

BANCO SANTANDER CHILE

Form 6-K

November 05, 2004

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FORM 6 - K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

Banco Santander - Chile

(Exact name of Registrant as specified in its charter)

Republic of Chile

(Jurisdiction of incorporation)

Bandera 140

Santiago, Chile

(Address of principal executive offices)

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

FORM 20-F FORM 40-F

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

YES NO

If *Yes* is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) : Not applicable

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Item 1

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BANCO SANTANDER SANTIAGO ANNOUNCES

RESULTS FOR THE THIRD QUARTER 2004

In 3Q 2004 net income totaled Ch\$53,515 million (Ch\$0.28 per share and US\$0.49/ADR), increasing 6.0% compared to 3Q 2003 and 32.2% compared to 2Q04. ROE reached 26.0% in 3Q 2004 compared to 24.3% in 3Q 2003.

Net financial income in 3Q 2004 increased 11.8% compared to 3Q 2003. Net interest margin improved to 4.5% in 3Q 2004, compared to 4.2% in 3Q 2003.

Increased focus in commercial activity resulted in loan growth. Total loans (excluding interbank/past due loans), increased 2.0% between 2Q and 3Q 2004 and 11.5% vs. 3Q03. Loans in retail banking increased 6.1% in 3Q04.

Customer funds also recorded healthy growth, increasing 9.1% between 2Q and 3Q 2004 and 21.7% vs. 3Q03.

Past due loans at September 30, 2004 decreased 7.2% compared to June 30, 2004 and 27.0% compared to September 30, 2003. The ratio of loan loss reserves / past due loans improved to 123.7%, from 94.3% in 3Q03 and the NPL ratio improved to 1.58% (2.38% in 3Q03).

The Bank's efficiency ratio reached 39.7% in 3Q 2004 compared to 45.1% in the same quarter of 2003.

CONTACTS:

Raimundo Monge
562-320-8505

Robert Moreno
562-320-8284

Desirée Soulodre
562-647-6474

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Santiago, Chile, October 29, 2004¹- Banco Santander Santiago (NYSE: SAN) announced today its unaudited results for the third quarter 2004. These results are reported on a consolidated basis in accordance with Chilean GAAP²

In 3Q 2004 net income totaled Ch\$53,515 million (Ch\$0.28 per share and US\$0.49/ADR), increasing 6.0% compared to 3Q 2003. This increase was mainly due to an 11.8% rise in net financial income, a higher net interest margin and the increase in market related gains and loan loss recoveries. The increase in net financial income in the quarter was mainly due to strong loan growth in retail banking in the period. As of September 30, 2004 total loans, excluding interbank and past due loans, increased 2.0% compared to June 30, 2004. Loans in retail banking increased 6.1% in this period. This was led by a 6.9% growth in lending to individuals. Lending to SME s increased 4.5% between June 30 and September 30, 2004. As a result, the Bank s market share rose 100 basis points to 26.5% in consumer lending, 80 basis points to 23.7% in residential mortgage loans and 60 basis points to 20.5% in commercial loans between June and September of 2004.

Core deposits also expanded at a rapid pace in the quarter. The balance of total customer funds increased 9.1% between 2Q and 3Q 2004 and 21.7% in twelve months. Time deposits increased 13.0% between June and September 2004 and 10.5% in twelve months. Non-interest bearing demand deposits grew 3.0% and 26.3% in the same periods. Assets under management also showed strong growth in the quarter, increasing 9.2% compared to the end of 2Q 2004 and 54.1% in twelve months. As a result of the improved asset and funding mix and higher inflation rates, the Bank s net interest margin expanded 30 basis points to 4.5% in 3Q 2004 compared to 4.2% in 3Q 2003.

The Bank s net fee income decreased 4.7% compared to 3Q 2003, although it recorded a 6.9% increase when compared to 3Q03. The Bank has adopted a promotional policy regarding checking account and credit card maintenance fees in order to increase the client base, product usage and cross-selling ratios. As a result in 3Q 2004 checking & overdraft maintenance fees decreased 20.7% compared to 3Q 2003. However, other usage related fees reflected strong growth: 56.5% increase in fees from mutual funds, 18.3% rise in fees from sale of insurance products and a 15.6% increase on ATM usage fees.

It is important to point out that the Bank s customer base has continued to steadily rise in 2004. The total amount of checking account increased 3.5% between 3Q 2004 and 2003 and 3.8% (15% on an annualized basis) between the 2Q and 3Q of 2004. As a result total, fees increased 6.9% between 2Q and 3Q 2004 with checking account fees rising 5.2% and credit card fees increasing 7.1% in this period.

Asset quality improved in the quarter. Past due loans at September 30, 2004 decreased 7.2% compared to June 30, 2004 and 27.0% compared to September 30, 2003. As a result, the coverage ratio of past due loans (reserves / past due loans) improved to 123.7% from 94.3% in 3Q03 and the NPL ratio improved to 1.58% (2.38% in 3Q03).

- 1 Safe harbor statement under the Private Securities Litigation Reform Act of 1995: All forward-looking statements made by Banco Santander Santiago involve material risks and uncertainties and are subject to change based on various important factors which may be beyond the Bank s control. Accordingly, the Bank s future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, those described in the Bank s filings with the Securities and Exchange Commission. The Bank does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized.
- 2 The Peso/US dollar exchange rate as of September 30, 2004 was Ch\$606.96 per dollar. September 2003 figures are in constant Chilean pesos as of September 30, 2004 and have been adjusted by the price level restatement factor of 1.0159. June 30, 2004 figures are in constant Chilean pesos of September 30, 2004 and have been adjusted by the price level restatement factor of 1.0105.

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Loan loss recoveries increased 135.3% compared to 3Q 2003. In the quarter the Bank concluded an important recovery process with a large client in the real estate sector. This resulted in Ch\$6,794 million in loan loss recoveries. This recovery process also involved the sale of another substandard loan to the same client which signified a gain of Ch\$10,232 million recognized as market related income. In the same period, the Bank recognized other extraordinary charges such as a Ch\$9,798 million extraordinary charge-off of repossessed assets and other non-credit related provisions included in non-operating income.

The Bank in the quarter also recognized extraordinary operating expenses totaling Ch\$2,732 million. These costs are directly linked to investments being made in various projects being carried out in order to expand the Bank's retail banking business. Operating expenses increased 5.6% in 3Q 2004 compared to 3Q 2003. In August, the Bank's consumer division Santander Banefe, introduced a new corporate image and slogan and initiated a strong marketing campaign. Banefe also opened its 11th new mini-branch this year. Despite this rise in costs, the Bank's efficiency ratio reached 39.7% in 3Q 2004 compared to 45.1% in the same quarter of 2003.

In the nine-month period ended September 30, 2004 net income totaled Ch\$144,859 million (Ch\$0.77 per share and US\$1.32/ADR), increasing 1.0% when compared to the same period of 2003. This rise in net income has been driven by a 10.6% increase in net operating income. The Bank's ROE increased to 21.8% in 2004 compared to 21.4% in 2003. The efficiency ratio (cost/income) improved to 43.1% compared to 43.9%.

	Quarter			Change %	
				3Q / 2Q	
	3Q 2004	2Q 2004	3Q 2003	3Q 2004/2003	2004
Banco Santander Santiago					
(Ch\$ million September 30, 2004)					
Net financial income	119,521	124,164	106,945	11.8%	(3.7)%
Total provisions, net of recoveries	(17,822)	(21,077)	(13,785)	29.3%	(15.4)%
Fees and income from services	30,390	28,418	31,883	(4.7)%	6.9%
Operating expenses	(67,810)	(68,019)	(64,241)	5.6%	(0.3)%
Income before income taxes	68,019	48,471	60,980	11.5%	40.3%
Net income	53,515	40,487	50,471	6.0%	32.2%
Net income/share (Ch\$)	0.28	0.21	0.27	6.0%	32.2%
Net income/ADR (US\$) ¹	0.49	0.35	0.41	19.5%	40.0%
Total loans	8,647,468	8,487,496	7,843,632	10.2%	1.9%
Customer funds	7,922,006	7,258,236	6,511,159	21.7%	9.1%
Customer deposits	6,378,522	5,844,973	5,509,445	15.8%	9.1%
Mutual funds	1,543,484	1,413,263	1,001,7145	54.1%	9.2%
Shareholders' equity	972,904	920,369	975,078	(0.2)%	5.7%
Net financial margin	4.5%	4.8%	4.2%		
Efficiency ratio	39.7%	46.9%	45.1%		
ROE ²	26.0%	18.5%	24.3%		
PDLs / Total loans	1.58%	1.73%	2.38%		
Coverage ratio of PDLs	123.7%	110.7%	94.3%		
BIS ratio	13.1%	13.6%	15.3%		
Branches	351	346	346		
ATMs	1,050	1,050	1,098		
Employees	7,675	7,572	7,684		

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

2. Annualized Earnings / Average Capital & Reserves.

Table of Contents**INTEREST EARNING ASSETS***Strong growth in higher yielding segments and products***Interest Earning Assets**

	Quarter ended,			% Change	
	Sept. 30,	June 30,	Sept. 30,	Sept.	Sept. /
	2004	2004	2003	2004/2003	June 2004
(Ch\$ million September 30, 2004)					
Commercial loans	3,004,167	2,867,085	2,701,415	11.2%***	4.8%
Consumer loans	1,086,588	1,024,578	756,880	43.6%***	6.1%
Residential mortgage loans*	1,701,007	1,552,402	1,390,737	22.3%	9.6%
Foreign trade loans	581,602	614,767	513,308	13.3%	-5.4%
Leasing	499,433	484,149	443,199	12.7%	3.2%
Other outstanding loans **	535,338	628,702	1,019,299	-47.5%	-14.9%
Contingent loans	1,014,843	1,087,222	730,180	39.0%	-6.7%
Total loans excl. interbank and PDL	8,422,978	8,258,904	7,555,018	11.5%	2.0%
Total financial investments	1,685,322	1,747,220	1,881,773	-10.4%	-3.5%
Past due loans	136,485	147,114	187,017	-27.0%	-7.2%
Interbank loans	88,005	81,478	101,603	-13.4%	8.0%
Total interest-earning assets	10,332,790	10,234,716	9,725,408	6.2%	1.0%

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

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

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

Adjusted growth rates	Loans excluding lines of credit	% Change
		September 2004/2003
(Ch\$ million September 30, 2004)		
Commercial loans	2,889,289	7.0%
Consumer loans	921,771	21.8%

Loans continued to grow in 3Q 2004

Loan activity shows an increase in most products and business segments. As of September 30, 2004 total loans, excluding interbank and past due loans, increased 2.0% compared to June 30, 2004. Loan growth was focused in retail banking, with consumer loans and residential mortgage

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loans increasing 6.1% and 9.6% compared to the end of 2Q 2004, respectively. In this same period, commercial loans rose 4.8% and leasing operations grew 3.2% driven mainly by loans granted to high yielding small and mid-sized companies. This rise in loans was partially offset by a translation loss produced by the appreciation of the Chilean pesos against the US dollar. This is reflected in the decrease of foreign trade, contingent and other loans, which include the bulk of the Bank's foreign currency operations. This translation loss totaled Ch\$84,655 million in the quarter. Excluding this effect loan growth reached 3.0% between 2Q and 3Q 2004. As a result the Bank's total loans market share remained stable between June and September 2004, but loan market share rose 100 basis points in consumer lending to 26.5%, 80 basis points in residential mortgage loans to 23.7% and 60 basis points in commercial loans to 20.5%.

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Loan product	Market share	Market share	% change bp.
	Sept. 2004	June 2004	Sept-June 2004
Total loans*	23.5%	23.6%	- 10
Commercial loans	20.5%	19.9%	60
Consumer loans	26.5%	25.5%	100
Foreign trade operations	28.4%	30.2%	- 180
Residential mortgage loans	23.7%	22.9%	80

* Excluding interbank loans

Retail banking reported record loan growth figures since the merger

Loans by business segment	Sept. 30,	June 30,	
(Ch\$ million September 30, 2004)	2004	2004	% Change
Middle/upper income	2,918,650	2,722,393	7.2%
Banefe	377,074	359,400	4.9%
Total individuals	3,295,724	3,081,793	6.9%
SMEs	1,718,216	1,644,981	4.5%
Total retail	5,013,940	4,726,774	6.1%

Loans in retail banking increased 6.1% between June 30 and September 30, 2004. This was led by a 6.9% growth in lending to individuals. The low interest rate environment and higher economic growth has pushed the demand for consumer credit and residential mortgage loans. Residential mortgage lending among mid and upper income segments grew 10.0% between June 30 and September 30, 2004. High yielding consumer lending also continued to expand at a rapid pace, increasing 7.1% between June 30 and September 30, 2004. Loan growth in Santander Banefe, the bank's lending unit to middle/lower income individuals gained pace in the last three months, increasing 4.9% between the 2Q and 3Q 2004. In the quarter the Bank re-launched the Banefe brand, launched an aggressive marketing campaign and completed the branch opening process with 11 branches opened this year.

Lending to SME's increased 4.5% between June 30 and September 30, 2004

Consumer lending to SME's led growth increasing 10.7% in this period. Leasing operations expanded 8.1% and factoring operations, although still an emerging product, increased 28.7% in this period. The higher growth rate of the economy and lower rates has led to a larger demand in this business segment. The Bank is also placing a larger emphasis on expanding its presence among SMEs due to the low penetration and attractive profitability levels of this segment.

Corporate banking

Loans by business segment	Sept. 30,	June 30,	
(Ch\$ million September 30, 2004)	2004	2004	% Change
Corporate banking	3,494,832	3,622,834	(3.5)%

Total loans in the corporate banking segment decreased 3.5% between June 30 and September 30, 2004. This decrease was mainly due to the translation loss produced by the appreciation of the peso against the dollar of loans denominated in foreign currencies. The Bank hedges its foreign currency risk.

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and therefore, this translation loss does not have any significant effect over net income. Commercial loan growth in this segment was flat and leasing and factoring operations grew 4.3% and 11.2%, respectively in this period.

CUSTOMER FUNDS

Total customer funds increased 9.1% between 2Q and 3Q 2004

Funding

	Quarter ended,			Change %	
	Sept. 30,	June 30,	Sept. 30,	Sept.	Sept. /
(Ch\$ million September 30, 2004)	2004	2004	2003	2004/2003	June 2004
Non-interest bearing demand deposits	2,333,709	2,266,160	1,847,665	26.3%	3.0%
Time deposits and savings accounts	4,044,813	3,578,813	3,661,780	10.5%	13.0%
Total customer deposits	6,378,522	5,844,973	5,509,445	15.8%	9.1%
Mutual funds	1,543,484	1,413,263	1,001,7145	54.1%	9.2%
Total customer funds	7,922,006	7,258,236	6,511,159	21.7%	9.1%

The Bank has increased its deposit base in order to fund the rapid growth of the loan portfolio. Time deposits increased 13.0%, led by growth of time deposits in the large corporate segment, reflecting the high level of liquidity among these clients. Non-interest bearing demand deposits grew 3.0% in this period and 26.3% in 12 months. The growth of demand deposits between the 2Q and 3Q of 2004 was led by a 6.6% increase in these deposits among retail clients. Apart from focusing on lending, the Bank has concentrated on increasing its checking account base among retail clients, which is a more stable and cheaper source of funding.

Assets under management also showed strong growth in the quarter, increasing 9.2% compared to the end of 2Q 2004 and 54.1% in twelve months. The Bank continues to proactively encourage clients to invest in mutual funds instead of short-term deposits as mutual funds offer better yields, generate fee income and replace more expensive funding from the balance sheet. The rise of the stock market in the low interest rate environment has also fueled an industry-wide expansion of the mutual fund business.

The Bank's market share of demand deposits expanded 90 basis points to 25.2% and in time deposits market share increased 170 basis points to 19.3% between June and September 2004. Market share of assets under management increased 20 basis points to 21.4% in the same period.

Market share	Market share	Market share	% change bp.
Customer funds	Sept. 2004	June 2004	Sept-June 2004

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Demand deposits	25.2%	24.3%	+90
Time deposits	19.3%	17.6%	+170
Mutual funds	21.4%	21.2%	+20

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NET FINANCIAL INCOME

Net interest margin expands 30 basis points to 4.5% compared to 3Q 2003

Net Financial Income