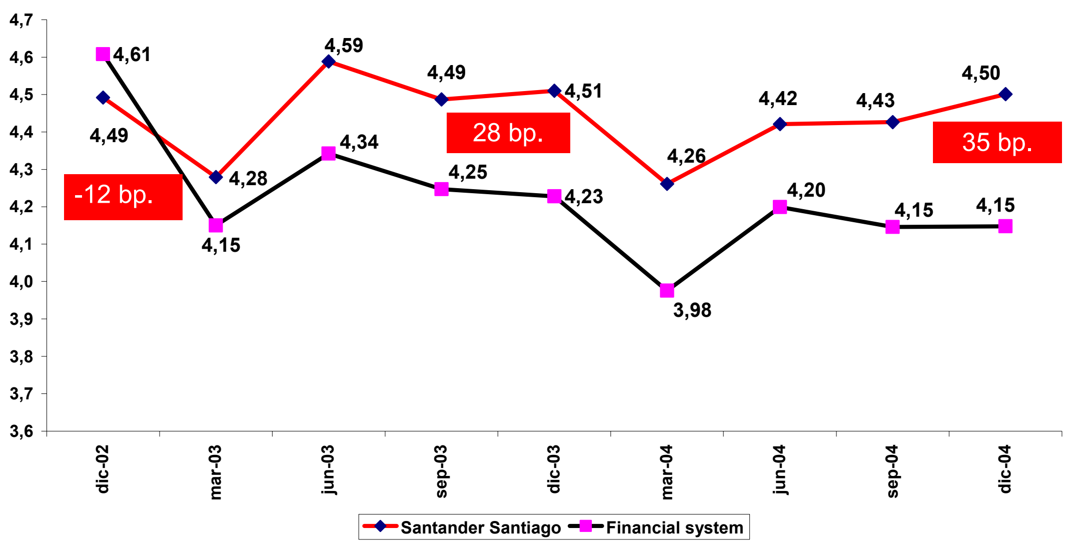
23.4% in 4Q 2003. As interest rates rise the ratio of time deposits to total funding should continue to rise.

The Bank's margin have evolved more favorably than the margins of the Chilean Financial System as a result of the improvements in the asset and funding mix. On an unconsolidated basis, the gap between the Bank's net interest margin and the banking industry as a whole was 35 basis points at year-end 2004.

Santander Santiago improved net interest margin



Source: SBIF, unconsolidated figures

Net interest income in 4Q 2004 increased 6.6% compared to 3Q 2004. Average interest earning assets increased 3.5% in this period and the net interest margin rose from 4.5% to 4.7%. This was mainly driven by three factors: (i) the high growth rate of retail lending compared to corporate loans, (ii) the higher interest rates which increased the re-investment rate of the Bank's capital and non-interest bearing demand deposits and, (iii) the improved funding mix as the ratio of average non-interest bearing demand deposits and equity to average interest earning assets reached 22.0% in 4Q 2004 compared to 21.3% in 3Q 2004.

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PROVISION FOR LOAN LOSSES

The Bank ends the year with a 129% coverage ratio and a PDL ratio of 1.52%

Provision for loan losses	Quarter			Change %	
(Ch$ million December 31, 2004)	4Q 2004	3Q 2004	4Q 2003	4Q 2004/ 2003	4Q / 3Q 2004
Provisions	9,704	9,902	+7,800	--	(2.0%)
Charge-offs	26,882	26,568	29,772	(9.7%)	1.2%
Total provisions and charge-offs	**36,586**	**36,470**	**21,968**	**66.5%**	**0.3%**
Loan loss recoveries*	+8,710	+18,541	+12,082	(27.9%)	(53.0%)
Total provisions, net of recoveries	**27,876**	**17,929**	**9,886**	**182.0%**	**55.5%**
Total loans	8,619,639	8,699,391	7,807,699	10.4%	(0.9%)
Total reserves	173,286	169,870	172,401	0.5%	2.0%
Reserve for loan losses	**168,446**	**165,152**	**168,612**	**(0.1%)**	**2.0%**
Other reserves	4,840	4,718	3,789	27.7%	2.6%
Past due loans**	**131,068**	**137,305**	**173,920**	**(24.6%)**	**(4.5%)**
Net charge-off ratio***	1.29%	0.82%	0.51%		
PDL/Total loans	1.52%	1.58%	2.23%		
Reserve for loan losses / loans	1.95%	1.91%	2.16%		
Required reserves / loans****	1.96%	1.91%	2.16%		
RLL/Past due loans	128.5%	120.3%	96.9%		

* In the first quarter of 2004 and in line with guidelines established by the SBIF, the Bank reclassified loan loss recoveries from non-operating income to loan loss provisions in the income statement. The table above standardized this change for previous quarters in order to make the figures comparable.
** Past due loans: installments or credit lines more than 90 days overdue.
*** Net charge-off ratio = Total provisions, net of loan loss recoveries annualized divided by total loans.
**** Required reserve / loans ratio replaced the risk index.

Past due loans at December 31, 2004 decreased 4.5% compared to September 30, 2004 and 24.6% YoY. As a result of this decrease in past due loans the coverage ratio (reserves for loan losses / past due loans) improved to 128.5% compared to 120.3% at the end of 3Q 2004 and 96.9% at year-end 2003. The required reserves over total loans ratio as defined by the SBIF, which measures the expected loss of the loan portfolio, reached 1.96% as of year-end 2004 from 1.91% in 3Q 2004 and 2.16% in 4Q 2003.

Total provisions, net of loan loss recoveries, increased 182.0% compared to 4Q 2003. This rise was mainly due to the reversal of loan loss provisions recorded in 4Q 2003 as a result of the implementation of the new provisioning guidelines established by the Bank and the SBIF. One of the more important changes was the elimination of voluntary loan loss reserves which were reversed in 4Q 2003. The rise in total provisions net of loan loss recoveries was partially offset by the 9.7% decrease in charge-offs in 4Q 2004 compared to 4Q 2003. This was mainly due to the improved economic environment which has reduced charge-offs, especially in the SME segment. The 55.5% increase in provisions, net of loan loss recoveries QoQ was mainly due to an extraordinary loan loss recovery of Ch$6,834 million in the real estate sector recognized in 3Q 2004.

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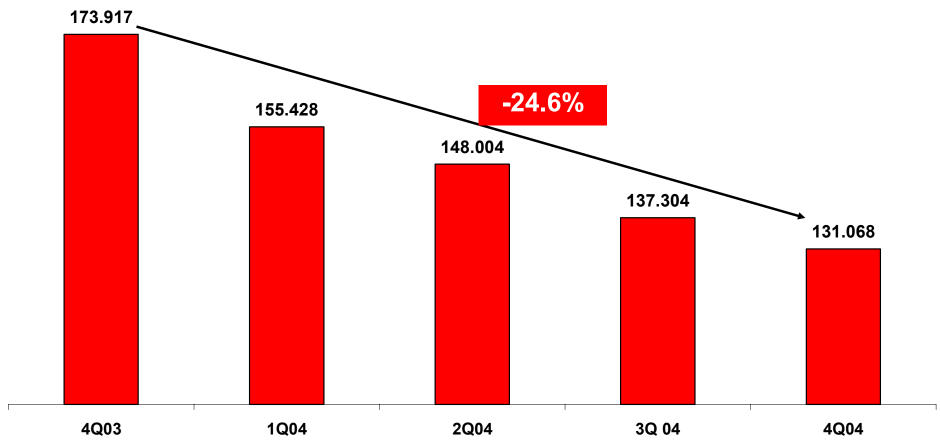
Sound asset quality

(Past-due loans, Ch$ million December 31, 2004)



FEE INCOME

Fee income on the rebound as investments in retail banking and promotions begin to pay off

Fee income	**Quarter**			**Change %**	
(Ch$ million December 31, 2004)	**4Q 2004**	**2Q 2004**	**4Q 2003**	**4Q 2004/2003**	**4Q / 3Q 2004**
Fee income	44,099	36,347	33,129	33.1%	21.3%
Fee expenses	(8,453)	(5,776)	(6,920)	22.2%	46.3%
Total fee income, net	**35,646**	**30,571**	**26,209**	**36.0%**	**16.6%**

The Bank's net fee income increased 36.0% compared to 4Q 2003 and 16.6% compared to 3Q 2004. In 4Q 2003 he Bank sold the collections subsidiary Cobranzas y Recaudaciones Limitada (C y R). The recoveries recognized by this company were recorded as fee income which at the moment of the sale totaled Ch$3,400 million. These results were reversed from fee income as a result of this transaction in that period. Adjusting for this one time item fee income increased 20.4% compared to 4Q 2003. This growth was led by an increase in various fee income lines and segments.

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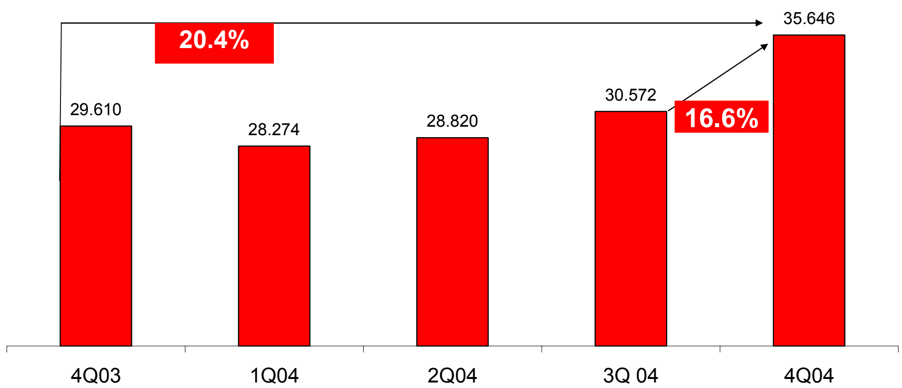
Sustained fee income growth
(Ch$ million December 31, 2004)



4Q 2003 adjusted for reversal of Ch$3,400 million in fees from sale of CyR Ltda. subsidiary

Throughout 2004 the Bank adopted a strategy of increasing fee income in retail banking by incrementing the client base, product usage and cross-selling ratios. The Bank invested in 2004 Ch$11,353 million to expand and improve its distribution capacity in Retail banking. As a result, total retail checking account clients rose 14.0%, the amount of client considered cross-sold (those that use 5 or more products) increased 28.9% and client loss levels decreased to 8.2% from 15.7% at year-end 2003. Credit card invoicing market share increased to 36.5% in 2004 compared to 32.9% at year-end 2003. Market share in terms of total number of credit cards also rose to 34.3% in 2004 from 32.8% in 2003.

Increasing profitability of client base
(Number of clients)

* High margin client: retail clients with checking account. ** Cross-sold client : clients that use 5 or more products
*** Client loss: % of high margin clients lost/ total high margin clients

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OPERATING EXPENSES AND EFFICIENCY

Investing to expand presence in retail banking

Operating Expenses	**Quarter**			**Change %**	
(Ch$ million December 31, 2004)	**4Q 2004**	**3Q 2004**	**4Q 2003**	**4Q 2004/2003**	**4Q / 3Q 2004**
Personnel expenses	(36,885)	(33,116)	(30,970)	19.1%	11.4%
Administrative expenses	(23,480)	(26,943)	(19,936)	17.8%	(12.9%)
Depreciation and amortization	(9,653)	(9,345)	(10,984)	(12.1%)	3.3%
Operating expenses	**(70,018)**	**(69,404)**	**(61,890)**	**13.1%**	**0.9%**
Efficiency ratio*	46.0%	40.4%	42.1%		
Efficiency ratio excluding amortization and depreciation**	39.7%	35.0%	34.6%		

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

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

In 4Q 2004 operating expenses increased 13.1% compared to 4Q 2003. In 4Q 2003 the Bank sold the subsidiary CyR Limitada. As a result, the Bank's operating expenses decreased Ch$2,447 million in the quarter (Ch$1,931 million in personnel expenses and Ch$576 million in administrative expenses), which corresponded to the year-to-date expenses of this company at the moment of the sale. Adjusting for this effect, operating expenses increased 8.8% YoY. Adjusted personnel expenses increased 12.1% and adjusted administrative expenses rose 14.5%. This rise in operating expenses was mainly due to the investments being carried out to expand the Bank's retail banking business. The main projects carried out included:

- **Strengthening of middle-upper income and SME banking**. This involved the opening of 2 branches in 2004, hiring of new account and sales executives in order to improve the client per account officers ratio, increase spending in marketing and promotions and reengineering of the mortgage lending department. Loans to individuals, excluding the sale of Santiago Express, increased 22.9% YoY. Lending to SMEs increased 20.7% YoY.
- **Strengthening of Santander Banefe**: This involved the opening of 11 branches in 2004, re-launching of Santander Banefe brand, enlarging the sales force and increasing marketing expenses. As a result, loans increased 15.4% YOY in Santander Banefe in 2004, with increased momentum during the Second Half.
- **Credit card project**: Strengthening of credit card business by increasing expenditures in marketing, financing discounts on various products and improving the credit card technological platform. Credit card loans grew 18.2% YoY. Credit card invoicing market share increased to 36.5% in 2004 compared to 32.9% at year-end 2003. Market share in terms of total number of credit cards also rose to 34.3% in 2004 from 32.8% in 2003.

The rise in personnel expenses in 4Q 2004 compared to 4Q 2003 was in part due to higher variable incentives paid to commercial teams as a result of strong commercial activities, specially in retail banking. Personnel expenses also included Ch$755 million in recurring expenses directly related to commercial staff hired in retail banking throughout the year. The increase in administrative expenses

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in the same period was mainly due to the Ch$5,728 million in expenses recognized in 4Q 2004 that are directly related to the projects mentioned above.

The 0.9% QoQ rise in operating expenses was mainly due to a rise in variable income of the commercial teams as a result of the good growth figures in retail banking and seasonal factors. This was offset by lower administrative expenses as 4Q 2004 figures included lower marketing and system management expenses.

OTHER OPERATING INCOME

Rise in interest affects results from mark-to-market of fixed income portfolio

Other operating income*	**Quarter**			**Change %**	
(Ch$ million December 31, 2004)	**4Q 2004**	**3Q 2004**	**4Q 2003**	**4Q 2004/2003**	**4Q / 3Q 2004**
Net gain from trading and mark-to-market of securities	(3,104)	25,860	11,982	--	--
Other operating results, net	(8,522)	(4,903)	(5,336)	59.7%	73.8%

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

The net results from trading and mark-to-market of securities was a loss of Ch$3,104 million in 4Q 2004. This loss was mainly due to the rise in market interest rates which limited fixed income trading and mark-to-market gains. For example, the yield on the 5 year Central Bank rose from 2.35% as of September 30, 2004 to 2.67% as of December 31, 2004. Throughout 2003 and 2004 the continuous decline in interest rates had a negative impact on margins and a positive effect on the mark-to-market of the company's investment portfolio. This situation reversed in 4Q 2004.

It is important to point out that in the 3Q 2004 the Bank concluded an important recovery process with a large client in the real estate sector. This signified the recognition of a one-time gain of Ch$10,293 million from the sale of a substandard loan recognized as market related income.

Other operating losses, net totaled Ch$8,522 million in 4Q 2004, increasing 59.7% YoY and 73.8% QoQ. This line item mainly includes the variable sales force expenses. When a bank product is sold the fee earned by the sales force is recognized on an accrued basis according to the life of the product. As a result of the sale of Santiago Express the Bank had to recognize Ch$3,944 million in deferred sales force expenses that had already been incurred on a cash basis.

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OTHER INCOME/EXPENSES, PRICE LEVEL RESTATEMENT AND INCOME TAX

Other Income and Expenses*	Quarter			Change %	
(Ch$ million December 31, 2004)	4Q 2004	3Q 2004	4Q 2003	4Q 2004/2003	4Q / 3Q 2004
Non-operating income, net	14,880	(11,141)	4,396	238,6%	--
Income attributable to investments in other companies	(107)	375	964	--	--
Losses attributable to minority interest	(2)	(76)	(48)	(81,3%)	(88.2%)
Total other income, net*	14,771	(10,842)	5,312	178.1%	--
Price level restatement	(2,856)	(5,164)	1,245		(44.7%)
Income tax	(12,222)	(14,591)	(14,213)	(14.0%)	(16.2%)

In 4Q 2004 other income, net totaled a gain of Ch$14,880 million. This includes Ch$21,473 million from the sale of Santiago Express to Empresas París. The Bank also recognized Ch$3,500 million in extraordinary provisions for contingencies.

The loss from price level restatement totaled Ch$2,856 million in 4Q 2004 compared to a gain of Ch$1,245 million in 4Q 2003. In 4Q 2004 the inflation rate measured by the variation of the UF was 0.73% compared to –0.15% in the same quarter of 2003. The Bank must adjust its capital, fixed assets and other assets for the variations in price levels. Since the Bank's capital is larger than the sum of fixed and other assets, the higher the inflation rate, the larger the loss from price level restatement. The Bank records a gain from price level restatement when inflation is negative

SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

ROE in the quarter reaches 26.0% with a BIS ratio of 14.9%

Shareholders' equity	Quarter ended			Change %	
(Ch$ million December 31, 2004)	Dec. 31, 2004	Sept. 30, 2004	Dec. 31, 2003	Dec. 2004/2003	Dec. /Sept. 2004
Capital and Reserves	832,959	833,017	830,529	0.3%	0.0%
Net Income	198,794	145,729	212,110	(6.3%)	36.4%
Total shareholders' equity	**1,031,753**	**978,746**	**1,042,639**	**(1.0%)**	**5.4%**

As of December 31, 2004, shareholders' equity totaled Ch$1,031,753 million. The Bank's ROE in 4Q 2004, measured as net income over average capital and reserves in the period reached 26.0%. The Bank's BIS ratio as of December 31, 2004 was 14.9% compared to 13.1% as of September 30, 2004. In the same period the Tier I ratio reached a solid level of 10.1%. In 4Q 2004 the Bank issued a 10 year fixed subordinated bond for US$300 million that can compute as Tier II capital.

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Capital Adequacy (Ch$ million December 31, 2004)	**Dec. 31, 2004**	**Sept. 30, 2004**
Tier I	832,959	833,017
Tier II	398,118	265,051
Regulatory capital	1,231,077	1,098,068
Risk weighted assets	8,262,587	8,396,079
BIS ratio	**14.9%**	**13.1%**

It is important to point out that the SBIF lowered the Bank's minimum capital requirement from 12% to 11% as of January 1, 2005.

SUMMARY OF 2004 RESULTS

In 2004 the Bank's net income totaled Ch$198,794 million (Ch$1.05 per share and US$1.96/ADR). The Bank's ROE was 22.8% and its efficiency ratio reached 44.0%. Operating income increased 3.7% with fee income increasing 6.1% and net financial income growing 2.2%. This positive evolution of core revenues gathered momentum throughout the year and was partially offset by the 4.6% increase in operating expenses. Throughout 2004 the Bank adopted a strategy of re-focusing on commercial growth and increasing the client base, product usage and cross-selling ratios. This signified Ch$ 11,353 million in higher administrative expenses in order to fuel business growth in 2004 and prepare the Bank for higher growth rates in the coming years.

As a result of this re-focus on commercial activities, loan growth picked up significantly in the year, especially in retail banking. Total loans increased 1012.0% with loans to individuals increasing 22.9% and to loans to SMEs up 20.7%. In terms of products, consumer loans increased 28.2%, residential mortgage lending was up 27.0% and commercial loans rose 16.8%. Market share in both consumer and mortgage lending increased 160 bp. in 2004 to 24.8% and 23.5%, respectively. Market share in commercial loans went up 130 basis point in 2004 to 20.3%.

Asset quality improved in 2004 despite the increase in retail banking in the year. Past due loans at December 31, 2004 decreased 24.6% YoY. As a result of this decrease in past due loans the coverage ratio (reserves for loan losses / past due loans) improved to 128.5%.

Customer funds deposits also expanded at a rapid pace in 2004, increasing 20.7%. Total customer deposits increased 19.1% in the year. In this period time deposits rose 23.8% and average non-interest bearing demand deposits, net of clearance grew 29.60%. Finally, assets under management increased 28.9%. The Bank market share in customer funds increased from 19.8% in 2003 to 20.6% in 2004.

These positive factors were offset by lower non-operating results that totaled a loss of Ch$4,059 million in 2004 compared to a gain of Ch$2,059 million in 2003. This was mainly due to higher charge-offs of repossessed assets and provisions for other contingencies, partially offset by the one-time pre-tax gain of Ch$21,473 million from the sale of the Santiago Express division to Empresas París.

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INSTITUTIONAL BACKGROUND

As per latest public records published by the Superintendency of Banks (SBIF) for December 2004, Banco Santander Santiago was the largest bank in Chile 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 a Baa1 rating from Moody's, which are the same ratings assigned to the Republic of Chile. The stock is traded on the New York Stock Exchange (NYSE: SAN) and the Santiago Stock Exchange (SSE: Bsantander). The Bank's main shareholder is Grupo Santander, which directly and indirectly owns 83.94% of Banco Santander Santiago.

Grupo Santander Central Hispano

Santander (SAN.MC, STD.N) ranks among the top ten world banks and is the largest in the Euro Zone by market capitalization. Founded in 1857, Santander has 60 million clients, 9,970 offices and presence in over 40 countries. It is the first Financial Group in Spain and in Latin America and maintains an important business activity in Europe. Santander has reached a prominent presence in the United Kingdom through Abbey National. It also owns the third largest banking group in Portugal as well as Santander Consumer Finance, a leading consumer finance franchise in Germany, Italy and seven other European countries.

In Latin America, Grupo Santander maintains a leading position where it manages over US$120,000 million in business volumes (loans, deposits and off-balance sheet assets under management) and has over 4,000 offices in ten countries. During 2004, Grupo Santander recorded in Latin America a net attributable income of US$1,812 million, an increase of 9.0% over the same period of last year.

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