Banco Santander Santiago Announces First Half and Second Quarter 2006 Earnings

- **Net income increased 29.4% YoY in the second quarter of 2006** and totaled Ch$80,345 million (Ch$0.43 per share and US$0.81/ADR).

- **Core revenue growth drives earnings in the quarter.** Net interest income increases 19.3% and fee income expands 24.6% YoY as the Bank continued to gain market share in key products and services.

- **Better earnings mix enhances margins.** Net interest margin increases 10 basis points to 5.0% in 2Q 2006 compared to 2Q 2005.

- **Total loans increase 3.9% QoQ and 18.3% YoY.** Consumer loans grow 30.3%, residential mortgage loans increase 25.5% and lending to SMEs expands 31.1% YoY. Market share in consumer lending was up 60 basis points QoQ and mortgage lending market share increase 30 basis points since March 2006.

- **Record low efficiency ratio of 35.9% in 2Q 2006** compared to 39.1% in 2Q 2005 and 38.3% in 1Q 2006. The Bank continues to improve productivity, which has helped to finance investments in the distribution network.

- **Sound asset quality.** Past due loans decrease 27.3% YoY. The ratio of past due loans to total loans reaches 0.79% in 2Q 2006 compared to 1.29% in 2Q 2005. Provision expense increases in line with growth of consumer lending activities.

- **Net income increased 24.7% in 1H 2006 compared to 1H 2005** and totaled Ch$144,779 million (Ch$0.77/share and US$1.46/ADR). Growth was led by a 20.4% increase in core revenues.

- **ROAE was 26.6% in 1H 2006** compared to 23.2% in 1H 2005. **The efficiency ratio improved to 37.0%** compared to 40.4% in 1H 2005.

- **Moody's upgrades the Bank's credit risk ratings.** Deposit rating upgraded to A2 and senior bonds to A1. These are the best ratings for a Latin American bank.

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Santiago, Chile, August 3, 2006. Banco Santander Santiago (NYSE: SAN) announced today its unaudited results for the second quarter of 2006. These results are reported on a consolidated basis in accordance with Chilean GAAP[1,2] in nominal Chilean pesos.

Net income increased 29.4% in the second quarter of 2006 compared to 2Q 2005 (hereinafter YoY) and totaled Ch$80,345 million (Ch$0.43 per share and US$0.81/ADR). Core revenues (net interest income and fees) increased 20.2% YoY as the Bank continued to gain market share in key products and services. ROE in the quarter reached 28.7% compared to 25.7% in 2Q 2005.

Net interest income grew 19.3% YoY driven by higher margins and strong loan growth. The better earnings mix resulted in a higher net interest margin, which increased 10 basis points to 5.0% YoY. In the quarter, total loans increased 3.9% QoQ and 18.3% YoY. Total market share in lending to individuals, as defined by the Superintendence of Banks, was 25.8% as of June 2006, increasing 50 basis points QoQ. Consumer loans expanded 7.4% QoQ and 30.3% YoY. Market share in consumer lending was 26.3% as of June 2006, increasing 60 basis points QoQ. Residential mortgage lending increased 5.7% QoQ and 25.5% YoY. Market share in residential mortgage lending reached 25.4% as of June 2006, increasing 30 basis points since March 2006.

Net fee income increased 24.6% YoY. The Bank continues to expand its client base and product usage, especially in retail banking. The total number of clients increased 11.7% YoY to 2.36 million. In 2Q 2006 fees from checking accounts increased 43.9% and fees from lines of credit rose 72.7% YoY. Credit card fees increased 34.3% YoY. Assets under management increased 18.5% YoY driving the 8.1% YoY growth in asset management fees.

The efficiency ratio (total costs / operating income) reached a record low of 35.9% in 2Q 2006 improving from 39.1% in 2Q 2005 and 38.3% in 1Q 2006. Despite the increase in commercial activity, the Bank continues to improve productivity, which has help to fund investments in the distribution network. The Bank has the lowest efficiency ratio among the leading banks in Chile and Latin America.

Asset quality remained sound in the quarter. The consolidated ratio of required reserves over total loans, which measures the expected loss of the loan portfolio, was 1.30% as of June 2006 compared to 1.36% as of March 2006 and 1.78% in 2Q 2005. Past due loans in 2Q 2006 decreased 11.8% QoQ and 27.3% YoY. The ratio of past due loans to total loans reached 0.79% in 2Q 2006 compared to 0.93% in 1Q 2006 and 1.29% in 2Q 2005. Total net provisions increased 79.7% YoY and decreased 14.6% QoQ. Total provisions and charge-offs (excluding recoveries) increased 47.1% YoY in line with the 30.3% and 31.0% YoY increase in consumer loans and lending to SMES, respectively. 2Q 2005 provision expense was the lowest achieved by the Bank since 2002.

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 June 30, 2006 was Ch$547.31 per dollar. All figures presented are in nominal terms. Historical figures are not adjusted by inflation.

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Santander Santiago

Grupo Santander

Net income increased 24.7% in the first half of 2006 compared to 1H 2005 and totaled Ch$144,779 million (Ch$0.77/share and US$1.46/ADR). Growth was led by a 20.4% increase in core revenues. The Bank's ROAE in this period reached 26.6% compared to 23.2% in 1H 2005. The efficiency ratio improved to 37.0% compared to 40.4% in the same period. The ROAE for the Chilean banking system in the same period was 17.7% and the efficiency ratio reached 51.0%. The Bank's net income growth rate was 2 times that of the Chilean financial system in the aggregate in 1H 2006 compared to 1H 2005.

Banco Santander Santiago	**Quarter**			**Change %**	
(Ch$ million)	**2Q 2006**	**1Q 2006 (reclassified)**	**2Q 2005 (reclassified)**	**2Q 2006/2005**	**2Q / 1Q 2006**
Net interest income	173,249	125,889	145,255	19.3%	37.6%
Fees and income from services	39,767	38,330	31,905	24.6%	3.7%
Core revenues	**213,016**	**164,219**	**177,160**	**20.2%**	**29.7%**
Total provisions, net of recoveries	(21,760)	(25,471)	(12,109)	79.7%	(14.6%)
Gains losses on financial transactions	9,541	23,310	(1,109)	--%	(59.1%)
Other operating income, net	(9,133)	(7,770)	(4,528)	101.7%	17.5%
Operating expenses	(76,626)	(68,917)	(67,146)	14.1%	11.2%
Net operating income	**115,038**	**85,371**	**92,268**	**24.7%**	**34.8%**
Income before income taxes	96,659	77,311	74,378	30.0%	25.0%
Net income	**80,345**	**64,434**	**62,101**	**29.4%**	**24.7%**
Net income/share (Ch$)	0.43	0.34	0.33	29.4%	24.7%
Net income/ADR (US$)[1]	0.81	0.67	0.59	36.9%	20.2%
Total loans	**11,153,070**	**10,736,973**	**9,431,261**	**18.3%**	**3.9%**
Customer funds	10,825,913	10,234,278	9,339,425	15.9%	5.8%
Shareholders' equity	1,084,985	1,151,586	956,435	13.4%	(5.8%)
Net interest margin	5.0%	3.9%	4.9%		
Efficiency ratio	**35.9%**	**38.3%**	**39.1%**		
Return on average equity[2]	**28.7%**	**22.8%**	**25.7%**		
PDL / Total loans	0.79%	0.93%	1.29%		
Coverage ratio of PDLs	163.1%	145.2%	137.6%		
Risk index[3]	**1.30%**	**1.36%**	**1.78%**		
BIS ratio	12.2%	14.3%	13.4%		
Branches	367	361	327		
ATMs	1,443	1,395	1,225		
Employees	7,782	7,583	7,383		

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. Total reserve for loan losses / Total loans

NEW ACCOUNTING STANDARDS AND RE-CATEGORIZATION OF LINE ITEMS

As of June 2006, and following the guidelines of the Superintendency of Banks, SBIF, new accounting standards have been adopted in line with International Accounting Standards. A re-categorization of certain line items in the balance sheet and income statement was also introduced. With these changes, 1H 2006 and 2Q 2006 figures are not entirely comparable to previous results reported by the Bank. 1H 2005, 2Q 2005 and 1Q 2006 figures have been re-categorized under the new format adopted for 1H and 2Q 2006 in order to make them more comparable. This involved re-

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categorizing line items, but not adopting the new changing accounting criteria. The new format permits a better comparison of 2006 and 2005, especially net interest income (now clear of foreign exchange effects and the results of derivatives), foreign exchange transactions and the mark-to-market of securities.

At the end of this report is a summary of these changes.

INTEREST EARNING ASSETS

Solid retail loan growth: market share in lending to individuals increases 50 bp QoQ to 25.8%

Interest Earning Assets	**Quarter ended,**			**% Change**	
(Ch$ million)	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**June 2006/2005**	**June / March 06**
Commercial loans	4,006,219	3,958,263	3,379,584	18.5%	1.2%
Consumer loans	1,590,374	1,480,355	1,220,740	30.3%	7.4%
Residential mortgage loans*	2,516,791	2,381,434	2,005,792	25.5%	5.7%
General purpose mortgage loans**	184,484	229,005	261,293	(29%)	(19%)
Foreign trade loans	671,886	589,509	577,044	16.4%	14.0%
Leasing	720,424	694,733	571,878	26.0%	3.7%
Factoring	162,901	161,714	53,850	202.5%	0.7%
Other outstanding loans	34,118	12,190	119,470	(71%)	179.9%
Contingent loans	1,030,589	933,590	935,155	10.2%	10.4%
Interbank loans	146,725	195,798	184,657	(21%)	(25%)
Past due loans	88,559	100,382	121,798	(27%)	(12%)
Total loans	**11,153,070**	**10,736,973**	**9,431,261**	**18.3%**	**3.9%**
Total financial investments	1,565,034	1,439,286	1,429,724	9.5%	8.7%
Total interest-earning assets	**12,718,104**	**12,236,959**	**10,860,985**	**17.1%**	**3.9%**

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

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

In 2Q 2006 total loans increased 3.9% QoQ with strong growth in high yielding products. Consumer loans expanded 7.4% QoQ and 30.3% YoY. Market share in consumer lending was 26.3% as of June 2006, increasing 60 basis points QoQ. Residential mortgage lending increased 5.7% QoQ and 25.5% YoY. Market share in residential mortgage lending reached 25.4% as of June 2006, increasing 30 basis points since March 2006.

As part of its strategy to improve profitability and the use of capital, the Bank has reduced its market share among corporate clients while continuing to increase its activities with Middle-market companies and, specially, SMEs. Leasing and factoring loans increased 3.7% and 0.7%, respectively QoQ led by an increase in demand from SMEs. Commercial loans increased 1.2% QoQ and 18.5% YoY, led by an increase in lending to SMEs offset by a decline in commercial lending to relatively low yielding corporate clients. The 14.0% and 10.4% QoQ increase in foreign trade and contingent loans was due in part to the translation gains produced by the 2.6% QoQ depreciation of the Chilean peso against the dollar. Market share in lending to companies, as defined by the Superintendence of Banks, decreased 50 basis points QoQ to 21.4%. Total loan market share reached 22.8% as of June 2006.

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Rising Market share in Retail lending

Market share evolution	Share %	QoQ Chg. (bp)	YoY Chg. (bp)
Loans to Individuals	25.8	+50	+80
Consumer	26.3	+60	+60
Mortgage	25.4	+30	+80
Loans to companies*	21.4	-50	-60
Total Loans	22.8	-20	-20

Source: Superintendence of Banks, unconsolidated figures
* Includes loans to SMEs, middle-market and corporates

Loans by business segment*	**Quarter ended,**			**% Change**	
(Ch$ million)	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**June 2006/2005**	**June / March 06**
Santander Banefe	541,900	514,790	434,742	24.6%	5.3%
Middle/upper income	4,069,807	3,856,865	3,305,448	23.1%	5.5%
Total loans to individuals	**4,611,707**	**4,371,655**	**3,740,190**	**23.3%**	**5.5%**
SMEs	1,604,724	1,494,802	1,223,618	31.1%	7.4%
Total retail lending	**6,216,431**	**5,866,457**	**4,963,808**	**25.2%**	**6.0%**
Institutional lending	196,268	183,052	154,948	26.7%	7.2%
Middle-Market & Real estate	2,249,668	2,125,214	1,899,395	18.4%	5.9%
Corporate	1,310,135	1,427,656	1,293,519	1.3%	(8.2%)

* Excludes contingent loans and interbank loans

Retail lending increased 6.0% QoQ and 25.2% YoY, led by good growth in lending to individuals and SMEs. Loans to individuals increased 5.5% QoQ and 23.3% YoY. Banco Santander Santiago was the fastest growing bank in lending to individuals in 1H 2006. Market share in lending to individuals increased 50 basis points QoQ to 25.8%.

Santander Banefe's loan portfolio expanded 5.3% QoQ and 24.6% YoY. Installment consumer lending led growth in this segment, increasing 8.7% QoQ. Residential mortgage lending in this segment grew 4.7% QoQ.

Loans to middle and upper income individuals increased 5.5% QoQ and 23.1% YoY. Loan growth in this segment was led by an 8.0% QoQ rise in installment consumer loans, a 4.3% increase in credit card loans and a 5.8% rise in mortgage lending. This was partially offset by the 15.9% QoQ decrease in past due loans.

Loans to SMEs increased 7.4% QoQ and 31.1% YoY. Loan growth in this segment was driven by a 12.6% QoQ increase in leasing and an 8.3% QoQ increase in commercial lending. The Bank is placing a larger emphasis on expanding its presence among SMEs due to the strong economic indicators that favor growth in this attractive segment.

Lending to the middle market segment increased 5.9% QoQ and 18.4% YoY. Growth was led by a 7.7% QoQ increase in commercial loans. Foreign trade loans also increased 6.8% QoQ in this segment. This was partially offset by the 17.7% QoQ decrease in past due loans.

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Total loans in relatively low yielding corporate banking decreased 8.2% QoQ and increased 1.3% YoY. This decline was led by a 12.3% decrease in commercial loans offset by rises in foreign trade loans, which benefited from the appreciation of the dollar against the peso in the quarter.

CUSTOMER FUNDS

Solid growth of customer funds. The Bank's credit risk ratings upgraded by Moody's

Funding	**Quarter ended,**			**Change %**	
(Ch$ million)	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**June 2006/2005**	**June / March 2006**
Non-interest bearing deposits	2,367,554	2,217,928	2,537,313	(6.7%)	6.7%
Time deposits and savings accounts	6,645,164	6,264,072	5,271,750	26.1%	6.1%
Total customer deposits	**9,012,718**	**8,482,000**	**7,809,063**	**15.4%**	**6.3%**
Mutual funds	1,813,195	1,752,278	1,530,362	18.5%	3.5%
Total customer funds	**10,825,913**	**10,234,278**	**9,339,425**	**15.9%**	**5.8%**

Short-term rates continued to rise in 2Q 06, fueling the growt of time deposits. Time deposits increased 6.1% QoQ and 26.1% YoY. The overnight reference rate set by the Central Bank increased 25 basis points from 4.75% to 5.00% in April. In May and June, the Central Bank maintained the overnight rate unchanged, but resumed rates increases in July, raising the rate to 5.25%. The 30-day rate increased 18 basis points QoQ to 4.65% and the 90-day rate increased 34 basis points to 4.82%.

Total quarterly average non-interest bearing demand deposits*	**Quarter ended,**			**Change %**	
(Ch$ million)	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**June 2006/2005**	**June / March 2006**
Total	**1,852,431**	**1,781,222**	**1,700,536**	**8.9%**	**4.0%**

* Net of clearance

Despite rising rates, the balance of non-interest bearing demand deposits, net of clearance, grew 6.7% QoQ and the average balance of non-interest bearing demand deposits rose 4.0% QoQ. The Bank's rising market share in checking accounts has fueled the rise in non-interest bearing demand deposits.

Assets under management in the Bank's mutual fund subsidiary increased 3.5% QoQ. Despite turbulent international markets, which slowed the growth of mutual funds, market share increased 20 basis points QoQ to 21.9%.

The Bank also issued US$200 million in senior local bonds denominated in Unidades de Fomento (UF, inflation-linked pesos) in May 2006. These bonds, with a maturity of 9 years, were issued at an attractive spread of 133 basis points over Central Bank bonds. Proceeds were used to fund and match our growing residential mortgage loan portfolio.

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In 2Q 2006 Moody's upgraded Chile's sovereign ratings from Baa1 to A2. As a result, Banco Santander Santiago's ratings were modified. The Bank's ratings are now as follows:

- **Foreign currency senior debt rating**: Upgraded from A2 to A1.
- **Deposit rating**: Upgraded two notches from Baa1 to A2.
- **Subordinated debt rating**: Maintained at A2 equivalent to the sovereign debt rating.
- **Bank Financial strength Rating (BFSR):** Remains at B-. As stated by Moody's, "this is the highest assigned to any Latin American bank. It reflects the Bank's strong intrinsic strength derived from its dominant franchise, management depth and access to the Santander Central Hispano network. It also reflects the Bank's superior fundamentals when compared to domestic and regional peers, as well as Chile's relatively stable operating and regulatory environment."

NET INTEREST INCOME

Loan growth and higher margins drives net interest income growth

Net Interest Income	**Quarter**			**Change %**	
(Ch$ million)	**2Q 2006**	**1Q 2006 (reclassified)**	**2Q 2005 (reclassified)**	**2Q 2006/2005**	**2Q / 1Q 2006**
Client net interest income	143,349	132,349	120,675	18.8%	8.3%
Non-client net interest income	29,900	(6,460)	24,580	21.6%	--%
Net interest income	**173,249**	**125,889**	**145,255**	**19.3%**	**37.6%**
Average interest-earning assets	13,928,060	12,919,760	11,839,676	17.6%	7.8%
Net interest margin*	**5.0%**	**3.9%**	**4.9%**		
Client margin**	**5.4%**	**5.2%**	**5.3%**		
Avg. equity + non-interest bearing demand deposits / Avg. earning assets	20.5%	22.5%	22.5%		
Quarterly inflation rate***	1.32%	(0.33%)	1.69%		
Avg. overnight interbank rate (nominal)	4.96%	4.59%	3.21%		
Avg. 10 year Central Bank yield (real)	3.18%	3.00%	2.43%		

* Annualized
** Client net interest income divided by average loans
*** Inflation measured as the variation of the Unidad de Fomento in the quarter.

2005 and 2006 net interest income is homogeneous. The translation gain or loss of financial assets and liabilities denominated in foreign currency, which were previously recorded as interest income or interest expenses, was reclassified as foreign exchange transactions in 2Q 2005, 1Q 2006 and 2Q 2006. It is no longer necessary to add foreign exchange transactions to net interest income to analyze net interest income.

We have also introduced two new concepts: client net interest income, which is net interest income generated by our commercial areas and non-client net interest income. The latter is net interest income generated by centralized activities, non-segmented portions of the balance sheet and Financial Management. The area of Financial Management carries out the function of managing the structural interest rate risk, the structural position in inflation indexed assets and liabilities, shareholders' equity and liquidity. The cost of liquidity, via the transfer of funds to different business units is done at relevant market rates. The aim of Financial Management is to inject stability and recurrence into the net interest income of commercial activities.

Net interest income in 2Q 2006 increased 19.3% compared to 2Q 2005. This rise was mainly driven by the 17.6% increase in average interest earning assets and a 10 bp YoY rise in net interest margins that reached 5.0% in 2Q 2006.

The rise in margins was driven by client and non-client activities. Client net interest income increased 18.8% YoY led by a 17.6% YoY increase in average loans. The average balance of consumer loans, the highest yielding asset, increased 33.2% YoY. The Bank has also experienced a rise in spreads in lending to SMEs, corporates and non-interest bearing demand deposits due to the rising interest rate environment. As a result, client margins increased 10 basis points YoY to 5.4%.

Non-client net interest income increased 21.6% YoY. The Bank augmented its net asset gap in inflation indexed instruments that minimized the negative impact on results produced by a lower quarterly inflation rate in 2Q 2006 (+1.32%) compared to 2Q 2005 (+1.69%). The rise in non-client interest income was also due to the increase in spread earned over capital, which increases with higher short-term rates. This was partially offset by higher funding costs due to rising short-term rates and a deterioration of the funding mix. In 2Q 2006 the ratio of average equity and non-interest bearing demand deposits to average interest earning assets reached 20.5% compared to 22.5% in 2Q 2005.

The 37.6% QoQ increase in net interest income was mainly due to seasonal factors produced by the seasonality of quarterly inflation rates. Inflation in 1Q 2006 was -0.33% compared to +1.32% in 2Q 2006. 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 assets denominated in UF funded through deposits denominated in nominal pesos and free funds. As a result, non-client net interest income increased from Ch$-6,460 million in 1Q 2006 to Ch$29,900 million in 2Q 2006.

The 8.3% QoQ increase in client net interest income in 2Q 2006 was driven by the 7.8% QoQ growth of average interest earning assets, which was led by increases in retail banking activities. Client margin went up 20 basis points QoQ.

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PROVISION FOR LOAN LOSSES

The PDL ratio falls to 0.79% and the expected loss of the loan portfolio declines to 1.30%

Provision for loan losses	**Quarter**			**Change %**	
(Ch$ million)	**2Q 2006**	**1Q 2006**	**2Q 2005**	**2Q 2006/2005**	**2Q / 1Q 2006**
Gross provisions	1,178	(1,041)	+3,880	(69.6%)	(213.2%)
Charge-offs	(34,995)	(34,743)	(26,865)	30.3%	0.7%
Total provisions and charge-offs	(33,817)	(35,784)	(22,985)	47.1%	(5.5%)
Loan loss recoveries	+12,057	+10,313	+10,876	10.9%	16.9%
Net provisions	**(21,760)**	**(25,471)**	**(12,109)**	**79.7%**	**(14.6%)**
Total loans	11,153,070	10,736,973	9,431,261	18.3%	3.9%
Total reserves	147,582	149,112	171,570	(14.0%)	(1.0%)
Reserve for loan losses (RLL)	144,479	145,729	167,554	(13.8%)	(0.9%)
Other reserves	3,103	3,383	4,016	(22.7%)	(8.3%)
Past due loans* (PDL)	**88,559**	**100,382**	**121,798**	**(27.3%)**	**(11.8%)**
Gross provision expense / loans	1.21%	1.33%	0.97%		
Net provision expense / loans	**0.78%**	**0.95%**	**0.51%**		
PDL/Total loans	0.79%	0.93%	1.29%		
Expected loss (RLL / loans)	1.30%	1.36%	1.78%		
RLL/Past due loans	**163.1%**	**145.2%**	**137.6%**		

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

Asset quality remained sound in the quarter. The consolidated ratio of required reserves over total loans, which measures the expected loss of the loan portfolio, reached 1.30% as of June 2006 compared to 1.36% as of March 2006 and 1.78% in 2Q 2005. Past due loans in 2Q 2006 decreased 11.8% QoQ and 27.3% YoY. The ratio of past due loans to total loans reached 0.79% in 2Q 2006 compared to 0.93% in 1Q 2006 and 1.29% in 2Q 2005.

Net provisions increased 79.7% YoY and decreased 14.6% QoQ. The YoY rise in net provision expense was mainly due to the growth of the Bank's retail loan portfolio. Total provisions and charge-offs (excluding recoveries) increased 47.1% in line with the 30.3% and 31.0% increase in consumer loans and lending to SMEs, respectively. As a result, the ratio of net provision expense over total loans reached 0.78% in 2Q 2006 compared to 0.51% in 2Q 2005. Going forward, and as stated in the last two quarterly earnings reports, the Bank expects asset quality to remain sound, but as the retail banking portfolio increases, the ratio of provision expenses to total loans should rise compared to 2005. 2Q 2005 provision expense was the lowest achieved by the Bank since 2002.

The 14.6% QoQ decline in provision expense was mainly due to the seasonal increase in short-term non-performance (1-89 days) in the consumer portfolio in 1Q 2006 that normalized in 2Q 2006. The QoQ decline in provision expense was also due to a 16.9% rise in loan loss recoveries.

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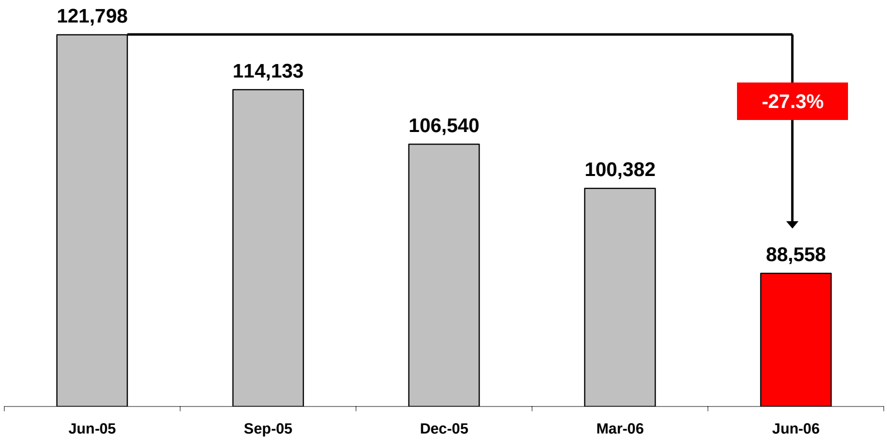
Sound asset quality
Past due loans, Ch$ million



FEE INCOME

Growth in client base and product usage boosts fee income

Fee income	Quarter			Change %	
(Ch$ million)	**2Q 2006**	**1Q 2006**	**2Q 2005**	**2Q 2006/2005**	**2Q / 1Q 2006**
Checking accounts	9,960	9,628	6,920	43.9%	3.5%
Administration & collection of insurance policies	5,495	6,349	5,010	9.7%	(13.4%)
Mutual fund services	4,889	4,467	4,523	8.1%	9.4%
Credit cards	4,438	4,494	3,306	34.3%	(1.2%)
Automatic teller cards	3,562	3,714	3,525	1.0%	(4.1%)
Lines of credit	3,410	2,648	1,975	72.7%	28.8%
Insurance brokerage	2,279	2,167	2,203	3.5%	5.2%
Other product and services	5,734	4,864	3,386	69.3%	17.9%
Total fee income, net	**39,767**	**38,330**	**31,905**	**24.6%**	**3.7%**
Fees / operating expense	**51.9%**	**55.6%**	**47.5%**		

Net fee income increased 24.6% YoY in 2Q 2006 driven by a rise in clients and product usage. The Bank continues to expand its client base, cross-selling and product usage, especially in retail banking. The total number of clients increased 11.7% YoY to 2.36 million. The amount of middle-upper income individual clients that are cross-sold (a client with a checking account and that uses three other products) increased 26.5% YoY. The amount of SME clients that are cross-sold increased 17.5% in the same period. In Santander Banefe, the amount of cross-sold clients (clients with at least one transactional product and that uses at least 2 or more other products) rose 22.9% YoY.

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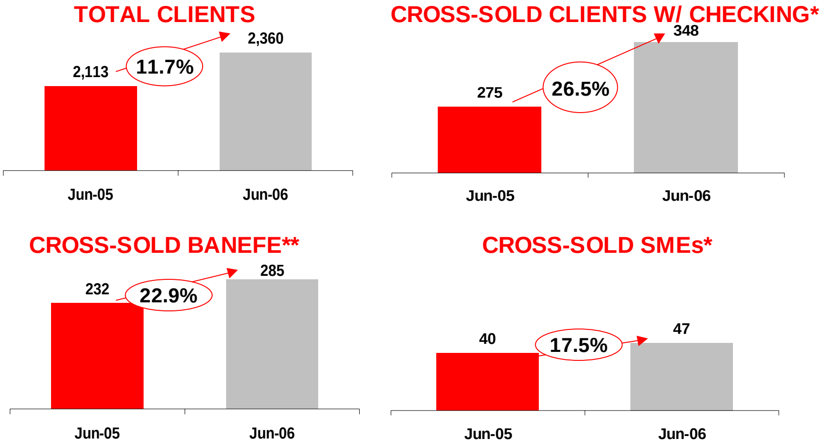
More clients and greater product usage

Clients in thousands. Change 2Q 06/05, %



* Retail clients that use 4 or more products including checking. Excludes Santander Banefe
** Santander Banefe: clients that use 2 or more products including a transactional product

Greater product usage has boosted fee income. In 2Q 2006 fees from checking accounts increased 43.9% and fees from lines of credit rose 72.7% YoY. Market share in checking accounts reached 25.6% as of February 2006 compared to 23.6% as of February 2005, the latest figure available. In the last twelve months, Santander Santiago has increased its checking account base by 17.4%, twice the rate of growth of the banking system that grew 8.3% in the same period.

Credit card fees increased 34.3% YoY. The Bank is also consolidating its leading position in the credit card market. According to the latest information published by Transbank, as of March 2006, Santander Santiago's credit cards were growing 19.5% YoY. Total purchases with Santander Santiago credit cards increased 16.2% YoY in real terms.

Mutual funds under management increased 18.5% YoY driving the 8.1% YoY growth in fees from our mutual fund subsidiary.

Insurance brokerage fees increased 3.5% YoY. In order to strengthen its position within this market, Santander is creating an property and casualty insurance company, which will distribute its products through the Bank's insurance brokerage subsidiary. The 9.7% rise in the administration and collection of insurance policies is directly related to the rise in mortgage lending that requires insurance.

ATM fees increased 1.0% QoQ. Despite investment in the ATM network, intense competition has reduced fee growth from this product.

The 69.3% YoY increase in other fees was mainly driven by the rise in fees from our on-line Office Banking services and a rise in fees from the sales and purchase of foreign currencies.

The 3.7% increase in total fees QoQ is mainly due a rise in fees charged for our office-banking product, as well as a rise in checking account, lines of credit, insurance brokerage and mutual fund fees.

OPERATING EXPENSES AND EFFICIENCY

Efficiency level reaches a record level of 35.9%

Operating Expenses	**Quarter**			**Change %**	
(Ch$ million)	**2Q 2006**	**1Q 2006**	**2Q 2005**	**2Q 2006/2005**	**2Q / 1Q 2006**
Personnel expenses	(39,132)	(34,005)	(34,244)	14.3%	15.1%
Administrative expenses	(27,607)	(25,836)	(23,976)	15.1%	6.9%
Depreciation and amortization	(9,887)	(9,076)	(8,926)	10.8%	8.9%
Operating expenses	**(76,626)**	**(68,917)**	**(67,146)**	**14.1%**	**11.2%**
Efficiency ratio*	**35.9%**	**38.3%**	**39.1%**		

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

In 2Q 2006 the efficiency ratio reached a record low of 35.9% compared to 39.1% in 2Q 2005 and 38.3% in 1Q 2006. Despite the increase in commercial activity, the Bank continues to improve productivity, which has help to fund the increase in investments in the branch network. The Bank has the lowest efficiency ratio among the leading banks in Chile and Latin America.

Operating expenses increased 14.1% YoY in 2Q 2006. Personnel expenses increased 14.3% YoY. This rise can be explained by the 5.4% YoY increase in total headcount. In the quarter, 250 additional account executives were hired to further boost growth in retail banking and maintain client service standards in existing branches.

The 3.9% YoY increase in CPI inflation also had an impact on personnel expense. In April, the Bank adjusted salaries for inflation. Finally, the increase in personnel expenses was also due in part to an increase in variable income due to the Bank's exceptional commercial performance in 1H 2006.

The 15.1% YoY increase in administrative expenses was directly linked to the higher commercial activities and the larger distribution network. In 2Q 2006 the Bank continued expanding its distribution network. Six branches were opened in 2Q 2006 bringing the total to 367 branches, representing a YoY increase of 12.2%. Santander Santiago has the largest branch and ATM network in Chile.

The 11.2% QoQ increase in operating expenses was mainly due to seasonal factors as 1Q 2006 are seasonally low due to vacation and lower commercial activity. 2Q figures also include the yearly CPI adjustment for wages and the impact of a larger headcount.

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GAINS (LOSSES) ON FINANCIAL TRANSACTIONS

Gains and losses on financial transactions	Quarter			Change %	
(Ch$ million)	2Q 2006	1Q 2006 (reclassified)	2Q 2005 (reclassified)	2Q 2006/2005	2Q / 1Q 2006
Net gain (loss) from trading and mark-to-market	39,291	43,307	(18,759)	--	(9.3%)
Foreign exchange transactions, net	(29,750)	(19,997)	17,650	--	48.8%
Gains (losses) on financial transactions	9,541	23,310	(1,109)	--	(59.1%)

For analysis purposes only, we have created the line item: Gains (losses) on financial transactions that is the sum of the net gain (loss) from trading and mark-to-market and foreign exchange transactions.

As Santander Santiago 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. Therefore, the most important items that impacts the line item Gains (losses) on financial transactions are: the net results from mark-to-market of financial investments categorized as trading, the mark-to-market of derivatives and hedged items, net results from proprietary trading and the results from the sale of financial products to clients.

The results of derivatives have all been reclassified to the line item mark-to-market and trading of securities for the 2005 and 2006 periods being presented here. Previously, they were classified as foreign exchange transactions, except UF-Ch$ forwards, which used to be classified as net interest income. 2Q 2006 includes the entire effect of marking-to-market the derivatives portfolio. 1Q 2006 and 2Q 2005 results do not include the effects on results of marking-to-market the derivative portfolio, but the differential between the interest paid or received on a specified notional amount used to be recognized under "Foreign exchange transactions, net". Now it has been re-categorized to the line item mark-to-market and trading. The change in book value of hedged items is included in the mark-to-market and trading line item in 2Q 2006.

The results recorded in foreign exchange transactions mainly include the translation gain or loss of assets and liabilities denominated in foreign currency, which were for the most part previously recorded as interest income or interest expenses. The line item foreign exchange transaction no longer includes the results of FX forwards in the 2005 and 2006 periods being analyzed.

In 2Q 2006 the gain on financial transactions totaled Ch$9,541 million compared to Ch$-1,109 million in 2Q 2005 and Ch$23,310 million in 1Q 2006. The figures for 2Q 2005 and 1Q 2006 are not entirely comparable to 2Q 2006 figures, since the latter includes the effect of the mark-to-market of derivatives for the entire first half of 2006.

The Bank's derivative portfolio is mainly comprised of forwards and swaps that hedge foreign exchange and interest rate risks. Strict conditions must be met before hedge accounting is applied. As Banco Santander Santiago has been applying these standards for Spanish GAAP for various years, our hedging policy is well documented and included in our market risk guidelines and measurements. The Bank's strategy has been to shield our balance sheet from the fair value losses produced by rising interest rates and foreign exchange fluctuations.

We do hold a minor trading position in derivatives. This resulted in a mark-to-market gain of Ch$7,089 million in the first six months of 2006 and recognized in 2Q 2006. This is the only significant effect on the income statement resulting from the adoption of the new accounting standards. This result reflects the Bank's proactive management of balance sheet risk, as potential losses produced by rising long-term rates were neutralized with derivatives.

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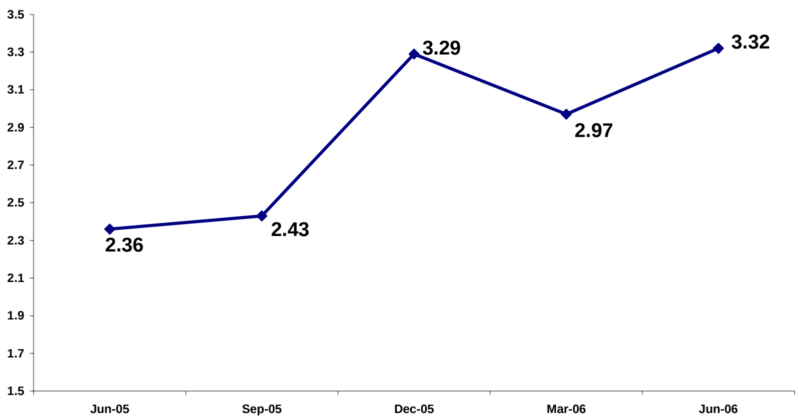
Santander Santiago

Grupo Santander

Evolution of the yield on 10-year Central Bank bond



Source: Bloomberg

OTHER OPERATING INCOME/EXPENSES, OTHER INCOME/EXPENSES, PRICE LEVEL RESTATEMENT AND INCOME TAX

Other Income and Expenses	Quarter			Change %	
(Ch$ million)	**2Q 2006**	**1Q 2006**	**2Q 2005**	**2Q 2006/2005**	**2Q / 1Q 2006**
Sales force expense	(4,121)	(4,042)	(4,542)	(9.3%)	2.0%
Other operating expenses, net	(5,012)	(3,728)	14	--%	34.4%
Total other operating loss, net	**(9,133)**	**(7,770)**	**(4,528)**	**101.7%**	**17.5%**
Non-operating income, net	(8,521)	(11,016)	(7,377)	15.5%	(22.6%)
Income attributable to investments in other companies	409	240	299	36.8%	70.4%
Losses attributable to minority interest	(20)	(65)	(71)	(71.8%)	(69.2%)
Total net non-operating results	**(8,132)**	**(10,841)**	**(7,149)**	**13.8%**	**(25.0%)**
Price level restatement	(10,247)	2,781	(10,741)	(4.6%)	--
Income tax	(16,314)	(12,877)	(12,277)	32.9%	26.7%

Other operating results, net totaled a loss of Ch$9,133 million, increasing 101.7% YoY. 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. Total sales force expenses reached Ch$4,121 million in 2Q 2006 compared to Ch$4,542 million in 2Q 2005 and Ch$4,042 million in 1Q 2006. Excluding sales force expenses, the rise in other operating expenses, net was mainly due lower gains from the sale of repossessed assets and higher credit card membership expenses recognized by the Bank. It is important to point out that other operating income in 2Q 2005 included a one-time gain of Ch$1,100 million gain from the leasing of a repossessed asset.

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In 2Q 2006 net non-operating results totaled a loss of Ch$8,132 million compared to a loss of Ch$7,149 million in 2Q 2005. This higher loss is mainly due to larger losses related to repossessed assets partially offset by lower provisions for non-credit related contingencies.

The 4.6% decline in the YoY gain from price level restatement was due to the differences in inflation rate in the quarters being analyzed. In 2Q 2006 inflation reached +1.32% compared to 1.69% in 2Q 2005. 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, when inflation is positive, the Bank usually records a loss from price restatement. In 1Q 2006 the negative inflation rate resulted in a positive level of price level restatement.

SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

The Bank's ROAE in 1H 2006 reached 26.6% compared to 23.2% in 1H 2005.

Shareholders' equity	**Quarter ended**			**Change %**	
(Ch$ million)	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**June 2006/2005**	**June / March 2006**
Total capital and reserves	940,206	1,087,152	840,374	11.9%	(13.5%)
Net Income	144,779	64,434	116,061	24.7%	124.7%
Total shareholders' equity	**1,084,985**	**1,151,586**	**956,435**	**13.4%**	**(5.8%)**
Return on average equity (ROAE)	**28.7%**	**22.8%**	**25.7%**		

Shareholders' equity totaled Ch$1,084,985 million as of June 30, 2006. The Bank's ROAE in 2Q 2006, reached 28.7% compared to 25.7% in 2Q 2005 and 22.8% in 1Q 2006. The Bank's ROAE in 1H 2006 reached 26.6% compared to 23.2% in 1H 2005.

The Bank's BIS ratio as of June 30, 2006 reached 12.2% with a Tier I ratio of 8.7%. Banco Santander Santiago held its annual Ordinary Shareholders' Meeting on April 25, 2006. During the meeting, a dividend of Ch$ 155,811 million (Ch$0.82682216 per share) was approved, corresponding to 65% of 2005 net income.

Capital Adequacy	**Quarter ended**			**Change %**	
(Ch$ million)	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**June 2006/2005**	**June / March 2006**
Tier I	940,206	1,087,152	840,374	11.9%	(13.5%)
Tier II	372,999	361,713	407,863	(8.5%)	3.1%
Regulatory capital	1,313,205	1,448,865	1,248,237	5.2%	(9.4%)
Risk weighted assets	10,769,595	10,107,478	9,301,114	15.8%	6.6%
Tier I	**8.7%**	**10.8%**	**9.0%**		
BIS ratio	**12.2%**	**14.3% (12.9% ex-dividend)**	**13.4%**		

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INSTITUTIONAL BACKGROUND

As per latest public records published by the Superintendency of Banks for June 2006, Banco Santander Santiago was the largest bank in Chile in terms of loans and deposits. The Bank has the highest credit ratings among all non-publicly owned Latin American companies with an A rating from Standard and Poor's, A by Fitch and an A2 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 Santander, which directly and indirectly owns 83.94% of Banco Santander Santiago.

Santander (SAN.MC, STD.N) is the largest bank in the Euro Zone by market capitalization and one of the largest worldwide. Founded in 1857, Santander has €818.100 million in assets and €976,500 million in managed funds, 67 million customers, 10.300 offices and a presence in 40 countries. It is the largest financial group in Spain and Latin America, and is a major player elsewhere in Europe, including the United Kingdom through its Abbey subsidiary and Portugal, where it is the third largest banking group. Through Santander Consumer Finance, it also operates a leading consumer finance franchise in Germany, Italy, Spain and nine other European countries. As of the first half of 2006, Santander recorded €3,216 million in net attributable profits, 26% more than in the same period of the previous year.

In Latin America, Santander manages over US$200 billion in business volumes (loans, deposits, mutual funds, pension funds and managed funds) through 4,200 offices. As of the first half of 2006, Santander recorded in Latin America US$1,409 million in net attributable income, 21% higher than in the prior year.

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NEW ACCOUNTING STANDARDS AND RE-CATEGORIZATION OF LINE ITEMS

As of June 2006, and following the guidelines of the Superintendency of Banks, SBIF, new accounting standards have been adopted in line with International Accounting Standards. A re-categorization of certain line items in the balance sheet and income statement was also introduced. Following is a summary of both changes.

New accounting standards

In June 2006 new accounting standards for the valuation of financial instruments and derivatives, as well as new guidelines for hedge accounting were introduced. The new accounting standards are similar to those included in International Accounting Standard No.39[3]. 1H 2005, 2Q 2005 and 1Q 2006 figures presented in this report do not include the new accounting standards.

1. Financial investments are now categorized by investment strategy instead of by product. Three categories of financial investment were established:

   - **Held-to-maturity:** non-derivative financial assets with fixed or determinable payments and maturity that the entity has the positive intention and ability to hold to maturity.
   - **Trading**: non-derivative financial assets with fixed or determinable payments and maturity that the entity has acquired principally for the purpose of selling them in the near term.
   - **Available-for-sale**: Non-derivative financial assets that are not classified as trading or held to maturity.

2. Held-to-maturity investments must be amortized using the cost-effective interest method. Trading must be recognized at fair value through the income statement. For available-for-sale financial assets, the unrealized movements in fair value are recognized in equity until disposal or sale, at which time, those unrealized movements from prior periods are recognized in the income statement.

3. Banks must mark-to-market derivatives. A derivative held for trading purposes must be mark-to-marketed and the unrealized gain or loss must go through the income statement.

4. New accounting standards were adopted for derivatives held for hedging purposes. The SBIF recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign investments.

   - When a cash flow hedge exists, the fair value movements, on the part of the hedging instrument that is effective, are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

3 Part of this text was adapted from http://www.iasb.org/uploaded_files/documents/8_63_ias39-sum.pdf

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- When a fair value hedge exists, the fair value movements on the hedging instrument and the corresponding fair value movements on the hedged item (including loans) are recognized in the income statement. Hedged items in the balance sheet are presented at their market value in 2006.

- When a hedge of foreign investment exposure exists (i.e. a foreign branch), the fair value movements, on the part of the hedging instrument that is effective, are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

Re-categorization of line items

In 1H 2006 and 2Q 2006, various line items in the balance sheet and income statement have been re-categorized. This was replicated for 1H 2005, 2Q 2005 and 1Q 2006 figures to make them more comparable with 1H 2006 and 2Q 2006 figures.

These changes can be summarized as follows:

1. Balance Sheet:

- Financial investments are now categorized by investment strategy instead of by product.
- Derivatives have been included in the new line item “Derivatives”. As of June 2006, these derivatives are mark-to-market. For 2005 and March 2006 figures, the value of derivatives was not modified from its original accounting method, but has been reclassified from “Other Assets and Liabilities” to the line item “Derivatives”. In 2005 and March 2006 unrealized gains, losses, premiums and discounts arising from foreign exchange forward contracts used to be shown on a net basis under “Other assets and Other liabilities”. Derivatives are presented net of the total asset and liability position.

2. Income statement:

- The results of derivatives have all been reclassified to the line item Mark-to-market and Trading of Securities for 2005 and 2006. Previously they were classified as Foreign exchange transactions, except UF-Ch$ forwards, which used to be classified as Net Interest Income. In 1H 2006 and 2Q 2006, derivatives are marked-to-market and in 1H 2005, 2Q 2005 and 1Q 2006 they are not. In 1H 2005, 2Q 2005 and 1Q 2006, the differential between the interest paid or received on a specified notional amount used to be recognized under “Foreign exchange transactions, net”. Now it has been re-categorized to the line item Mark-to-market and trading.
- The change in book value of hedged items is included in the Mark-to-market and trading line item in 1H 2006 and 2Q 2006.
- The translation gain or loss of financial assets and liabilities denominated in foreign currency, which were previously recorded as Interest income or Interest expenses, was reclassified as Foreign exchange transactions in 2005 and 2006. 2005 and 2006 Net interest income is homogeneous with this modification. It is no longer necessary to add foreign exchange transactions to net interest income to analyze net interest income.

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- For analysis purposes we have created the line item: Gains (losses) on financial transactions. This is the sum of the net gain (loss) from trading and mark-to-market and foreign exchange transactions in the income statement. As Santander Santiago 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, leaving as the most important items that impact this line the following: the net results from mark-to-market of financial investments, hedged items and derivatives, trading gains and losses and the gains from the sale of financial products such as derivative to clients.
- The change in value of investments in mutual funds was reclassified from net interest income to other operating income in 2005 and 2006.

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