BROWN & BROWN INC
Form S-3
September 28, 2001
AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON ___________, 2001

REGISTRATION NO. 333-________

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BROWN & BROWN, INC.
(Exact name of Registrant as Specified in its Charter)

FLORIDA	59-0864469
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

220 South Ridgewood Avenue
Daytona Beach, Florida 32114
(386) 252-9601
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Laurel L. Grammig, Esq.
Vice President, Secretary and General Counsel
Brown & Brown, Inc.
401 East Jackson Street, Suite 1700
Tampa, Florida 33602
(813) 222-4100
(Name, address, including zip code, and telephone number including area code, of registrant's agent for service)

Copies to:

Chester E. Bacheller, Esq.
Holland & Knight LLP
400 North Ashley Drive
Suite 2300
(813) 227-8500

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC

: From time to time after the effective date of this Registration Statement, as determined by market conditions.

If the only securities being registered on this form are being offered pursuant to dividend reinvestment plans, please check the following box. ____

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. X

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Stock, $.10 par value (2)	996,248	$46.875	$46,699,125	$11,675
Common Stock Purchase Rights (3)				

(1) Estimated solely for the purpose of computing the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(c) under the Securities Act. Based upon the average of high and low prices of the common stock reported on the New York Stock Exchange for September 24, 2001.

(2) Outstanding shares held by certain selling shareholders.

(3) Each share of common stock is accompanied by a common stock purchase right pursuant to a Rights Agreement, dated as of July 30, 1999, between the Registrant and First Union National Bank, as rights agent.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

Subject to Completion, Dated September 28, 2001

PROSPECTUS

996,248 SHARES

BROWN & BROWN, INC.

Common Stock

These shares of common stock are being sold by the selling shareholders listed on page 9.

Brown & Brown's common stock is traded on the New York Stock Exchange under the symbol "BRO." The last reported sale price on September 27, 2001 was $49.90 per share.

Investing in these securities involves risks. See "Risk Factors" beginning on page 3 of this Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 28, 2001.

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QUESTIONS AND ANSWERS ABOUT THIS OFFERING

Q. WHAT IS THE PURPOSE OF THIS OFFERING?

A. The purpose of this offering is to register the resale of common stock received by the selling shareholders in connection with the acquisitions by Brown & Brown of The Young Agency, Inc., a New York corporation; Layne & Associates, Ltd., a Nevada corporation; Agency of Insurance Professionals, Inc., an Oklahoma corporation; CompVantage Insurance Agency, LLC, an Oklahoma limited liability company; Agency of Indian Programs Insurance, LLC, an Oklahoma limited liability company; The Connelly Insurance Group, Inc., a Florida corporation; and The Benefit Group, Inc., a Florida corporation. Selling shareholders are required to deliver a copy of this prospectus in connection with any sale of shares.

Q. ARE THE SELLING SHAREHOLDERS REQUIRED TO SELL THEIR SHARES OF BROWN & BROWN COMMON STOCK?

A. No. The selling shareholders are not required to sell their shares of common stock.

Q. HOW LONG WILL THE SELLING SHAREHOLDERS BE ABLE TO USE THIS PROSPECTUS?

A. Under the terms of each of the respective stock purchase agreements between Brown & Brown and the selling shareholders, Brown & Brown agreed to keep this prospectus effective for a period expiring on the earlier of (1) the date on which all of the selling shareholders' shares have been sold, (2) the date on which all such shares are eligible for sale pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act") or (3) one year from the closing date of the acquisition in which the selling shareholder received such shares. After that, the selling shareholders will no longer be able to use this prospectus to sell their shares.

ABOUT BROWN & BROWN

We are a diversified insurance brokerage and agency that markets and sells primarily property and casualty insurance products and services to its clients. Because we do not engage in underwriting activities, we do not assume underwriting risks. Instead, we act in an agency capacity to provide our clients with targeted, customized risk management products.

As of December 31, 2000, our activities were conducted in 39 locations in 12 states; however, with the acquisitions consummated from January 1, 2001 through September 18, 2001, we currently have 116 locations in 27 states. Of the 116 locations, 31 are in Florida; 19 in New York; nine in Virginia; eight in Minnesota; seven in Louisiana; five in Colorado; four in South Carolina; three each in Arizona, Georgia, New Mexico and North Dakota; two each in California, Michigan, Nevada, New Jersey and Texas; and one each in Connecticut, Indiana, Iowa, Missouri, Ohio, Oklahoma, Pennsylvania, Tennessee, West Virginia, Wisconsin, and Wyoming.

Our business is divided into four divisions: (i) the Retail Division; (ii) the National Programs Division; (iii) the Service Division; and (iv) the Brokerage Division. The Retail Division is composed of Brown & Brown employees who market and sell a broad range of insurance products to insureds. The National Programs Division works with underwriters to develop proprietary insurance programs for specific niche markets. These programs are marketed and sold primarily through independent agencies and agents across the United States. We receive an override on the commissions generated by these independent agencies. The Service Division provides insurance-related services such as third-party administration and consultation for workers' compensation and employee benefit markets. The Brokerage Division markets and sells excess and surplus commercial insurance, as well as certain niche programs, primarily through independent agents. For the fiscal year ended December 31, 2000, we achieved commission and fee revenues of approximately $204.9 million.

RECENT DEVELOPMENTS

From January 1, 2001 through September 18, 2001, we have acquired insurance agencies based in Tampa, Florida; Rochester, New York; Lafayette, Louisiana; Phoenix, Arizona (2); Thousand Oaks, California; Rome, New York; Titusville, Florida; Manassas, Virginia; Tallahassee, Florida; Syracuse, New York; St. Louis, Missouri; Roswell, New Mexico; Deerfield Beach, Florida; Las Vegas, Nevada; Newington, Connecticut; Pryor, Oklahoma; Orlando, Florida; Clearwater, Florida; St. Petersburg, Florida; Wheat Ridge, Colorado; and Salem, Virginia. On January 3, 2001, we completed the acquisition of all of the insurance agency business-related assets of Riedman Corporation, headquartered in Rochester, New York with offices located in 13 states.

For other recent developments, we refer you to our most recent and future filings under the Securities Exchange Act of 1934.

Our principal executive offices are located at 220 South Ridgewood Avenue, Daytona Beach, Florida 32114, and 401 East Jackson Street, Suite 1700, Tampa, Florida 33602, and our telephone numbers at those addresses are (386) 252-9601 and (813) 222-4100, respectively. Our website is located at http://www.bbinsurance.com. Information contained in our website is not a part of this document.

RISK FACTORS

We cannot accurately forecast our commission revenues because our commissions depend on premium rates charged by insurance companies, which historically have varied and, as a result, have been difficult to predict.

We are primarily engaged in insurance agency and brokerage activities, and derive revenues from commissions paid by insurance companies and fees for administration and benefit consulting services. We do not determine insurance premiums. Historically, property and casualty premiums have been cyclical in nature and have varied widely based on market conditions. Since the mid-1980s, general premium levels have been depressed as a result of the expanded underwriting capacity of insurance companies and increased competition. In many cases, insurance companies have lowered commission rates and increased volume requirements. Significant reductions in premium rates occurred during the years 1986 through 1998 and continued, although to a lesser degree, through 1999. As a result of increasing "loss ratios" (the comparison of incurred losses plus loss adjustment expense against earned premiums) of insurance carriers through 1999, there was a general increase in premium rates beginning in the first quarter of 2000 and continuing through the fourth quarter of 2000. Although the premium increases varied by line of business, geographical region, insurance carrier and specific underwriting factors, it was the first time since 1986 that we operated in an environment of increased premiums for four consecutive quarters. Premium rates are determined by insurers based on a fluctuating market. Because we do not determine the timing and extent of premium pricing changes, we cannot accurately forecast our commission revenues, including whether they will significantly decline. As a result, our budgets for future acquisitions, capital expenditures, dividend payments, loan repayments and other expenditures may have to be adjusted to account for unexpected changes in revenues.

We derive a substantial portion of our commission revenues from one insurance company, the loss of which could result in additional expense and loss of market share.

The programs offered by our National Programs Division are primarily underwritten by the CNA Insurance Companies (CNA). For the year ended December 31, 2000, approximately $7.5 million, or 39.2%, of our National Programs Division's commissions and fees were generated from policies underwritten by CNA. During the same period, our National Programs Division represented 9.8% of our total commission and fee revenues. In addition, for the same period, approximately $7.4 million, or 5.1%, of our Retail Division's total commissions and fees were generated from policies underwritten by CNA. Accordingly, revenues attributable to CNA represent approximately 7.4% of our total commissions and fees. These dollar amounts and percentages represent a decline in recent years of revenues generated by policies underwritten by CNA. This decline results from certain of our programs and program accounts moving from CNA to other carriers such as, for example, our Lawyer's Protector Plan® moving from CNA to Clarendon National Insurance Company in November of 1999.

We have an agreement with CNA relating to each program underwritten by it and each such agreement provides for either six months' or one year's advance notice of termination. In addition, we have an existing credit agreement with CNA under which $2 million was outstanding as of September 18, 2001. Upon the occurrence of an event of default by us under this credit agreement, including our termination of any insurance program agreement with CNA, CNA may, at its option, declare any unpaid balance due and payable on demand. If our relationship with CNA were terminated, we believe that other insurance companies would be available to underwrite the business, although some additional expense and loss of market share would result.

Because our business is highly concentrated in Arizona, Florida and New York, adverse economic conditions or regulatory changes in these states could adversely affect our financial condition.

For the year ended December 31, 2000, our Retail Division derived $14.9 million, or 10.4%, and $83.0 million, or 57.7%, of its commissions and fees from its Arizona and Florida operations, respectively, constituting 7.3% and 40.5%, respectively, of our total commissions and fees. We believe that these revenues are attributable predominately to clients in Arizona and Florida. Additionally, as a result of the Riedman Insurance acquisition in January 2001, we now have four additional Florida offices and have folded other Riedman insurance business into our existing Florida offices. For the year ended December 31, 2000, Riedman derived $9.9 million, or 18.2% of its commissions and fees, from its Florida operations. Additionally, as a result of this acquisition, we now have 19 offices in New York, where $15.1 million, or 27.8%, of Riedman's insurance business was concentrated as of December 31, 2000. We believe the regulatory environment for insurance agencies in Arizona, Florida and New York currently is no more restrictive than in other states. The insurance business is a state-regulated industry, and therefore, state legislatures may enact laws that adversely affect the insurance industry. Because our business is concentrated in a few states, we face greater exposure to unfavorable changes in regulatory conditions in those states than insurance agencies whose operations are more diversified through a greater number of states. In addition, the occurrence of adverse economic conditions, natural disasters, or other circumstances specific to Arizona, Florida and/or New York could adversely affect our financial condition and results of operations.

Loss of the services of J. Hyatt Brown, our Chairman, President and Chief Executive Officer, could adversely affect our financial condition and future operating results.

Although we operate with a decentralized management system, the loss of the services of J. Hyatt Brown, our Chairman, President and Chief Executive Officer, who beneficially owns approximately 17.7% of our outstanding common stock as of September 18, 2001, could adversely affect our financial condition and future operating results. We maintain a $5 million "key man" life insurance policy with respect to Mr. Brown. We also maintain a $20 million insurance policy on the lives of Mr. Brown and his wife. Under the terms of an agreement with Mr. and Mrs. Brown, at the option of the Brown estate, we will purchase, upon the death of the later to die of Mr. Brown or his wife, shares of our common stock owned by Mr. and Mrs. Brown up to the maximum number that would exhaust the proceeds of the policy.

Our growth strategy depends in part on the acquisition of insurance agencies, which may not be available on acceptable terms in the future and which, if consummated, may not be advantageous to us.

Our growth strategy includes the acquisition of insurance agencies. Our ability to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our operations, and expand into new markets, will require us to continue to implement and improve our operations, financial, and management information systems. For example, most of our offices manage their clients' information using The Application Manager For Windows (WinTAM) computer program by Applied Systems. Part of the added time and expense related to newly acquired agencies includes the integration of an acquired agency's existing computer system into ours. Further, integrated, acquired entities may not achieve levels of revenue, profitability, or productivity comparable to our existing locations, or otherwise perform as expected. In addition, we compete for acquisition and expansion opportunities with entities that have substantially greater resources. Acquisitions also involve a number of special risks, such as: diversion of management's attention; difficulties in the integration of acquired operations and retention of personnel; entry into unfamiliar markets; unanticipated problems or legal liabilities; and tax and accounting issues, some or all of which could have a material adverse effect on the results of our operations and our financial condition.

Our current market share may decrease as a result of increased competition from insurance companies and the financial services industry.

The insurance agency business is highly competitive and we actively compete with numerous firms for clients and insurance carriers, many of which have relationships with insurance companies or have a significant presence in niche insurance markets, that may give them an advantage over us. Because relationships between insurance agencies and insurance carriers or clients are often local or regional in nature, this potential competitive disadvantage is particularly pronounced outside of Florida.

A number of insurance companies are engaged in the direct sale of insurance, primarily to individuals, and do not pay commissions to agents and brokers. However, to date, such direct writing has had relatively little effect on our operations, primarily because our Retail Division is commercially oriented.

In addition, to the extent that the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 and regulations newly enacted thereunder permit banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation, and we therefore may experience increased competition from insurance companies and the financial services industry, as a growing number of larger financial institutions increasingly, and aggressively, offer a wider variety of financial services, including insurance, than we currently offer.

Proposed tort reform legislation, if enacted, could decrease demand for liability insurance, thereby reducing our commission revenues.

Legislation concerning tort reform is currently being considered in the United States Congress and in several states. Among the provisions being considered for inclusion in such legislation are limitations on damage awards, including punitive damages, and various restrictions applicable to class action lawsuits, including lawsuits asserting professional liability of the kind for which insurance is offered under policies sold by our National Programs Division, particularly our Physicians' Protector Plan® and Professional Protector Plan® for Dentists. Enactment of these or similar provisions by Congress, or by states in which we sell insurance, could result in a reduction in the demand for liability insurance policies or a decrease in policy limits of such policies sold, thereby reducing our commission revenues.

We compete in a highly regulated industry, which may result in increased expenses or restrictions on our operations.

We conduct business in a number of states and are subject to comprehensive regulation and supervision by government agencies in many of the states in which we do business. The primary purpose of such regulation and supervision is to provide safeguards for policyholders rather than to protect the interests of stockholders. The laws of the various state jurisdictions establish supervisory agencies with broad administrative powers with respect to, among other things, licensing to transact business, licensing of agents, admittance of assets, regulating premium rates, approving policy forms, regulating unfair trade and claims practices, establishing reserve requirements and solvency standards, requiring participation in guarantee funds and shared market mechanisms, and restricting payment of dividends.

Also, in response to perceived excessive cost or inadequacy of available insurance, states have from time to time created state insurance funds and assigned risk pools, which compete directly, on a subsidized basis, with private insurance providers. We act as agents and brokers for state insurance funds such as these in California, Nevada and other certain states. These state funds could choose to reduce the sales or brokerage commissions we receive. Any such event, in a state in which we have substantial operations, such as Florida, Arizona or New York, could substantially affect the profitability of our operations in such state, or cause us to change our marketing focus. Further, state insurance regulators and the National Association of Insurance Commissioners continually re-examine existing laws and regulations, and such re-examination may result in the enactment of insurance-related laws and regulations, or the issuance of interpretations thereof, that adversely affect our business.

Carrier override and contingent commissions are less predictable than usual, which impairs our ability to forecast the amount of such commissions that we will receive.

We derive a portion of our revenues from carrier override and contingent commissions. The aggregate of these commissions generally accounts for 3.1% to 5.3% of our total revenues. Contingent commissions are paid by insurance companies and are based on the profit that the underwriter makes on the overall volume of business that we place with that insurance company. We generally receive these commissions in the first and second quarters of each year. Override commissions are paid by insurance companies based on the volume of business that we place with them and are generally paid over the course of the year. Due to recent changes in our industry, including changes in underwriting criteria due in part to the high loss ratios experienced by insurance companies , we cannot predict the payment of these commissions as well as we have been able to in the past. Further, we have no control over the ability of insurance companies to estimate loss reserves, which affects our ability to make profit-sharing calculations. Because these commissions affect our revenues, any decrease in their payment to us could have an adverse effect on our operations.

We have not determined the amount of resources and the time that will be necessary to adequately respond to rapid technological change in our industry, which may adversely affect our business and operating results.

Frequent technological changes, new products and services and evolving industry standards are all influencing the insurance business. The Internet, for example, is increasingly used to transmit benefits and related information to clients and to facilitate business-to-business information exchange and transaction We believe that the development and implementation of new technologies will require additional investment of our capital resources in the future. We have not determined, however, the amount of resources and the time that this development and implementation may require, which may result in short-term, unexpected interruptions to our business, or may result in a competitive disadvantage in price and/or efficiency, as we endeavor to develop or implement new technologies.

Quarterly and annual variations in our commissions that result from the timing of policy renewals and the net effect of new and lost business production may have unexpected effects on our results of operations.

Our commission income (including contingent and override commissions but excluding fees), which typically accounts for approximately 86% to 89% of our total annual revenues, can vary quarterly or annually due to the timing of policy renewals and the net effect of new and lost business production. The factors that cause these variations are not within our control. Specifically, consumer demand for insurance products can influence the timing of renewals, new business and lost business, which includes generally policies that are not renewed, and cancellations. In addition, as discussed, we rely on insurance companies for the payment of certain commissions. Because these payments are processed internally by these insurance companies, we may not receive a payment that is otherwise expected from a particular insurance company in one of our quarters or years until after the end of that period, which can adversely affect our ability to budget for significant future expenditures.

Quarterly and annual fluctuations in revenues based on increases and decreases associated with the timing of policy renewals have had an adverse effect on our financial condition in the past, and we may experience such effects in the future.

FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" within the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995 throughout this prospectus and in the documents we incorporate by reference into this prospectus. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate," "plan" and "continue" or similar words. We have based these statements on our current expectations about future events. Although we believe that our expectations reflected in or suggested by our forward-looking statements are reasonable, our actual results may differ materially from what we currently expect. Important factors which could cause our actual results to differ materially from the forward-looking statements in this prospectus or in the documents that we incorporate by reference into this prospectus include:

- material adverse changes in economic conditions in the markets we serve;
- future regulatory actions and conditions in the states in which we conduct our business;
- competition from others in the insurance agency business;

the integration of our operations with those of businesses or assets we have acquired or may acquire in the future and the failure to realize the expected benefits of such integration; and

other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission filings.

You should read this prospectus and the documents that we incorporate by reference into this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

SELLING SHAREHOLDERS

The selling shareholders listed below received their shares of Brown & Brown common stock in connection with the acquisitions by Brown & Brown of all of the outstanding capital stock of The Young Agency, Inc., located in Syracuse, New York, on May 4, 2001; Layne & Associates, Ltd., located in Las Vegas, Nevada, on July 3, 2001; Agency of Insurance Professionals, Inc., located in Pryor, Oklahoma, on July 19, 2001; CompVantage Insurance Agency, LLC, located in Pryor, Oklahoma, on July 19, 2001; Agency of Indian Programs Insurance, LLC, located in Pryor, Oklahoma, on July 19, 2001; The Connelly Insurance Group, Inc., located in Clearwater, Florida, on August 1, 2001; and The Benefit Group, Inc., located in St. Petersburg, Florida, on August 1, 2001. The information included below is based upon information provided by the selling shareholders as of the date of this prospectus. Because the selling shareholders may offer all, some, or none of their shares of common stock offered under this prospectus, no definite estimate as to the number of shares of common stock or the percentage thereof that will be held by the selling shareholders after such offering can be provided and the following table has been prepared on the assumption that all shares of common stock offered under this prospectus will be sold. The selling shareholders are required to deliver a copy of this prospectus in connection with any sale of shares.

Prior to Brown & Brown's acquisition of the outstanding capital stock of each of the above-referenced agencies, none of the selling shareholders has or had any position, office or material relationship with Brown & Brown or any of its affiliates during the past three years.

			Shares Which May Be Sold Pursuant	Shares Beneficially Owned After Offering	
Selling Shareholder	Position with Brown & Brown	Shares Beneficially Owned	To This Prospectus	Number	Percent
Robert D. Young	Employee	112,514	112,514	0	*
Donald T. Cullen	Employee	107,429	107,429	0	*
Robert S. Messina	Employee	89,543	89,543	0	*
G. David Hall	Employee	30,114	30,144	0	*
Roy S. Moore, III	Employee	231,829	231,829	0	*
Robert Bruce Layne	Employee	204,992	204,992	0	*
Randall V. Capurro	Employee	36,175	36,175	0	*
William D. Evans	Employee	51,957	51,957	0	*
John C. Hawkins	Employee	51,958	51,958	0	*

Robert W. Shearer	Employee	16,219	16,219	0	*
John P. Connelly	Employee	224,102	44,820	179,282	*
Kevin J. Connelly	Employee	33,486	6,697	26,789	*
Donald J. Volpe	Employee	59,854	11,971	47,883	*

* less than 1%.

PLAN OF DISTRIBUTION

Brown & Brown is registering the shares on behalf of the selling shareholders. References in this section to selling shareholders also include any permitted pledgees, donees or transferees identified in a supplement to this prospectus, if necessary. The common stock covered by this prospectus may be offered and sold from time to time by the selling shareholders, including in one or more of the following transactions:

- on the New York Stock Exchange;
- in transactions other than on the New York Stock Exchange;
- in connection with "short sales";
- by pledge to secure debts and other obligations;
- in connection with the writing of options, in hedge transactions and in settlement of other transactions in standardized or over-the-counter options;
- in a combination of any of the above transactions; or
- Pursuant to Rule 144 under the Securities Act, assuming the availability of an exemption from registration.

The selling shareholders may sell their shares at market prices prevailing at the time of sale, at prices related to prevailing market prices, at negotiated prices or at fixed prices.

Broker-dealers that are used to sell shares will either receive discounts or commissions from the selling shareholders, or will receive commissions from the purchasers for whom they acted as agents.

The sale of common stock by the selling shareholders is subject to compliance by the selling shareholders with certain contractual restrictions with Brown & Brown, including those contained in each of the respective stock purchase agreements between Brown & Brown and the selling shareholders. There can be no assurance that the selling shareholders will sell all or any of the common stock.

Brown & Brown has agreed to keep this prospectus effective for a period expiring on the earlier of (1) the date on which all of the selling shareholders' shares have been sold, (2) the date on which all such shares are eligible for sale pursuant to Rule 144 under the Securities Act, or (3) one year from the closing date of the acquisition in which the selling shareholders received such shares. Brown & Brown intends to de-register any of the common stock not sold by the selling shareholders immediately after the expiration of such period. After such period, the selling shareholders will no longer be able to use this prospectus to sell their shares.

Brown & Brown and the selling shareholders have agreed to customary indemnification obligations with respect to the sale of common stock by use of this prospectus.

LEGAL MATTERS

Certain legal matters with respect to the validity of the shares offered hereby will be passed upon for Brown & Brown by Holland & Knight LLP, Tampa, Florida.

EXPERTS

The financial statements of Brown & Brown incorporated by reference in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent certified public accountants, as indicated in their reports with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The financial statements of Riedman Insurance (a division of Riedman Corporation) incorporated by reference in this prospectus and elsewhere in the registration statement have been audited by KPMG LLP, independent certified public accountants, as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Those reports, proxy statements and other information may be obtained:

At the Public Reference Room of the SEC, Room 1024 - Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549;

At the public reference facilities at the SEC's regional offices located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661;

From the SEC, Public Reference Section, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549;

At the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005; and

From the Internet site maintained by the SEC at http://www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Some locations may charge prescribed or modest fees for copies.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

Annual Report on Form 10-K for the year ended December 31, 2000 (including information specifically incorporated by reference into our Form 10-K from our definitive Proxy Statement).

Amendment to Annual Report on Form 10-K/A, filed with the SEC on March 27, 2001.

Current Report on Form 8-K, filed with the SEC on January 18, 2001.

Amendment to Current Report on Form 8-K/A, filed with the SEC on March 19, 2001.

Amendment No. 2 to Current Report on Form 8-K/A, filed with the SEC on March 23, 2001.

Quarterly Report on Form 10-Q for the three-month period ended March 31, 2001, filed with the SEC on May 15, 2001.

The description of Brown & Brown's common stock contained in Brown & Brown's registration statement on Form 8-A filed on November 17, 1997, pursuant to Section 12(b) of the Securities and Exchange Act of 1934.

The description of Brown & Brown's Common Stock Purchase Rights contained in the registration statement on Form 8-A filed on August 2, 1999.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 shall be deemed to be incorporated by reference in this prospectus and to be part hereof from the date of filing of such documents.

All documents filed by the Registrant after the date of filing the initial registration statement on Form S-3, of which this prospectus is a part, and prior to the effectiveness of such registration statement pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 shall be deemed to be incorporated by reference into this prospectus and to be part hereof from the date of filing of such documents.

Quarterly Report on Form 10-Q for the six-month period ended June 30, 2001, filed with the SEC on August 8, 2001.

On request we will provide at no cost to each person, including any beneficial owner who receives a copy of this prospectus, a copy of any or all of the documents incorporated in this prospectus by reference. We will not provide exhibits to any such documents, however, unless such exhibits are specifically incorporated by reference into those documents. Written or telephone requests for such copies should be addressed to Brown & Brown's executive offices in Tampa, Florida, Attention: Corporate Secretary.

996,248 Shares

BROWN & BROWN, INC.

Common Stock

PROSPECTUS

September _____, 2001

Part II

Information Not Required In Prospectus

Item 14. Other Expenses of Issuance and Distribution.

Set forth below is the Securities and Exchange Commission Registration Fee and an estimate of the other fees and expenses payable by the Registrant in connection with the registration and sale of the securities being registered:

Securities and Exchange Commission Registration Fee	$11,675.00
Legal Fees and Expenses	10,000.00
Accounting Fees and Expenses	2,000.00
Printing, Engraving and Mailing Expenses	20.00
Total	23,685.00

Item 15. Indemnification of Directors and Officers.

The Registrant is a Florida corporation. Reference is made to Section 607.0850 of the Florida Business Corporation Act, which permits, and in some cases requires, indemnification of directors, officers, employees, and agents of Registrant, under certain circumstances and subject to certain limitations.

Under Article VII of the Registrant's Bylaws, the Registrant is required to indemnify its officers and directors, and officers and directors of certain other corporations serving as such at the request of the Registrant, against all costs and liabilities incurred by such persons by reason of their having been an officer or director of the Registrant or such other corporation, provided that such indemnification shall not apply with respect to any matter as to which such officer or director shall be finally adjudged to have been individually guilty of gross negligence or willful malfeasance in the performance of his or her duties as a director or officer, and provided further that the indemnification shall, with respect to any settlement of any suit, proceeding, or claim, include reimbursement of any amounts paid and expenses reasonably incurred in settling any such suit, proceeding, or claim when, in the judgment of the Board of Directors, such settlement and reimbursement appeared to be in the best interests of the Registrant.

The Registrant has purchased insurance with respect to, among other things, liabilities that may arise under the statutory provisions referred to above.

The general effect of the foregoing provisions may be to reduce the circumstances in which an officer or director may be required to bear the economic burden of the foregoing liabilities and expense.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits:

Exhibit Number	Description
5.1	Opinion of Holland & Knight LLP.
10.1	Stock Purchase Agreement, dated as of May 4, 2001, among the Registrant and the shareholders of The Young Agency, Inc.
10.2	Agreement and Plan of Merger, dated as of July 3, 2001, among the Registrant and the shareholders of Layne & Associates, Ltd.
10.3	Agreement and Plan of Merger, dated as of July 16, 2001, among the Registrant and the shareholders of Agency of Insurance Professionals, Inc.
10.4	Agreement and Plan of Merger, dated as of July 16, 2001, among the Registrant and the members of CompVantage Insurance Agency, LLC and Agency of Indian Insurance Programs, LLC.
10.5	

	Stock Purchase Agreement, dated as of August 1, 2001, among the Registrant and the shareholders of The Connelly Insurance Group, Inc.
10.6	Stock Purchase Agreement, dated as of August 1, 2001, among the Registrant and the shareholder of The Benefit Group, Inc.
23.1	Consent of Arthur Andersen LLP, independent auditors of the Registrant.
23.2	Consent of KPMG LLP, independent auditors of Riedman Insurance (a division of Riedman Corporation).
23.3	Consent of Holland & Knight LLP (included in Exhibit 5.1).
24.1	Powers of Attorney pursuant to which this Form S-3 has been signed on behalf of certain directors and officers of the Registrant.

—

Item 17. Undertakings

The undersigned Registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act,

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement,

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs 1(i) and 1(ii) do not apply if the information required to be included in a post-effective amendment by such clauses is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

- That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

- To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

- That, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to its Certificate of Incorporation, Bylaws, by agreement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Daytona Beach, State of Florida, on September 28, 2001.

BROWN & BROWN, INC.

By: *

J. Hyatt Brown

Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on September 28, 2001.

Signature	Title
*	Chairman of the Board, President and
J. Hyatt Brown	Chief Executive Officer
	(Principal Executive Officer)
*	Vice President, Treasurer and
Cory T. Walker	Chief Financial Officer (Principal Financial and Accounting Officer)
*	Executive Vice President,
Jim W. Henderson	Assistant Treasurer and Director
*	Director
Samuel P. Bell, III	
*	Director
Bradley Currey, Jr.	
*	Director
David H. Hughes	
*	Director
Theodore J. Hoepner	
*	Director

Toni Jennings

*	Director
John R. Riedman	
*	Director
Jan E. Smith	

*By: /S/ LAUREL L. GRAMMIG
Laurel L. Grammig
Attorney-in-Fact

Exhibit Index

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24.1 Powers of Attorney pursuant to which this Form S-3 has been signed on behalf of certain directors and officers of the Registrant.

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F:\ADMIN\SEC\S3\COMBINED\S3_c.DOC T: 0px; MARGIN-RIGHT: 0px; FONT-FAMILY: Times New Roman">**228,890**

208,496

30.9

%

19.2

%

Total provisions, net of recoveries

(46,010

)

(45,214

)

(36,277

)

26.8

%

1.8

%

Operating expenses

(89,612

)

(83,818

)

(75,680
)

18.4
%

6.9
%
Net operating income

122,983

103,479

98,763

24.5
%

18.8
%
Non-operating income, net

982

4,603

6,460

(84.8
%)

(78.7
%)
Net income

85,196

80,487

79,934

6.6
%

5.9
%
Net income/share (Ch$)

0.45

0.43

0.42

6.6
%

5.9
%
Net income/ADR (US$)[1]

0.92

0.84

0.82

12.1
%

9.1
%
Total loans

12,800,321

12,541,155

11,417,738

12.1
%

2.1
%
Customer funds

12,796,548

12,569,958

10,995,427

16.4
%

1.8
%
Shareholders' equity

1,348,162

1,228,053

1,187,137

13.6

%

9.8

%

Net interest margin

6.8

%

5.5

%

5.0

%

Adjusted net interest margin[2]

6.2

%

5.2

%

4.7

%

Efficiency ratio

34.7

%

36.0

%

35.9

%

Return on average equity[3]

26.1

%

25.8

%

27.5

%

PDL / Total loans

0.88
%
0.84
%
0.78
%
Coverage ratio of PDLs
197.2
%
199.8
%
181.0
%
Expected loss[4]
1.73
%
1.68
%
1.41
%
BIS ratio
12.5
%
13.0
%
12.8
%
Branches[5]
425
417
368
ATMs
1,808

1,744

1,479

Employees

9,057

8,913

8,029

1. The change in earnings per ADR may differ from the change in earnings per share due to the exchange rate.
2. Net interest margin adjusted for the results of inflation hedging
3. Annualized Quarterly Earnings / Average Equity.
4. Reserve for loan losses / Total loans on a consolidated basis.
5. Includes SuperCaja branches inaugurated in 4Q 2006.

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INTEREST EARNING ASSETS

Strong focus on profitability

Interest Earning Assets		**Quarter ended,**		**% Change**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Consumer loans	1,944,579	1,889,268	1,692,432	14.9%	2.9%
Residential mortgage loans*	3,154,667	3,024,742	2,662,434	18.5%	4.3%
Commercial loans	4,333,120	4,221,007	4,082,361	6.1%	2.7%
Commercial mortgage loans**	146,566	155,827	202,261	(27.5%)	(5.9%)
Foreign trade loans	853,479	663,313	656,171	30.1%	28.7%
Leasing	836,268	810,598	754,572	10.8%	3.2%
Factoring	208,916	175,780	157,967	32.3%	18.9%
Other outstanding loans	32,389	29,425	22,605	43.3%	10.1%
Contingent loans	996,156	1,115,134	963,463	3.4%	(10.7%)
Interbank loans	182,051	350,393	134,609	35.2%	(48.0%)
Past due loans	112,130	105,668	88,863	26.2%	6.1%
Total loans	**12,800,321**	**12,541,155**	**11,417,738**	**12.1%**	**2.1%**
Total financial investments	1,653,462	1,374,164	1,289,269	28.2%	20.3%
Total interest-earning assets	**14,453,783**	**13,915,319**	**12,707,007**	**13.7%**	**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 3Q 2007, the Bank remained steadily focused on expanding the loan portfolio in those areas that contribute to expanding ROEs. Total loans increased 2.1% QoQ and 12.1% YoY. Consumer loans expanded 2.9% QoQ and 14.9% YoY. Residential mortgage lending increased 4.3% QoQ and 18.5% YoY. Commercial loans increased 2.7% QoQ and 6.1% YoY led by an increase in lending to Small and Mid-sized companies (SMEs) in line with our focus on profitability. This was also reflected in the growth of leasing and factoring operations that are mainly driven by the SME and middle market segments.

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In the past three years, Santander Chile has continuously outperformed the market in the growth of net interest income, reflecting our focus on profitability over market share per se.

Source: Superintendency of Banks of Chile, unconsolidated figures.

Loans by business segment*		**Quarter ended,**		**% Change**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Total loans to individuals	5,576,602	5,376,224	4,866,924	14.6%	3.7%
SMEs	2,013,521	1,905,480	1,681,803	19.7%	5.7%
Total retail lending	**7,590,123**	**7,281,704**	**6,548,727**	**15.9%**	**4.2%**
Institutional lending	198,446	191,410	196,322	1.1%	3.7%
Middle-Market & Real estate	2,355,899	2,302,678	2,324,796	1.3%	2.3%
Corporate	1,452,592	1,280,267	1,237,508	17.4%	13.5%

*Excludes contingent loans and interbank loans

Retail lending expanded 4.2% QoQ and 15.9% YoY. In the quarter, the Bank focused on strengthening margins in this segment, which had some impact on growth rates, especially in consumer loans, but improved net interest income (See Net Interest Income).

Loans to individuals increased 3.7% QoQ and 14.6% YoY driven mainly by residential mortgage loans. The Bank has been working strongly throughout the year on developing a retail banking model that gives sustainable and adequate profitability to shareholders in the short and long-term. Lending to individuals continues to be a strategic priority for the Bank. The modifications introduced in the pricing and risk models should permit the Bank to grow at a healthy rate and strong margins.

Loan growth to SMEs remained steady increasing 5.7% QoQ and 19.7% YoY. This retail segment experienced strong growth in high yielding leasing and factoring operations. Spreads in this segment have remained strong (6%-7%) and the positive evolution of consumption and investment has pushed demand for loans in this segment.

Lending to the middle market segment increased 2.3% QoQ and 1.3% YoY. Spreads of new loans in this segment have been under pressure and the Bank avoided renewing some loan operations at unattractive returns.

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Loans in corporate banking increased 13.5% QoQ and 17.4% YoY. This rise was mainly due to the growth in foreign trade loans. Foreign trade loans are somewhat volatile on a quarter to quarter basis in this segment, as a few customers concentrate a large percentage of total exports.

CUSTOMER FUNDS

Funding mix improves. Increasing duration of liabilities as short-term rates rise.

Funding		**Quarter ended,**		**Change %**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Non-interest bearing deposits	2,656,047	2,649,259	2,274,546	16.8%	0.3%
Time deposits and savings accounts	7,273,063	7,343,069	6,816,812	6.7%	(1.0%)
Total customer deposits	**9,929,110**	**9,992,328**	**9,091,358**	**9.2%**	**(0.6%)**
Mutual funds	2,867,438	2,577,630	1,904,069	50.6%	11.2%
Total customer funds	**12,796,548**	**12,569,958**	**10,995,427**	**16.4%**	**1.8%**

Total customer funds increased 1.8% QoQ and 16.4% YoY. During the quarter inflation jumped well-above market expectations fuelling a rise in short-term interest rates. The overnight reference rate set by the Central Bank was increased 75 basis points to 5.75% during the quarter. Despite rising rates, time deposits decreased 1.0% QoQ. The Bank issued Ch$233,399 million (US$456 million) in local senior bonds in the quarter. Despite international liquidity concerns, the Chilean market remains highly liquid, permitting the Bank to issue aggressively in the local market at attractive spreads. These bonds were used to increase the duration of liabilities in light of rising short-term rates and falling long-term rates. This reflects the Bank's proactive management of its balance sheet in order to maximize margins and profitability. Demand for these bonds was 1.5x greater than supply, reflecting the high demand for good quality fixed income instruments in the period. Santander has the best risk ratings for any private issuer in Latin America.

Long-term funding		**Quarter ended,**		**Change %**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Bond	980,497	747,098	559,165	75.4%	31.2%
Sub-bonds	440,598	477,041	490,974	(10.3%)	(7.6%)
Total	**1,421,095**	**1,224,139**	**1,050,139**	**35.3%**	**16.1%**

Non-interest bearing liabilities increased 0.3% QoQ and 16.8% YoY. The average balance of non-interest bearing checking accounts increased 0.8% QoQ and 22.1% YoY. The positive performance of checking account balances reflects our strong growth in checking account holders and cash-management has fuelled growth in this line item. This also helps to minimize the negative impact of rising rates on funding costs, as the yield on checking accounts rises with rate hikes.

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Total quarterly average non-interest bearing demand deposits	**Quarter ended,**			**Change %**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Total	**2,203,374**	**2,185,216**	**1,805,267**	**22.1%**	**0.8%**

Assets under management in the Bank's mutual fund subsidiary increased 11.2% QoQ and 50.6% YoY. Despite market turmoil in August, the Chilean equity market rapidly recovered, fuelling growth of mutual funds under management.

NET INTEREST INCOME

Record net interest margin driven by improved asset mix and higher inflation

Net Interest Income	**Quarter**			**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Net interest income	**242,755**	**192,163**	**176,217**	**37.8%**	**26.3%**
Inflation hedge [1]	(19,620)	(10,380)	(9,968)	96.8%	89.0%
Adjusted net interest income[1]	**223,135**	**181,783**	**166,249**	**34.2%**	**22.7%**
Average interest-earning assets	14,342,826	14,001,833	14,162,135	1.3%	2.4%
Average loans	12,213,946	12,043,872	10,984,330	11.2%	1.4%
Net interest margin [2]	**6.8%**	**5.5%**	**5.0%**		
Adjusted Net interest margin [1,2]	**6.2%**	**5.2%**	**4.7%**		
Avg. equity + non-interest bearing demand deposits / Avg. interest earning assets	24.5%	24.5%	21.0%		
Quarterly inflation rate [3]	2.98%	1.00%	1.38%		
Avg. overnight interbank rate (nominal)	5.45%	5.08%	5.24%		
Avg. 10 year Central Bank yield (real)	3.08%	2.90%	3.13%		

1. The Bank hedges part of its UF gap (UF = Unidad de Fomento, an inflation indexed currency) with derivatives. The result of this hedge is included in the net gain from trading and mark-to-market. The UF gap results from the Bank's assets denominated in UF funded through deposits denominated in nominal pesos and free funds. The adjusted net interest income and margin is net of the results of this hedge.

2. Annualized

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

Net interest income in 3Q 2007 increased 26.3% QoQ and 37.8% YoY. Adjusting for the results of inflation hedging, net interest income increased 22.7% QoQ and 34.2% YoY. In 3Q 2007 the adjusted net interest margin reached a record level of 6.2%, increasing 100 basis points QoQ and 150 basis points YoY. Among the various reasons for this solid performance, the following points are worth mentioning:

Higher inflation. Inflation reached 3.0% in 3Q 2007, boosting net interest income and margins. The Bank has a more assets than liabilities denominated in Unidades de Fomento (UF, an inflation-indexed currency). The UF gap results from the Bank's assets denominated in UF funded through deposits denominated in nominal pesos and free funds. This positive gap is, in part, hedged with peso/UF derivatives, the results of which are recognized in the net gains from financial transactions. The Bank hedges this gap in order to maintain interest rate risk below internal and regulatory limits. The positive effects of higher inflation are also partially offset by the loss from price level restatement. Going forward, if inflation decelerates, this should negatively affect net interest income compared to 3Q 2007 levels.

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Rising net interest margins*

* Net interest margin adjusted for inflation hedging

Improved asset mix and the constant focus of adequately allocating capital to the most productive uses. In 3Q 2007 interest earning assets increased 1.3% YoY, while average loans increased 11.2% in the same period. The yield on average consumer loans increased 133 bp to 23.2% and the average volume of consumer loans increased 18.8%. The average volume of commercial and other loans increased 10.1% YoY and the yield earned on these loans increased 336 bp. As a result, loan yields were up 318 bp. YoY, reaching 14.7%. This reflects the strategic focus on improving the asset and pricing mix of the loan portfolio.

3Q 2007 vs. 3Q 2006	Avg. balance (Ch$mn)	YoY chg. (%)	Yield* (%)	Chg. yield (bp)
Loans	**12,213,946**	**11.2%**	**14.7%**	**+318**
Consumer loans	1,683,360	18.8%	23.2%	+133
Commercial & other loans	10,530,585	10.1%	13.3%	+336
Total avg. interest earning assets	**14,342,826**	1.3%	14.0%	**+396**

* Interest income annualized / average volume

Improved funding mix. During the quarter, the rise in inflation expectations pushed short-term rates upward. The average overnight interbank rate increased from 5.08% in 2Q 2007 to 5.45% in 3Q 2007. This placed pressure on the Bank's margins by increasing funding costs. As mentioned above, the Bank issued long-term bonds in the local market to counterbalance rising funding costs. At the same time, the ratio of average non-interest bearing liabilities to interest earning asset reached 24.5% in 3Q 2007 compared to 21.0% in 3Q 2007. As short-term rates rise, the yield obtained over non-interest bearing deposits and capital increases.

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PROVISION FOR LOAN LOSSES

Provision expense stable QoQ. Coverage ratio reaches 197%

Provision for loan losses		**Quarter**		**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Provisions	(11,143)	(11,556)	(14,178)	(21.4%)	(3.6%)
Charge-offs	(49,465)	(47,965)	(34,168)	44.8%	3.1%
Gross provisions and charge-offs	(60,608)	(59,521)	(48,346)	25.4%	1.8%
Loan loss recoveries	14,598	14,307	12,069	21.0%	2.0%
Net provisions	**(46,010)**	**(45,214)**	**(36,277)**	**26.8%**	**1.8%**
Total loans	12,800,321	12,541,155	11,417,738	12.1%	2.1%
Total reserves (RLL)	221,070	211,113	160,879	37.4%	4.7%
Past due loans (PDL)**	**112,130**	**105,668**	**88,863**	**26.2%**	**6.1%**
Gross provision expense / loans***	1.89%	1.90%	1.69%		
Net provision expense / loans * **	**1.44%**	**1.44%**	**1.27%**		
PDL/Total loans	**0.88%**	**0.84%**	**0.78%**		
Expected loss (RLL / loans)	1.73%	1.68%	1.41%		
RLL / Past due loans	**197.2%**	**199.8%**	**181.0%**		

* See text and footnote 3

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

*** Annualized

In 3Q 2007, the Bank's net provisions expenses increased 1.8% QoQ and 26.8% YoY. This rise was mainly due to an increase in net provisions in retail banking in line with loan growth in this business segment. As mentioned in previous releases, provisions are expected to increase due to the growth of lending to higher yielding and riskier retail segments.

Net provision expense by segment		**Quarter**		**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Retail banking*	45,324	43,102	36,721	23.4%	5.2%
Middle-market	(303)	1,792	(885)	(65.8%)	—%
Corporate banking	(184)	(32)	(48)	283.3%	475.0%
Leasing subsidiary	(13)	(109)	(355)	(96.3%)	(88.1%)
Total**	**44,824**	**44,753**	**35,433**	**26.5%**	**0.2%**

* Includes individuals and SMEs.

** Excludes provisions over repossessed assets

The Bank continues to display sound asset quality indicators as a result of the proactive management of asset quality and the strengthening of credit policies and processes. Coverage of past due loans reached 197% at September 2007. The past due loan ratio as of September 30, 2007 reached 0.88%. Reserves for loan losses over total loans remained steady at 1.73% compared to 1.68% in 2Q 2007. The ratio of net provision expense over total loans remained steady QoQ at 1.4% in 3Q 2007.

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FEE INCOME

Growth in distribution network, client base and product usage boosts fee income

Fee income		**Quarter**		**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Checking accounts*	16,011	13,822	13,638	17.4%	15.8%
Adm. & collection of insurance policies	6,492	7,644	5,141	26.3%	(15.1%)
Mutual fund services	8,162	7,145	4,974	64.1%	14.2%
Credit cards	5,727	5,046	4,910	16.6%	13.5%
Automatic teller cards	4,172	3,959	3,646	14.4%	5.4%
Insurance brokerage	2,891	3,027	3,353	(13.8%)	(4.5%)
Stock brokerage	1,888	1,920	349	441.0%	(1.7%)
Other product and services	4,419	4,544	6,236	(29.1%)	(2.8%)
Total fee income, net	**49,762**	**47,107**	**42,247**	**17.8%**	**5.6%**
Fees / operating expense	**55.5%**	**56.2%**	**55.8%**		

*Includes lines of credit

Net fee income increased 5.6% QoQ and 17.8% YoY in 3Q 2007. The Bank continues to expand its client base, cross-selling and product usage, especially in retail banking along with positive results from asset management. The total number of clients increased 15.2% YoY to 2.7 million. The Bank continues to invest in expanding its distribution network. As of September 2007, the Bank's distribution network totaled 425 branches and 1,808 ATMs, increasing 15.5% and 22.2% YoY, respectively. 1/3 of the Bank's branches have been opened in the last three years.

Investing to sustain growth momentum in retail banking

* Including Santander SuperCaja offices

A greater amount of clients with checking accounts coupled with continuous improvements in client service has led to better cross selling ratios. The amount of middle/upper income individual clients that are cross-sold (a client with a checking account and that uses at least three other products) increased 19.7% YoY as of September 2007. In Santander Banefe, the amount of cross-sold clients (clients that uses at least 2 or more other products) rose 20.2% YoY as of September 2007.

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This rise in client base has been driven by the growth in our retail checking account base. Market share in checking accounts reached 27.8% as of August 2007, the latest figure available, compared to 26.7% as of August 2006. In this 12 month period, the Bank's opened 49.6% of all new account opened in the Chilean market. As a result, in 3Q 2007 fees from checking accounts increased 17.4% YoY and 15.8% QoQ.

Credit card fees increased 16.6% QoQ and 13.5% YoY in 3Q 2007. According to information published by Transbank, the industry's credit card processor, as of September 2007 purchases with Santander credit cards in monetary terms were growing 16.4% YoY in real terms compared to 15.6% for the market. Market share in terms of purchases reached 35.5% as of September 2007 compared to 35.3% as of September 2006.

Asset management has been an important contributor to fee income in 2007. Fees from mutual fund management increased 14.2% QoQ and 64.1% YoY in 3Q 2007. Assets under management totaled Ch$2,867,438 million and increased 11.2% QoQ and 50.6% YoY, fuelling asset management fee growth.

ATM fees increased 5.4% QoQ and 14.4% YoY in line with the expansion of the Bank's ATM network. As of September 2007, the Bank had a total of 1,808 ATMs, the largest network in Chile, which represents a 22.2% YoY increase. An extensive ATM network is key to this process.

Insurance brokerage fees decreased 4.5% QoQ and 13.8% YoY in 3Q 2007. Fees from the administration and collection of insurance policies increased 15.1% QoQ and 26.3% YoY in the same period. Lower loan growth reduced the growth rate of insurance policies associated with different loan products. This was offset by the continued strength in distributing insurance products and collecting insurance premiums for third parties.

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Fees from stock brokerage decreased 1.7% QoQ, but increased 441% YoY in 3Q 2007. In 1Q 2007, the merger between Santiago Corredores de Bolsa Ltda, a subsidiary of the Bank, and Santander Investment S.A. Corredores de Bolsa was completed. The Bank now owns 50.5% of the merged entity.

OPERATING EXPENSES AND EFFICIENCY

Efficiency ratio reaches 34.7% in 3Q 2007

Operating Expenses		**Quarter**		**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Personnel expenses	45,831	42,879	38,468	19.1%	6.9%
Administrative expenses	31,633	30,354	27,563	14.8%	4.2%
Depreciation and amortization	12,148	10,585	9,650	25.9%	14.8%
Operating expenses	**89,612**	**83,818**	**75,680**	**18.4%**	**6.9%**
Efficiency ratio*	**34.7%**	**36.0%**	**35.9%**		

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

The Bank continues to have a world class efficiency ratio, which reached a record low of 34.7% in 3Q 2007.

In the same period, operating expenses increased 6.9% QoQ and 18.4% YoY. Personnel expenses increased 6.9% QoQ and 19.1% YoY in the same period. Headcount increased 12.8% YoY. This rise is mainly focused in front office positions as the Bank expands its distribution network. Santander SuperCaja and the merger of the stock brokerages also added approximately 200 new employees to headcount. Additionally in the quarter, the spurt in inflation triggered an automatic increase in wages.

The 4.2% QoQ and 14.8% YoY rise in administrative expenses was directly linked to the higher commercial activities and the larger distribution network. The same hold true for depreciation and amortizations.

For the nine-month period ended September 30, 2007, the efficiency ratio reached 36.1% compared to 36.6% in the same period in 2006.

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Positive evolution of efficiency ratio*, (%)

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

GAINS (LOSSES) ON FINANCIAL TRANSACTIONS

Net Result from financial transactions	**Quarter**			**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Net gain (loss) from trading and mark-to-market	(64,091)	(628)	(5,056)	1,167.6%	10,105.6%
Foreign exchange transactions, net	42,145	5,167	5,499	666.4%	715.7%
Net results from financial transactions[3]	**(21,946)**	**4,539**	**443**	**—%**	**—%**
Inflation hedge *	**(19,620)**	**(10,380)**	**(9,968)**	**96.8%**	**89.0%**
Adjusted Gains (losses) on financial transactions*	**(2,326)**	**14,919**	**10,411**	**—%**	**—%**
Quarterly inflation rate**	2.98%	1.00%	1.38%		
Avg. overnight interbank rate (nominal)	5.45%	5.08%	5.24%		
Avg. 10 year Central Bank yield (real)	3.08%	2.90%	3.13%		

* The Bank hedges part of its UF gap (UF = Unidad de Fomento, an inflation indexed currency) with derivatives. The result of this hedge is included in the net gain from trading and mark-to-market. The UF gap results from the Bank's assets denominated in UF funded through deposits denominated in nominal pesos and free funds. The adjusted net interest income and margin is net of the results of this hedge.

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

In 3Q 2007, the gain on financial transactions totaled a loss of Ch$21,946 million. Of this loss, Ch$19,620 million are directly related to the results from the Bank's peso/UF hedging produced by the high inflation rate in 3Q 2007 (+2.98%). The Bank maintains long-term assets (mainly financial investments and mortgage loans) that are denominated in UFs (an inflation linked currency) that are funded with deposits that have a shorter duration. In order to keep interest rate risk in line with regulatory limits, the Bank partially hedges this UF gap with derivatives. The results produced by this hedge are recognized in this line item and move inversely with inflation. All-in the Bank benefits from a higher inflation scenario due to the positive gap between assets and liabilities denominated in UFs.

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

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Excluding this effect, the adjusted result from gains and losses from financial transactions totaled a loss of Ch$2,326 million. This was mainly due to a loss of Ch$2,800 million in our market-making and trading business.

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

Other Income and Expenses	**Quarter**			**Change %**	
(Ch$ million)	**3Q 2007**	**2Q 2007**	**3Q 2006**	**3Q 07/ 3Q 06**	**3Q / 2Q 2007**
Sales force expense	(7,168)	(4,934)	(4,148)	72.8%	45.3%
Other operating expenses, net	(4,798)	(6,364)	(4,040)	18.8%	(24.6%)
Total other operating results, net	**(11,966)**	**(11,298)**	**(8,188)**	46.1%	5.9%
Non-operating income, net	2,507	5,613	6,269	(60.0%)	(55.3%)
Income attributable to investments in other companies	(635)	(728)	219	—%	(12.8%)
Losses attributable to minority interest	(890)	(282)	(28)	3078.6%	215.6%
Total non-operating results, net	**982**	**4,603**	**6,460**	**(84.8%)**	**(78.7%)**
Price level restatement	**(23,902)**	**(13,633)**	**(8,796)**	**171.7%**	**75.3%**
Quarterly inflation rate**	2.98%	1.00%	1.38%		
Income tax	**(14,867)**	**(13,962)**	**(16,493)**	**(9.9%)**	**6.5%**

Other operating results, net totaled a loss of Ch$11,966 million, increasing 5.9% QoQ and 46.1% YoY in 3Q 2007. Total sales force expenses reached Ch$7,168 million in 3Q 2007, increasing 45.3% QoQ and 72.8% YoY, reflecting the strong commercial efforts being made in retail banking and a one-time adjustment of approximately Ch$2,000 million charged to our sales force expense in the quarter. Other net operating expenses decreased 24.6% QoQ due to a Ch$624 million increase in gains from the sale of repossessed assets that totaled Ch$1,370 million in 3Q 2007. The 18.8% YoY increment in other net operating expenses was mainly due to higher customer service expenses and expenses relating to the promotion of our credit card business.

Non-operating income, net totaled a gain of Ch$982 million in 3Q 2007 compared to a gain of Ch$4,603 million in 2Q 2007 and a gain of Ch$6,460 million in 3Q 2006. This difference is mainly due to the lower gains from the reversal of non-credit related contingencies in 3Q 2007 compared to prior periods. These contingencies are mainly related to non-credit risks, including non-specific contingencies, tax contingencies, legal contingencies and other impairments.

Price level restatement in the quarter totaled a loss of Ch$23,902 million. The Bank must adjust its capital and fixed assets for the variations in price levels. When inflation is positive, the Bank records a loss from price restatement, since the Bank's capital is larger than fixed assets. The inflation rate of +2.98% in 3Q 2007 compared to +1.00% in 2Q 2007 and +1.38% in 3Q 2006, explains the higher loss in this line item compared to previous periods.

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SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

ROAE in 3Q 2007 reaches 26.1% with a solid BIS ratio of 12.5%

Shareholders' equity		**Quarter ended**		**Change %**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Capital	1,114,163	1,079,822	965,615	15.4%	3.2%
Unrealized gain (loss) available for sale portfolio	(3,873)	(4,445)	(3,191)	21.4%	(12.9%)
Total capital and reserves	**1,110,290**	**1,075,377**	**962,424**	**15.4%**	**3.2%**
Net Income	237,872	152,676	224,713	5.9%	55.8%
Total shareholders' equity	**1,348,162**	**1,228,053**	**1,187,137**	**13.6%**	**9.8%**
Return on average equity (ROAE)	**26.1%**	**25.8%**	**27.5%**		

Shareholders' equity totaled Ch$1,110,290 million (US$2,635 million) as of September 30, 2007. The Bank's ROAE in 3Q 2007, reached 26.1% and 25.1% in 9M 2007. The Bank's BIS ratio as of September 30, 2007 was 12.5% with a Tier I ratio of 9.0%. The decline in Tier II QoQ was mainly due to the translation loss produced by the 3% appreciation of the peso in the quarter, which reduced the balance of the Bank's subordinated bonds denominated in US dollars.

Capital Adequacy		**Quarter ended**		**Change %**	
(Ch$ million)	**Sept. 30, 2007**	**June 30, 2007**	**Sept. 30, 2006**	**Sept. 2007/2006**	**Sept. / June 2007**
Tier I	1,110,290	1,075,377	962,484	15.4%	3.2%
Tier II	440,432	467,469	458,406	(3.9%)	(5.8%)
Regulatory capital	1,550,722	1,542,846	1,420,890	9.1%	0.5%
Risk weighted assets	**12,364,773**	**11,851,230**	**11,068,534**	**11.7%**	**4.3%**
Tier I ratio	**9.0%**	**9.1%**	**8.7%**		
BIS ratio	**12.5%**	**13.0%**	**12.8%**		

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INSTITUTIONAL BACKGROUND

As per latest public records published by the Superintendence of Banks for September 2007, Banco Santander Chile 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 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 controls 76.71% of Banco Santander Chile.

Santander (SAN.MC, STD.N) is the largest bank in the euro zone by market capitalization and seventh in the world by profit. Founded in 1857, Santander has EUR 885,603 million in assets and EUR 1,071,815 million in managed funds, 69 million customers, 11,092 branches and a presence in 40 countries. It is the largest financial group in Spain and Latin America, and is the sixth largest bank in the United Kingdom, through its Abbey subsidiary, and is the third largest banking group in Portugal. Through Santander Consumer Finance, it also operates a leading consumer finance business in 12 European countries (Germany, Italy and Spain, among others) and the United States. In the first half 2007, Santander registered €4,458 million in net attributable profits, an increase of 39% from 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 4,481 offices. In the first half 2007, Santander reported $1,807 million in net attributable income in Latin America, 28% higher than the prior year.

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BANCO SANTANDER - CHILE, AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In millions of nominal Chilean pesos)

	30-Sep 2007	30-Sep 2007	30-Jun 2007	30-Sep 2006	% Change Sept. 2007 / 2006	% Change Sept. / June 2007
	US$ thousands	Ch$ millions	Ch$ millions	Ch$ millions		
ASSETS						
Cash and due from banks						
Noninterest bearing	1,265,217	647,437	740,303	716,085	(9.6%)	(12.5%)
Interbank deposits-interest bearing	440,565	225,446	291,332	307,289	(26.6%)	(22.6%)
Total cash and due from banks	1,705,782	872,883	1,031,635	1,023,373	(14.7%)	(15.4%)
Financial investments						
Trading	1,576,600	806,778	669,060	671,975	20.1%	20.6%
Available for sale	1,577,996	807,492	673,992	602,872	33.9%	19.8%
Held to maturity	0	0	0	0	--%	--%
Investment collateral under agreements to repurchase	76,589	39,192	31,112	14,422	171.7%	26.0%
Total financial investments	3,231,185	1,653,462	1,374,164	1,289,269	28.2%	20.3%
Loans, net						
Commercial loans	8,467,756	4,333,120	4,221,007	4,082,361	6.1%	2.7%
Consumer loans	3,800,084	1,944,579	1,889,268	1,692,432	14.9%	2.9%
Mortgage loans (Financed with mortgage bonds)	797,495	408,094	429,819	525,963	(22.4%)	(5.1%)
Foreign trade loans	1,667,863	853,479	663,313	656,171	30.1%	28.7%
Interbank loans	355,763	182,051	350,393	134,609	35.2%	(48.0%)
Leasing	1,634,230	836,268	810,598	754,572	10.8%	3.2%
Other outstanding loans	6,125,311	3,134,444	2,955,955	2,519,305	24.4%	6.0%
Past due loans	219,124	112,130	105,668	88,863	26.2%	6.1%
Contingent loans	1,946,682	996,156	1,115,134	963,463	3.4%	(10.7%)
Reserves	(432,014)	(221,070)	(211,113)	(160,879)	37.4%	4.7%
Total loans, net	24,582,294	12,579,251	12,330,042	11,256,859	11.7%	2.0%
Derivatives	1,143,201	584,999	419,417	305,641	91.4%	39.5%
Other assets						
	467,148	239,049	226,927	222,441	7.5%	5.3%

Bank premises and equipment						
Foreclosed assets	26,708	13,667	11,222	14,373	(4.9%)	21.8%
Investments in other companies	96,029	49,140	5,707	6,941	607.9%	761.0%
Assets to be leased	11,426	5,847	40,271	23,619	(75.2%)	(85.5%)
Other	1,479,841	757,264	773,696	483,377	56.7%	(2.1%)
Total other assets	2,081,152	1,064,967	1,057,823	750,751	41.9%	0.7%
TOTAL ASSETS	32,743,614	16,755,562	16,213,081	14,625,894	14.6%	3.3%

BANCO SANTANDER - CHILE, AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In millions of nominal Chilean pesos)

	30-Sep 2007	30-Sep 2007	30-Jun 2007	30-Sep 2006	% Change Sept. 2007 / 2006	% Change Sept. / June 2007
LIABILITIES AND SHAREHOLDERS' EQUITY	US$ thousands	Ch$ millions	Ch$ millions	Ch$ millions		
Deposits						
Current accounts	3,356,597	1,717,638	1,721,326	1,487,518	15.5%	(0.2%)
Bankers drafts and other deposits	1,833,833	938,409	927,933	787,028	19.2%	1.1%
Total non-interest bearing deposits	5,190,430	2,656,047	2,649,259	2,274,546	16.8%	0.3%
Savings accounts and time deposits	14,212,974	7,273,063	7,343,069	6,816,812	6.7%	(1.0%)
Total deposits	19,403,404	9,929,110	9,992,328	9,091,358	9.2%	(0.6%)
Other interest bearing liabilities						
Banco Central de Chile borrowings						
Credit lines for renegotiation of loans	8,112	4,151	4,307	5,487	(24.3%)	(3.6%)
Other Banco Central borrowings	525,866	269,096	102,145	184,147	46.1%	163.4%
Total Banco Central borrowings	533,978	273,247	106,452	189,634	44.1%	156.7%
Investments sold under agreements to repurchase	240,934	123,291	158,899	73,434	67.9%	(22.4%)
Mortgage finance bonds	924,887	473,283	484,368	560,334	(15.5%)	(2.3%)
Other borrowings						
Bonds	1,916,081	980,497	747,098	559,165	75.4%	31.2%
Subordinated bonds	861,014	440,598	477,041	490,974	(10.3%)	(7.6%)
Borrowings from domestic financial institutions	9,423	4,822	0	3,777	--%	--%
Foreign borrowings	2,313,302	1,183,763	1,164,200	924,776	28.0%	1.7%
Other obligations	232,295	118,870	52,409	43,235	174.9%	126.8%
Total other borrowings	5,332,115	2,728,550	2,440,748	2,021,926	34.9%	11.8%
	7,031,914	3,598,371	3,190,467	2,845,328	26.5%	12.8%

Total other interest bearing liabilities						
Derivatives	1,111,117	568,581	365,167	307,621	84.8%	55.7%
Other liabilities						
Contingent liabilities	1,948,837	997,259	1,116,959	964,924	3.4%	(10.7%)
Other	576,031	294,766	302,219	228,038	29.3%	(2.5%)
Minority interest	37,741	19,313	17,888	1,489	1196.7%	8.0%
Total other liabilities	2,562,609	1,311,338	1,437,066	1,194,451	9.8%	(8.7%)
Shareholders' equity						
Capital and reserves	2,169,722	1,110,290	1,075,377	962,424	15.4%	3.2%
Income for the year	464,848	237,872	152,676	224,713	5.9%	55.8%
Total shareholders' equity	2,634,570	1,348,162	1,228,053	1,187,137	13.6%	9.8%
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	32,743,614	16,755,562	16,213,081	14,625,894	14.6%	3.3%

BANCO SANTANDER CHILE
QUARTERLY INCOME STATEMENTS
Million of nominal Chilean pesos

	IIIQ 2007 US$ thousands	**IIIQ 2007** Ch$ millions	**IIQ 2007** Ch$ millions	**IIIQ 2006** Ch$ millions	**% Change** IIIQ 2007/2006	**% Change** IIIQ / IIQ 2007
Interest income and expense						
Interest income	985,549	504,325	380,183	356,538	41.5%	32.7%
Interest expense	(511,158)	(261,570)	(188,020)	(180,320)	45.1%	39.1%
Net interest income	474,390	242,755	192,163	176,217	37.8%	26.3%
Provision for loan losses	(89,912)	(46,010)	(45,214)	(36,277)	26.8%	1.8%
Fees and income from services						
Fees and other services income	118,924	60,856	57,641	50,458	20.6%	5.6%
Other services expense	(21,680)	(11,094)	(10,534)	(8,211)	35.1%	5.3%
Total fee income	97,245	49,762	47,107	42,247	17.8%	5.6%
Net results from financial transactions						
Net gain (loss) from trading and mark-to-market	(125,246)	(64,091)	(628)	(5,056)	1167.6%	10105.6%
Foreign exchange transactions,net	82,359	42,145	5,167	5,499	666.4%	715.7%
Net results from financial transactions	(42,887)	(21,946)	4,539	443	--%	--%
Other operating income, net						
Other operating income, net	(23,384)	(11,966)	(11,298)	(8,188)	46.1%	5.9%
Operating expenses						
Personnel salaries and expenses	(89,563)	(45,831)	(42,879)	(38,468)	19.1%	6.9%
Administrative and other expenses	(61,817)	(31,633)	(30,354)	(27,563)	14.8%	4.2%
Depreciation and amortization	(23,740)	(12,148)	(10,585)	(9,650)	25.9%	14.8%
Total operating expenses	(175,119)	(89,612)	(83,818)	(75,680)	18.4%	6.9%
Other income and expenses						
Nonoperating income, net	4,899	2,507	5,613	6,269	(60.0%)	(55.3%)
Income attributable to investments in other companies	(1,241)	(635)	(728)	219	--%	(12.8%)
Losses attributable to minority interest	(1,739)	(890)	(282)	(28)	3078.6%	215.6%
Total other income and expenses, net	1,919	982	4,603	6,460	(84.8%)	(78.7%)

Gain (loss) from price-level restatement	(46,709)	(23,902)	(13,633)	(8,796)	171.7%	75.3%
Income before income taxes	195,542	100,063	94,449	96,427	3.8%	5.9%
Income taxes	(29,053)	(14,867)	(13,962)	(16,493)	(9.9%)	6.5%
Net income	166,489	85,196	80,487	79,934	6.6%	5.9%

BANCO SANTANDER CHILE
NINE MONTH INCOME STATEMENT
Million of nominal Chilean pesos

	9M 2007 US$ thousands	**9M 2007** Ch$ millions	**9M 2006** Ch$ millions	**% Change** 2007/2006
Interest income and expense				
Interest income	2,291,927	1,172,825	915,323	28.1%
Interest expense	(1,137,369)	(582,015)	(439,967)	32.3%
Net interest income	1,154,557	590,810	475,356	24.3%
Provision for loan losses	(249,266)	(127,555)	(83,508)	52.7%
Fees and income from services				
Fees and other services income	339,770	173,867	146,416	18.7%
Other services expense	(62,316)	(31,889)	(26,072)	22.3%
Total fee income	277,454	141,979	120,344	18.0%
Net results from financial transactions				
Net gain (loss) from trading and mark-to-market	(96,199)	(49,227)	77,543	(163.5%)
Foreign exchange transactions,net	82,174	42,050	(44,248)	(195.0%)
Net result from financial transactions	(14,024)	(7,177)	33,295	--%
Other operating income, net				
Other operating income, net	(66,054)	(33,801)	(25,091)	34.7%
Operating expenses				
Personnel salaries and expenses	(246,959)	(126,374)	(111,605)	13.2%
Administrative and other expenses	(177,032)	(90,591)	(81,005)	11.8%
Depreciation and amortization	(63,639)	(32,566)	(28,614)	13.8%
Total operating expenses	(487,630)	(249,530)	(221,224)	12.8%
Other income and expenses				
Nonoperating income, net	17,919	9,170	(13,268)	(169.1%)
Income attributable to investments in other companies	(2,401)	(1,229)	868	(241.6%)
Losses attributable to minority interest	(3,344)	(1,711)	(112)	1427.9%
Total other income and expenses	12,174	6,230	(12,512)	(149.8%)
Gain (loss) from price-level restatement	(77,550)	(39,684)	(16,263)	144.0%
Income before income taxes	549,660	281,272	270,397	4.0%
Income taxes	(84,812)	(43,400)	(45,684)	(5.0%)
Net income	464,848	237,872	224,713	5.9%

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS -2006-2007
Ch$ million nominal pesos

	2006				2007			
	1Q06 Reclassified	**2Q06**	**3Q06**	**4Q06**	**1Q07**	**2Q07**	**3Q07**	**4Q07**
ASSETS								
CASH AND DUE FROM BANKS								
Noninterest bearing	346,360	855,315	716,085	947,741	410,617	740,303	647,437	
Interbank deposit-interest bearing	969,594	731,049	307,289	144,666	605,586	291,332	225,446	
Total cash and due from banks	**1,315,954**	**1,586,364**	**1,023,373**	**1,092,407**	**1,016,203**	**1,031,635**	**872,883**	
FINANCIAL INVESTMENTS								
Trading	844,288	839,973	671,975	639,461	790,234	669,060	806,778	
Available for sale	561,962	543,136	602,872	345,108	360,745	673,992	807,492	
Held to maturity	0	0	0	0	0	0	0	
Investments purchased under agreements to resell	33,036	181,925	14,422	30,807	46,692	31,112	39,192	
Total financial investments	**1,439,286**	**1,565,034**	**1,289,269**	**1,015,376**	**1,197,671**	**1,374,164**	**1,653,462**	
LOANS,NET								
Commercial loans	3,958,263	4,006,219	4,082,361	4,048,221	4,172,835	4,221,007	4,333,120	
Consumer loans	1,480,355	1,590,374	1,692,432	1,800,507	1,869,318	1,889,268	1,944,579	
Mortgage loans (Financed with mortgage bonds)	585,309	555,077	525,963	485,849	456,482	429,819	408,094	
Foreign trade loans	589,509	671,886	656,171	741,776	869,615	663,313	853,479	
Interbank loans	195,798	146,725	134,609	151,491	168,554	350,393	182,051	
Leasing	694,733	720,424	754,572	764,408	787,287	810,598	836,268	
Other outstanding loans	2,199,034	2,343,218	2,519,305	2,681,461	2,775,762	2,955,955	3,134,444	
Past due loans	100,382	88,559	88,863	92,559	97,937	105,668	112,130	
Contingent loans	933,590	1,030,589	963,463	1,022,687	1,010,376	1,115,134	996,156	
Reserve for loan losses	(149,112)	(147,582)	(160,879)	(174,064)	(200,021)	(211,113)	(221,070)	
Total loans, net	**10,587,861**	**11,005,488**	**11,256,859**	**11,614,895**	**12,008,146**	**12,330,042**	**12,579,251**	
DERIVATIVES	305,712	325,163	305,641	372,688	377,628	419,417	584,999	

OTHER ASSETS							
Bank premises and equipment	219,510	221,255	222,441	231,360	222,228	226,927	239,049
Foreclosed assets	13,815	12,778	14,373	15,775	12,641	11,222	13,667
Investments in other companies	6,600	6,642	6,941	6,654	7,026	5,707	49,140
Assets to be leased	24,263	20,754	23,619	30,293	27,572	40,271	5,847
Other	557,395	463,448	483,377	463,991	664,310	773,696	757,264
Total other assets	**821,582**	**724,877**	**750,751**	**748,072**	**933,777**	**1,057,823**	**1,064,967**
TOTAL ASSETS	**14,470,395**	**15,206,926**	**14,625,894**	**14,843,439**	**15,533,424**	**16,213,081**	**16,755,562**

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS -2006-2007
Ch$ million nominal pesos

	2006				2007			
	1Q06 Reclassified	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
LIABILITIES AND SHAREHOLDERS' EQUITY								
DEPOSITS								
Noninterest bearing								
Current accounts	1,481,426	1,572,712	1,487,518	1,663,414	1,676,370	1,721,326	1,717,638	
Bankers´ drafts and other deposits	736,502	794,842	787,028	819,583	867,199	927,933	938,409	
	2,217,928	**2,367,553**	**2,274,546**	**2,482,997**	**2,543,569**	**2,649,259**	**2,656,047**	
Savings accounts and time deposits	6,264,072	6,645,164	6,816,812	6,909,335	7,280,989	7,343,069	7,273,063	
Total deposits	**8,482,000**	**9,012,717**	**9,091,358**	**9,392,332**	**9,824,557**	**9,992,328**	**9,929,110**	
OTHER INTEREST BEARING LIABILITIES								
Chilean Central Bank borrowings								
Credit lines for renegotiations of loans	6,120	5,752	5,487	5,080	4,605	4,307	4,151	
Other Central Bank borrowings	124,311	166,067	184,147	134,417	237,241	102,145	269,096	
Total Central Bank borrowings	**130,431**	**171,819**	**189,634**	**139,497**	**241,846**	**106,452**	**273,247**	
Investments sold under agreements to repurchase	96,447	149,641	73,434	19,929	167,280	158,899	123,291	
Mortgage finance bonds	621,469	592,837	560,334	530,206	509,697	484,368	473,283	
Other borrowings								
Bonds	448,214	562,778	559,165	565,653	562,285	747,098	980,497	
Subordinated bonds	390,756	390,984	490,974	490,416	491,133	477,041	440,598	
Borrowings from domestic financial institutions	0	3,590	3,777	0	0	0	4,822	
Foreign borrowings	1,547,899	1,637,251	924,776	812,267	615,930	1,164,200	1,183,763	
Other obligations	47,421	53,338	43,235	64,193	70,047	52,409	118,870	

Total other borrowings	**2,434,290**	**2,647,940**	**2,021,926**	**1,932,529**	**1,739,394**	**2,440,748**	**2,728,550**
Total other interest bearing liabilities	**3,282,637**	**3,562,237**	**2,845,328**	**2,622,161**	**2,658,217**	**3,190,467**	**3,598,371**
DERIVATIVES	277,760	289,098	307,621	355,922	375,290	365,167	568,581
OTHER LIABILITIES							
Contingent liabilities	934,634	1,031,766	964,924	1,024,048	1,012,880	1,116,959	997,259
Other	340,261	224,683	228,038	202,115	327,831	302,219	294,766
Minority interest	1,518	1,442	1,489	1,522	17,464	17,888	19,313
Total other liabilities	**1,276,413**	**1,257,890**	**1,194,451**	**1,227,685**	**1,358,175**	**1,437,066**	**1,311,338**
SHAREHOLDERS' EQUITY							
Capital and reserves	1,087,152	940,206	962,424	959,757	1,244,996	1,075,377	1,110,290
Income for the period	64,434	144,779	224,713	285,582	72,189	152,676	237,872
Total shareholders' equity	**1,151,586**	**1,084,985**	**1,187,137**	**1,245,339**	**1,317,185**	**1,228,053**	**1,348,162**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14,470,395**	**15,206,926**	**14,625,894**	**14,843,439**	**15,533,424**	**16,213,081**	**16,755,562**

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS -2006-2007
Ch$ million nominal pesos

	2006				2007			
	1Q06 Reclassified	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
CONSOLIDADTE INCOME STATEMENT								
INTEREST REVENUE AND EXPENSE								
Interest revenue	217,595	341,190	356,538	253,529	288,317	380,183	504,325	
Interest expense	(91,706)	(167,941)	(180,320)	(116,630)	(132,425)	(188,020)	(261,570)	
Net interest revenue	**125,889**	**173,249**	**176,217**	**136,899**	**155,892**	**192,163**	**242,755**	
PROVISIONS FOR LOAN LOSSES	**(25,471)**	**(21,760)**	**(36,277)**	**(39,514)**	**(36,331)**	**(45,214)**	**(46,010)**	
FEES AND INCOME FROM SERVICES								
Fees and other services income	46,540	49,418	50,458	51,910	55,370	57,641	60,856	
Other services expenses	(8,210)	(9,651)	(8,211)	(9,705)	(10,261)	(10,534)	(11,094)	
Total fees and income from services, net.	**38,330**	**39,767**	**42,247**	**42,205**	**45,109**	**47,107**	**49,762**	
NET RESULTS FROM FINANCIAL TRANSACTIONS								
Net gains from trading and brokerage activities	43,308	39,291	(5,056)	22,772	15,492	(628)	(64,091)	
Foreign exchange transactions, net	(19,997)	(29,750)	5,499	(4,460)	(5,262)	5,167	42,145	
Net results from financial transactions	**23,311**	**9,541**	**443**	**18,312**	**10,230**	**4,539**	**(21,946)**	
OTHER OPERATING INCOME								
Other operating income (loss), net	**(7,770)**	**(9,133)**	**(8,188)**	**(7,869)**	**(10,537)**	**(11,298)**	**(11,966)**	
OPERATING EXPENSES								
Personnel salaries and expenses	(34,005)	(39,132)	(38,468)	(48,118)	(37,664)	(42,879)	(45,831)	
Administrative and other expenses	(25,836)	(27,607)	(27,563)	(29,943)	(28,604)	(30,354)	(31,633)	
Depreciation and amortization	(9,076)	(9,888)	(9,650)	(10,000)	(9,833)	(10,585)	(12,148)	
Total operating expenses	**(68,917)**	**(76,626)**	**(75,680)**	**(88,061)**	**(76,101)**	**(83,818)**	**(89,612)**	

OTHER INCOME AND EXPENSES							
Non-operating income (loss), net	(11,017)	(8,522)	6,269	9,055	1,051	5,613	2,507
Income attributable to investments in other companies	240	409	219	(82)	134	(728)	(635)
Losse s atributable to Minority interest	(65)	(20)	(28)	(41)	(540)	(282)	(890)
Total other income and expenses	**(10,842)**	**(8,132)**	**6,460**	**8,932**	**645**	**4,603**	**982**
LOSS FROM PRICE-LEVEL RESTATEMENT	2,781	(10,247)	(8,796)	2,480	(2,149)	(13,633)	(23,902)
INCOME BEFORE INCOME TAXES	**77,311**	**96,658**	**96,427**	**73,384**	**86,758**	**94,449**	**100,063**
Income taxes	(12,877)	(16,314)	(16,493)	(12,516)	(14,569)	(13,962)	(14,867)
NET INCOME	**64,434**	**80,345**	**79,934**	**60,868**	**72,189**	**80,487**	**85,196**

BANCO SANTANDER CHILE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS -2006-2007
Ch$ million nominal pesos

		2006				**2007**		
	1Q06 Reclassified	**2Q06**	**3Q06**	**4Q06**	**1Q07**	**2Q07**	**3Q07**	**4Q07**
Appendix								
Net interest income	125,889	173,249	176,217	136,899	155,892	192,163	242,755	0
Inflation hedge	1,527	(7,488)	(9,968)	3,030	(1,445)	(10,380)	(19,620)	0
Adjusted net interest income	127,416	165,761	166,249	139,929	154,447	181,783	223,135	
Fee income	38,330	39,767	42,247	42,205	45,109	47,107	49,762	0
Core revenues	**165,746**	**205,528**	**208,496**	**182,134**	**199,556**	**228,890**	**272,897**	**0**
Gross operating income	154,289	191,664	174,443	150,033	164,363	187,297	212,595	0
Net operating income	**85,373**	**115,038**	**98,763**	**61,972**	**88,262**	**103,479**	**122,983**	**0**
Net income per share (Ch$)	0.34	0.43	0.42	0.32	0.38	0.43	0.45	
Net income per ADR (US$)	0.67	0.81	0.82	0.63	0.74	0.84	0.92	
Profitability & Efficiency								
Net interest margin	3.9%	5.0%	5.0%	4.0%	4.4%	5.5%	6.8%	
Adjusted net interest margin	3.9%	4.8%	4.7%	4.1%	4.6%	5.2%	6.2%	
Efficiency ratio	38.3%	35.9%	35.9%	46.5%	37.9%	36.0%	34.7%	
Return on average equity	22.8%	28.7%	27.5%	18.3%	22.4%	25.8%	26.1%	
Asset Quality								
PDL / total loans	0.93%	0.79%	0.78%	0.79%	0.80%	0.84%	0.88%	
Coverage ratio	148.5%	166.6%	181.0%	188.1%	204.2%	199.8%	197.2%	
Capitalization								
BIS ratio	14.3%	12.2%	12.8%	12.6%	14.6%	13.0%	12.5%	
Network								
Branches	361	367	368	397	410	417	425	
ATMS	1,395	1,443	1,479	1,588	1,635	1,744	1,808	
Employees	7,583	7,782	8,029	8,184	8,691	8,913	9,057	
Market information								

(period-end)							
Stock price	22.1	20.8	23.5	24.8	25.9	25.2	24.8
ADR price	43.6	40.3	45.3	48.2	49.9	49.5	50.6
Market capitalization (US$mn)	7,908	7,317	8,207	8,735	9,045	8,985	9,172
Shares outstanding	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1	188,446.1
ADRs (1 ADR = 1,039 shares)	181.4	181.4	181.4	181.4	181.4	181.4	181.4
Other Data							
Quarterly inflation rate**	-0.33%	1.00%	1.38%	-0.35%	0.20%	1.00%	2.98%
Exchange rate (Ch/US$) (period-end)	527.7	547.31	538.22	534.43	539.37	527.46	511.72