

# LATIN AMERICA

*April 6, 2001*

**SCH** Banco  
**Santander Central Hispano**

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# **AGENDA**

**I PROYECTO AMERICA**

**II OUR TARGET MARKET**

**III BSCH IN LATIN AMERICA**

**IV DRIVERS OF FRANCHISE VALUE**

**V CONCLUDING REMARKS**

# **MISSION**

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**To build and consolidate the leading regional financial services franchise in Latin America, using a management model aimed at maximizing value for Banco Santander Central Hispano and its shareholders, its customers, employees and for the countries where it does business**

# **STRATEGIC CONSIDERATION**

**To create a model of supra-regional banking  
with strong management and sufficient size  
to capture balanced growth and economies  
of scale**

# QUANTITATIVE TARGETS (1.999-2.001)

## PROYECTO AMERICA

ROE: towards 25%

Business Market Share:  
towards 10%

Efficiency ratio:  $\approx$  45%

Banking and Commercial Activities will represent around 90% of total  
Latin America Activities

# **— POLICIES**

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- Adequated level of liquidity**
- Capital Strenght**
- Moderate Credit and Market Risks**

# QUALITATIVE AXES

## CUSTOMERS

- 23 Million Customers
- ⇒ 7.2 Pension Funds participants
- ⇒ 1.1 Mutual Funds Holders
- ⇒ 4.1 Telephone Banking Customers
- ⇒ 0.6 Internet Users
- ⇒ 12 Millions Credit + Debit Cards

## TECHNOLOGY

- Altair
- Bank- Trade
- Treasury
- Credit Card Processing

## TALENT

- > 150 "cross-border" assignments
- > 80 "young managers" every year
- e-@merica (> 50,000 participants)
- Intranet
- Results based Management Model

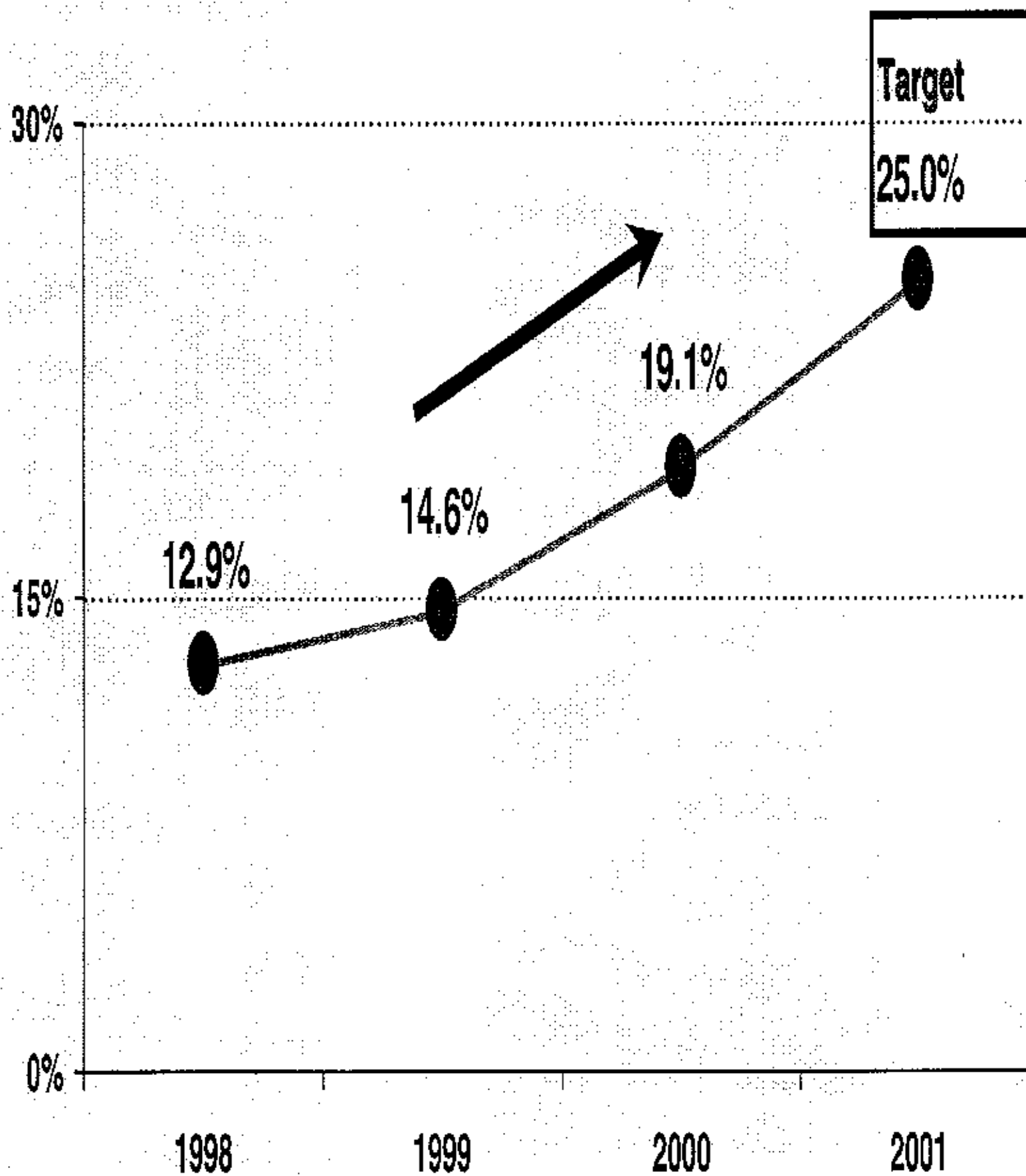
Banco

**Santander Central Hispano**

# PROYECTO AMÉRICA: QUANTITATIVE TARGETS

## ROE

(Local Criteria)



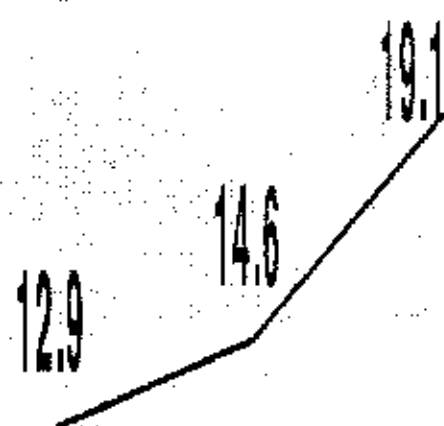
NOTE: Without Serfin, Meridional in year 2000



# R.O.E.

## Proven Track Record

## ROE (Local Criteria)



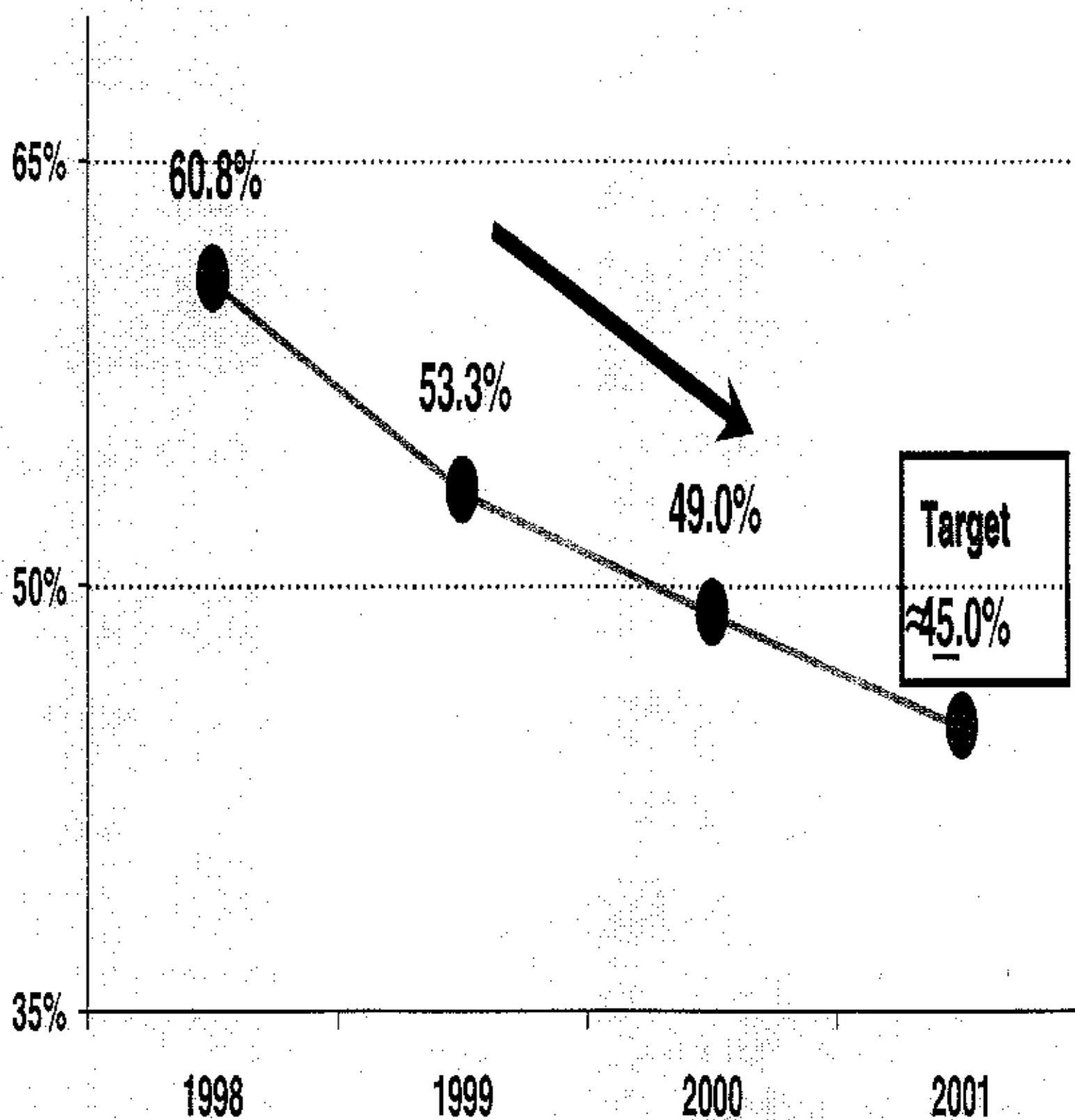
1998      1999      2000

	2000	1999	CHANGE Abs.
■ Argentina	21.1	14.6	6.5
■ BS Brazil	23.5	17.9	5.6
■ Meridional	19.7	n.a.	n.a.
■ Chi-Stder	23.7	17.2	6.5
■ Chi-Stgo	19.3	12.4	6.9
■ Mex-Stder	30.9	18.4	12.5
■ Mex-Serfin	14.1	n.a.	n.a.
■ Pto.Rico	15.1	14.7	0.4
■ Venezuela	40.0	39.4	0.6
<b>SUBTOTAL</b>	<b>19.7</b>	<b>n.a.</b>	<b>n.a.</b>
-Without Serfin y Meridional	<b>22.7</b>	<b>16.8</b>	<b>5.9</b>
■ Bolivia	-23.2	8.5	-31.7
■ Colombia	1.1	-0.1	1.2
■ Panama	-29.1	7.0	-36.1
■ Paraguay	6.0	5.6	0.4
■ Peru	14.4	12.1	2.3
■ Uruguay	26.3	12.5	13.8
<b>SUBTOTAL</b>	<b>2.4</b>	<b>5.6</b>	<b>-3.2</b>
<b>TOTAL COUNTRIES</b>	<b>19.3</b>	<b>n.a.</b>	<b>n.a.</b>
<b>TOTAL LATAM</b>	<b>18.3</b>	<b>n.a.</b>	<b>n.a.</b>
Without Serfin y Meridional	<b>19.1</b>	<b>14.6</b>	<b>4.4</b>

# PROYECTO AMÉRICA: QUANTITATIVE TARGETS

## Efficiency Ratio

(Local Criteria)



NOTE: Without Serfin, Meridional in year 2000

With Serfin and Meridional in year 2000 = 51.3%

# Efficiency ratio

## Proven Track Record

### EFFICIENCY RATIO (Local criteria)

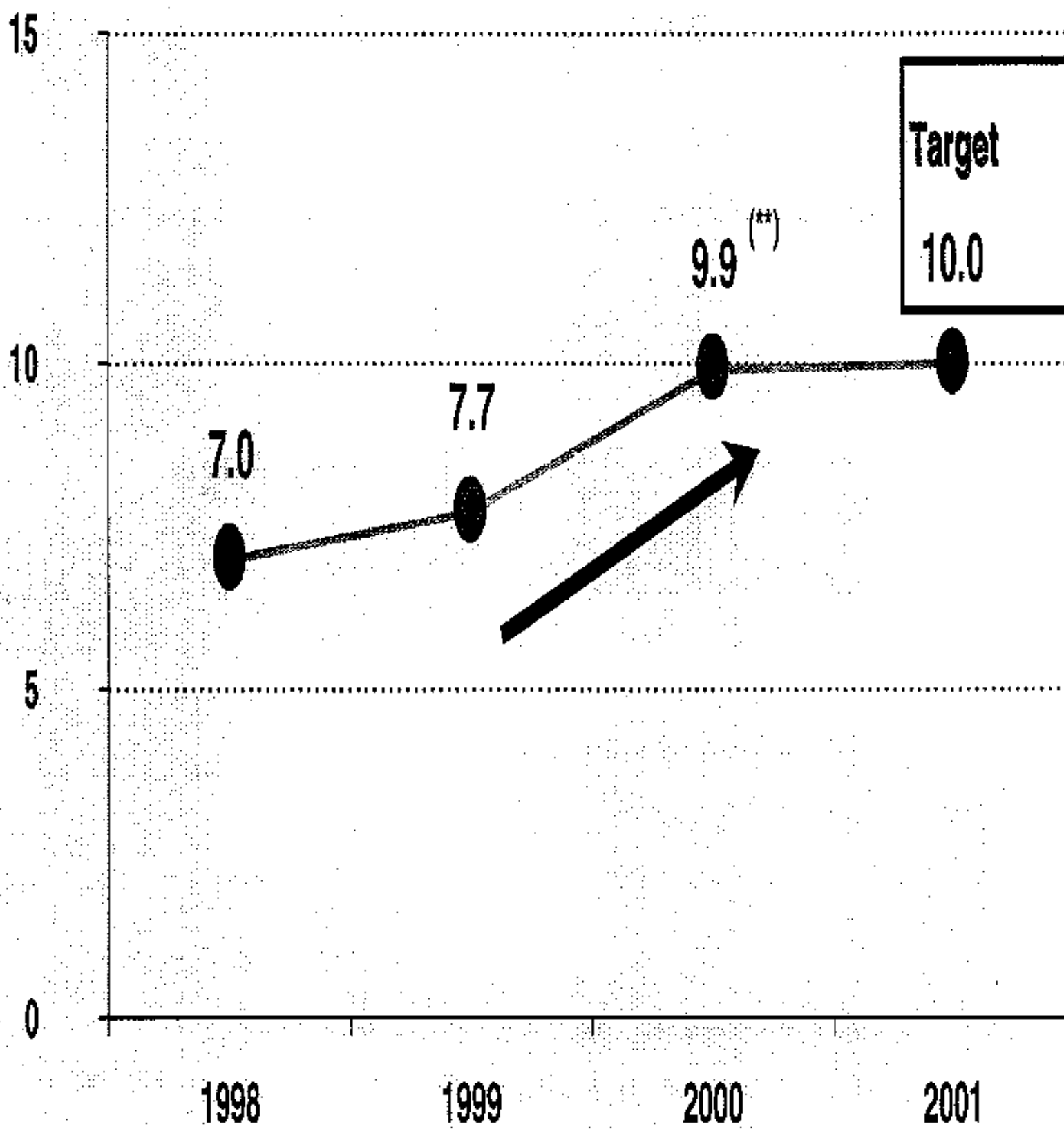


	2000	1999	CHANGE Abs.
■ Argentina	44.8	49.9	-5.1
■ BS Brazil	43.5	54.3	-10.8
■ Meridional	88.0	n.a.	n.a.
■ Chi-Stder	45.5	49.4	-3.9
■ Chi-Stgo	44.9	52.6	-7.7
■ Mex-Stder	54.1	61.8	-1.4
■ Mex-Serfin	61.0	n.a.	n.a.
■ Pto.Rico	46.9	47.1	-0.2
■ Venezuela	50.8	51.6	-0.8
<b>SUBTOTAL</b>	<b>49.7</b>	<b>n.a.</b>	<b>n.a.</b>
-Without Serfin y Meridional	46.8	51.6	-4.8
■ Bolivia	46.2	49.9	-3.7
■ Colombia	61.5	57.4	4.1
■ Panama	149.8	38.1	111.7
■ Paraguay	52.6	61.0	-8.4
■ Peru	64.6	74.4	-9.8
■ Uruguay	52.6	64.9	-12.3
<b>SUBTOTAL</b>	<b>55.5</b>	<b>58.6</b>	<b>-3.1</b>
<b>TOTAL COUNTRIES</b>	<b>50.2</b>	<b>n.a.</b>	<b>n.a.</b>
<b>TOTAL LATAM</b>	<b>51.3</b>	<b>n.a.</b>	<b>n.a.</b>
Without Serfin and Meridional	49.0	53.3	-4.3

1998      1999      2000

# PROYECTO AMÉRICA: QUANTITATIVE TARGETS

## Market Share (%)\*



\* Weighted Average of Loans + Customers Deposits + Pension and Mutual Funds

\*\* With Banespa and Caracas

# FINANCIAL RESULTS : 1999-2000

	1999		2000	
	U\$MM	▲ 98'	U\$MM	▲ 99'
Attributable Income	585	+25.2%	1.010	+72.7 %
ROE	14.6%	+1.7 pp	18.5%	+3.9pp
Cost Income	53.3%	-7.5 pp	51.3%	-2.0pp
Mkt Share	7.7%	+0.7 pp	9.9%	+2.2 pp
NPL	4.0%	--	3.6%(1)	--
Coverage	104.1%	--	110.4%	--

(1) w/o new acquisitions (Serfin, Meridional, Banespa and Caracas)

# **AGENDA**

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**I PROYECTO AMERICA**

**II OUR TARGET MARKET**

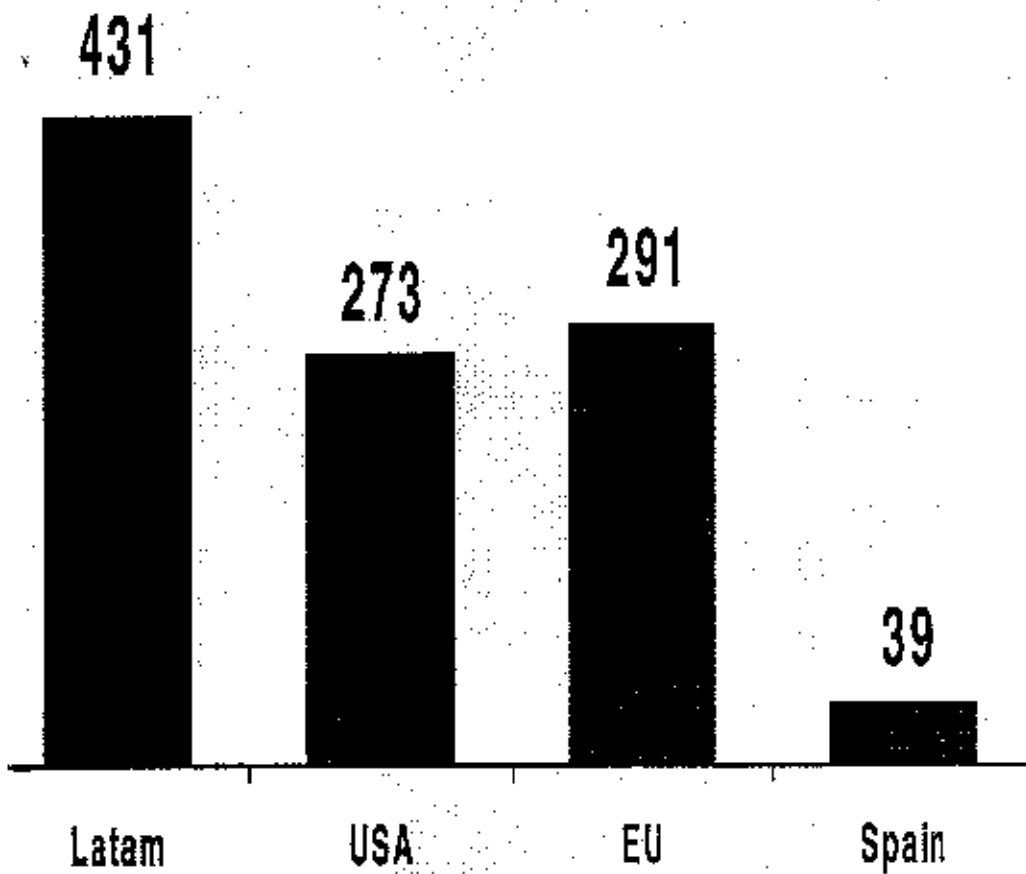
**III BSCH IN LATIN AMERICA**

**IV DRIVERS OF FRANCHISE VALUE**

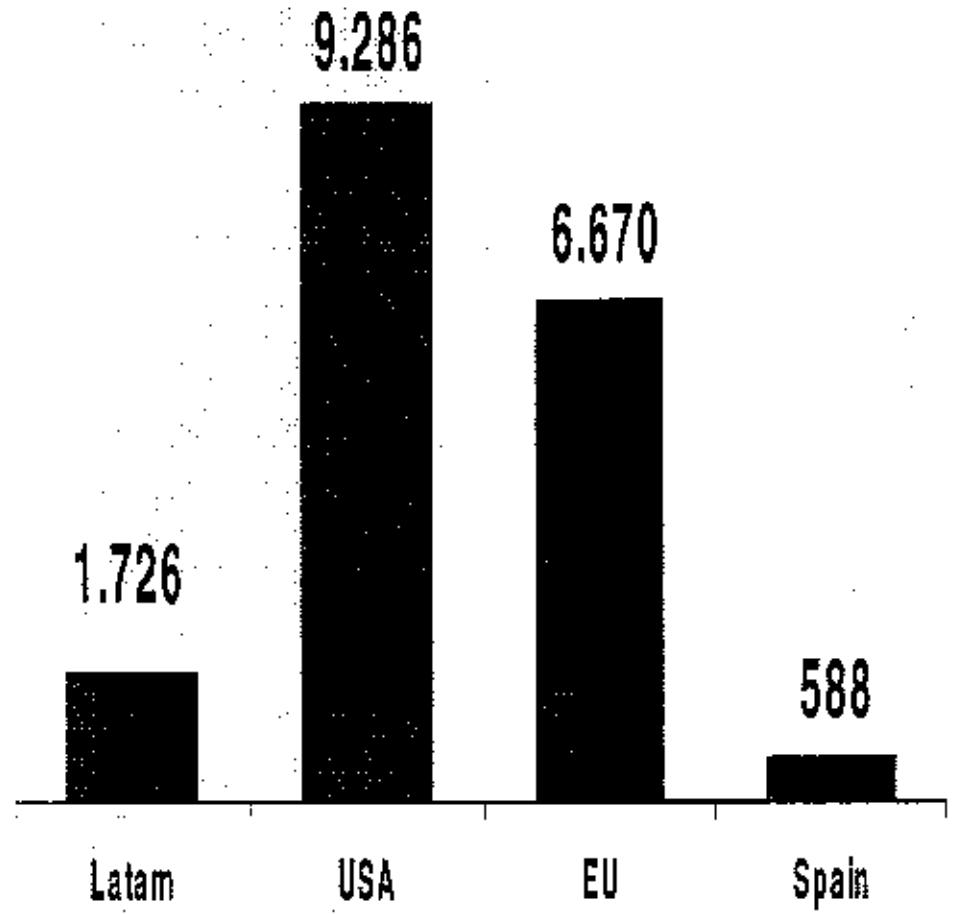
**V CONCLUDING REMARKS**

# SIZE OF OUR TARGET MARKET

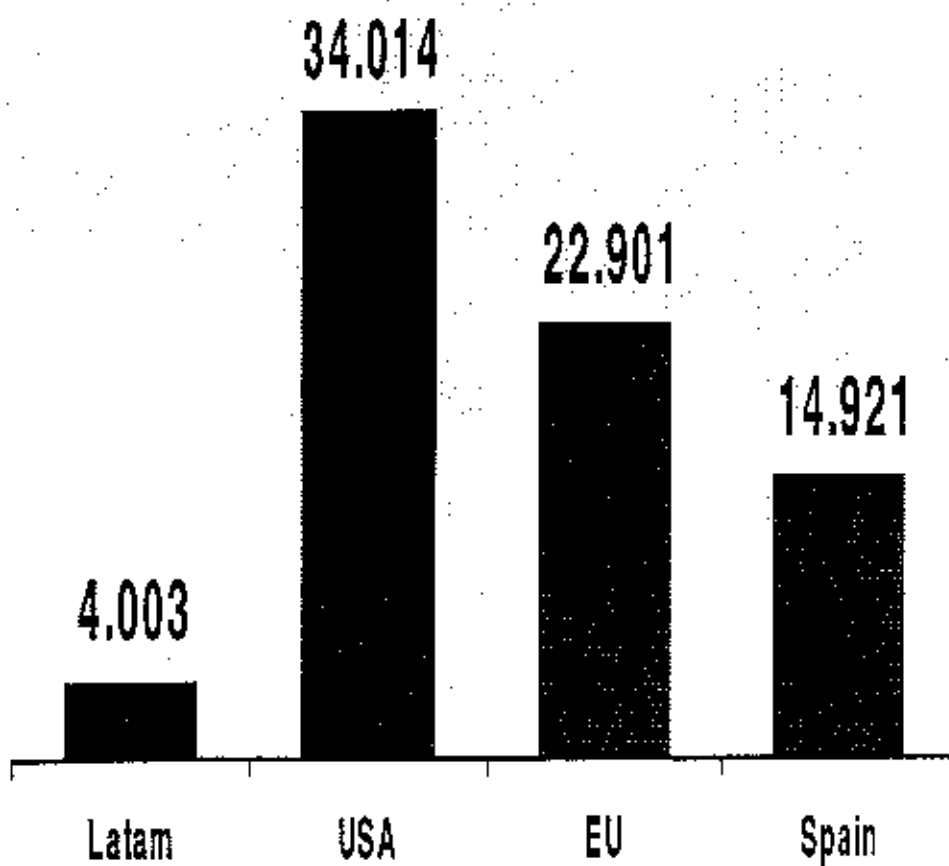
POPULATION (Mill)



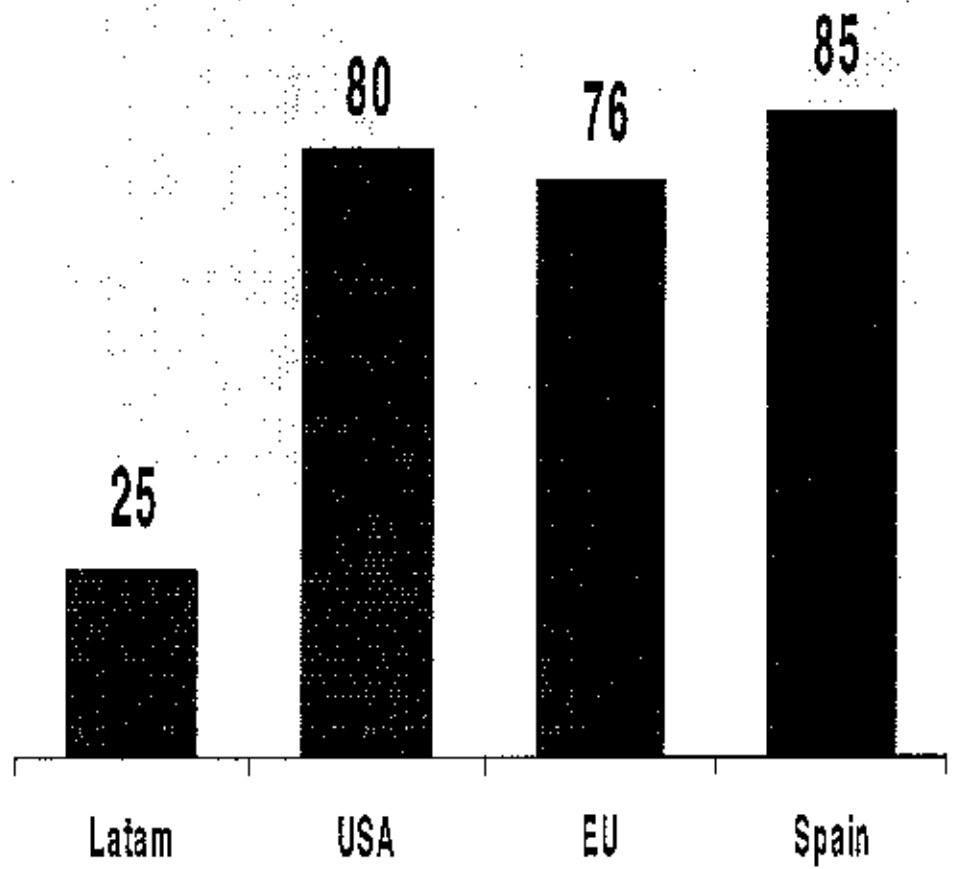
GDP (US\$Bill)



GDP PER CAPITA (US\$'000)

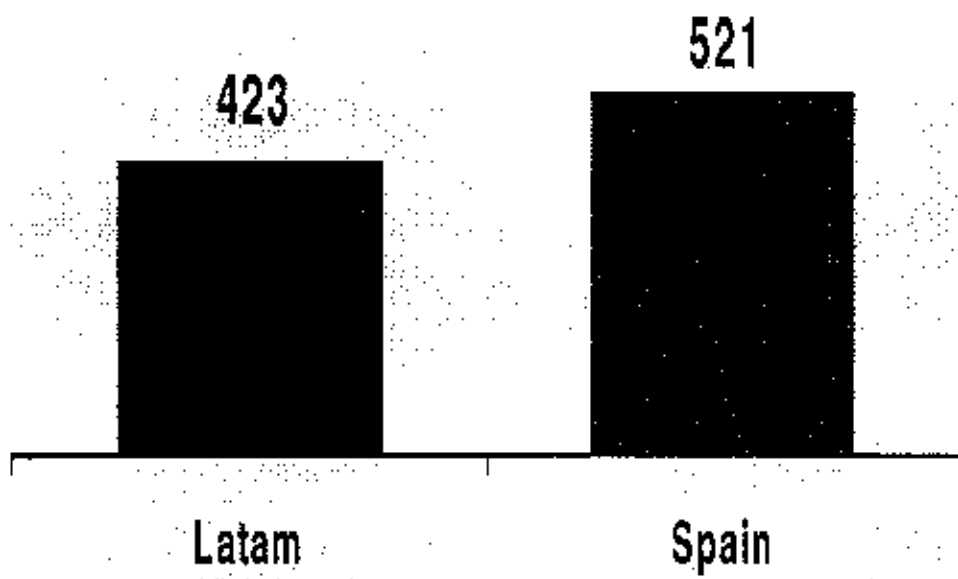


DEPOSITS/PIB (%)

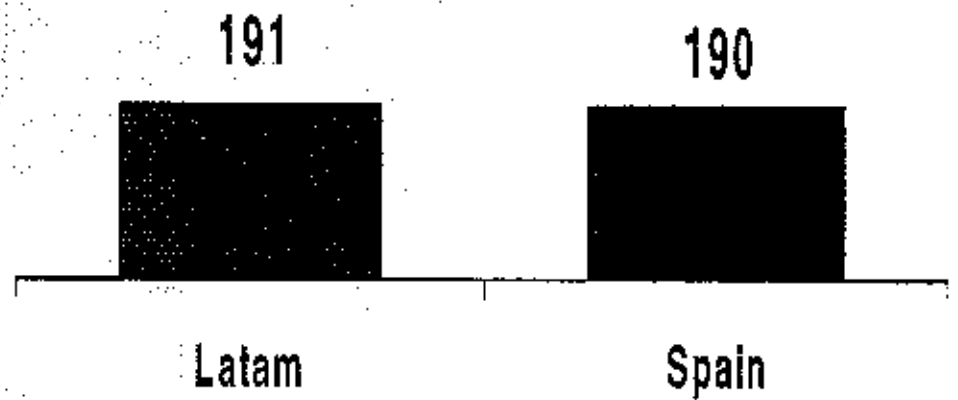


# SIZE OF OUR TARGET MARKET

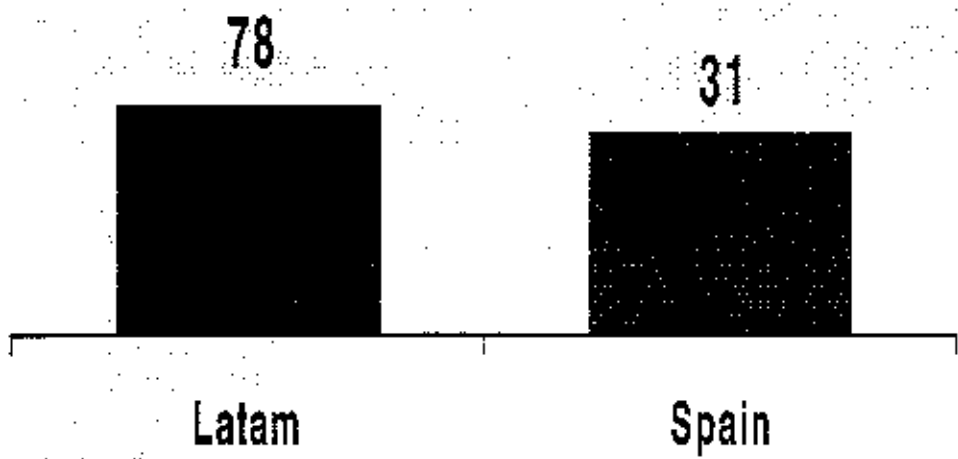
DEPOSITS (US\$Bil)



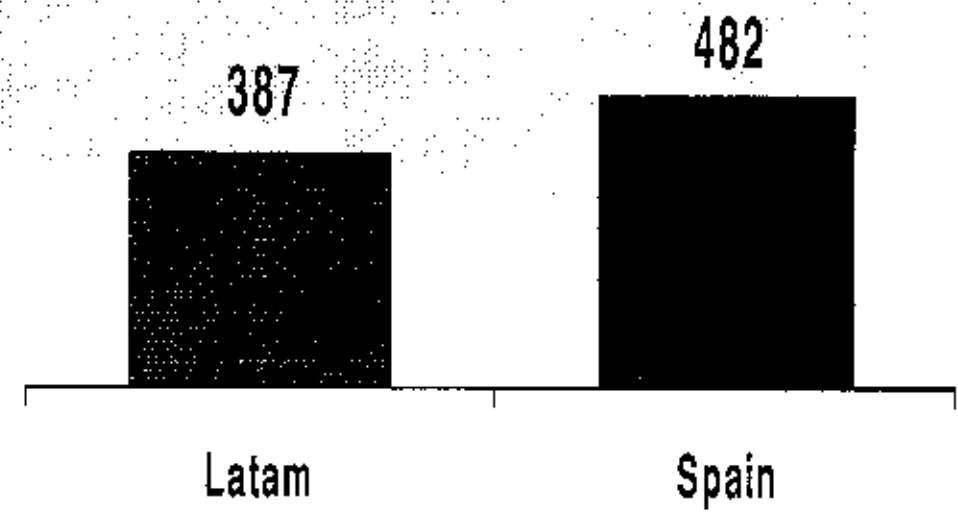
MUTUAL FUNDS (US\$ Bil)



PENSION FUNDS (US\$Bil)



LOANS (US\$Bil)





# SIZE OF OUR TARGET MARKET

5 countries account for 75% of the population & 83% of GDP

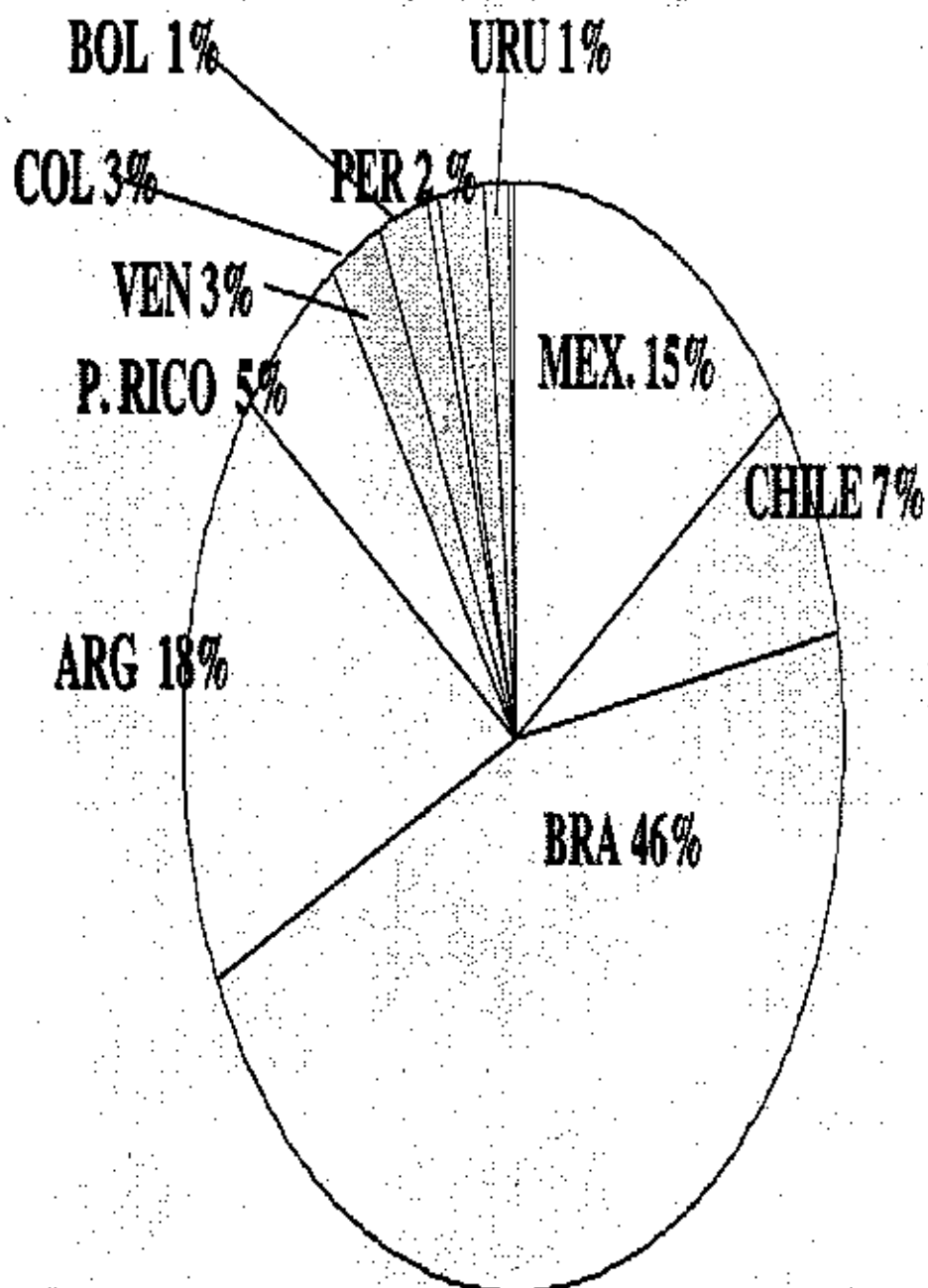
	POPULATION		GDP		GDP CAPITA (US\$ '000)	RATING (S&P)
	Mill.	%	US Bn	%		
■ Brasil	163	39	558	32	3,410	B+
■ Méjico	102	25	483	29	4,728	BB+
■ Argentina	36	8	286	16	7,819	BB
■ Chile	15	3	69	4	4,614	A-
■ Puerto Rico	3	1	30	2	9,239	AAA
<b>Subtotal</b>	<b>321</b>	<b>76</b>	<b>1,428</b>	<b>83</b>	<b>4,449</b>	
■ Colombia	41	9	93	5	2,247	BB
■ Perú	25	5	57	3	2,270	BB
■ Venezuela	23	5	99	5	4,168	B
■ Uruguay	3	1	20	1	6,038	BBB-
■ Bolivia	8	2	8	1	1,073	BB-
■ Paraguay	5	1	10	1	1,872	B
■ Panamá	2	1	9	1	3,429	BB+
<b>Subtotal</b>	<b>110</b>	<b>24</b>	<b>298</b>	<b>17</b>	<b>2,620</b>	
<b>TOTAL</b>	<b>431</b>	<b>100</b>	<b>1,726</b>	<b>100</b>	<b>4,003</b>	

# SIZE OF OUR TARGET MARKET AND BSCH POSITIONING

## Total Assets

### FINANCIAL SYSTEM

(US\$ 943 Bn)

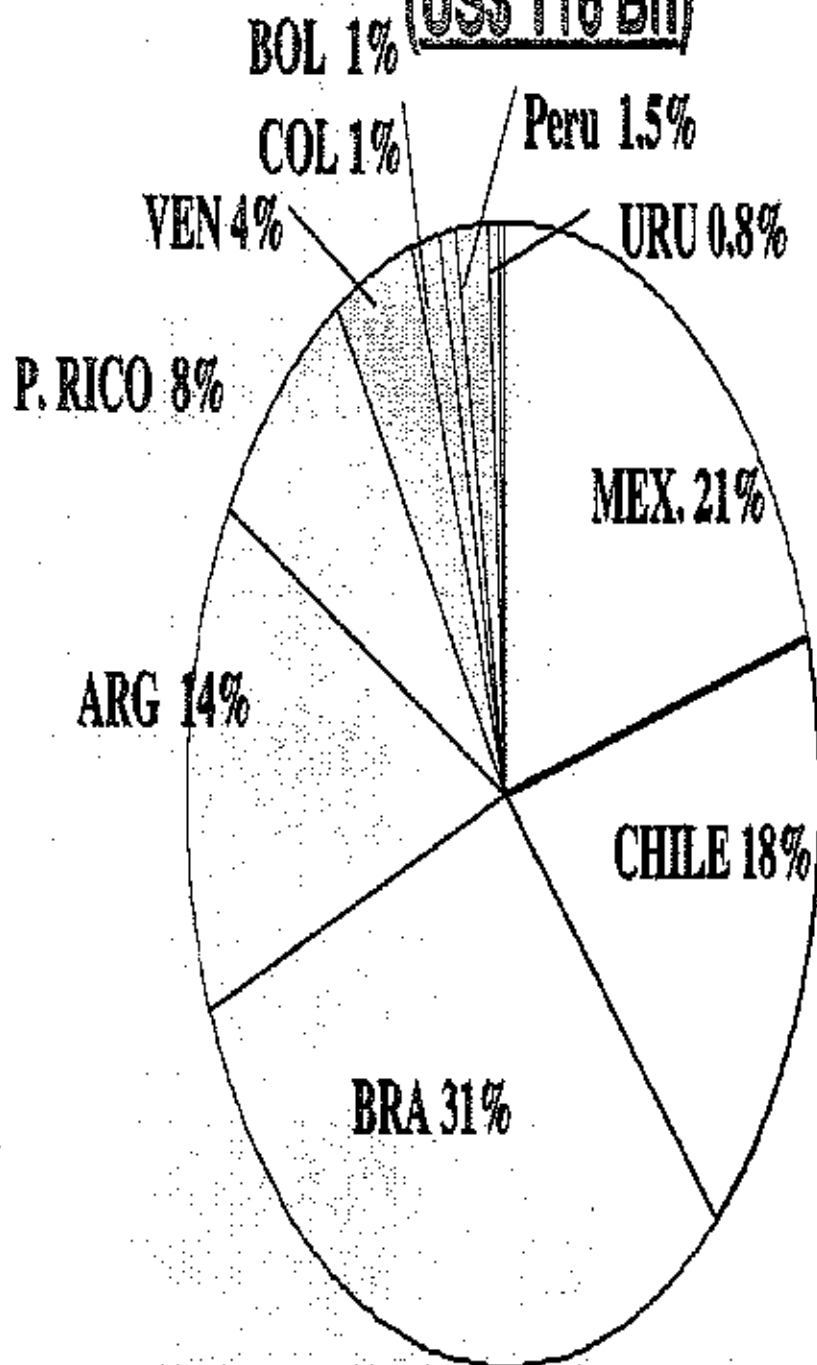


Structure (%) by countries

• Brazil.....	46 %
• Mexico.....	15 %
• Argentina.....	18 %
• Chile.....	7 %
• P. Rico.....	5 %
• TOTAL.....	94 %

### BSCH\*

(US\$ 116 Bn)



Structure (%) by countries

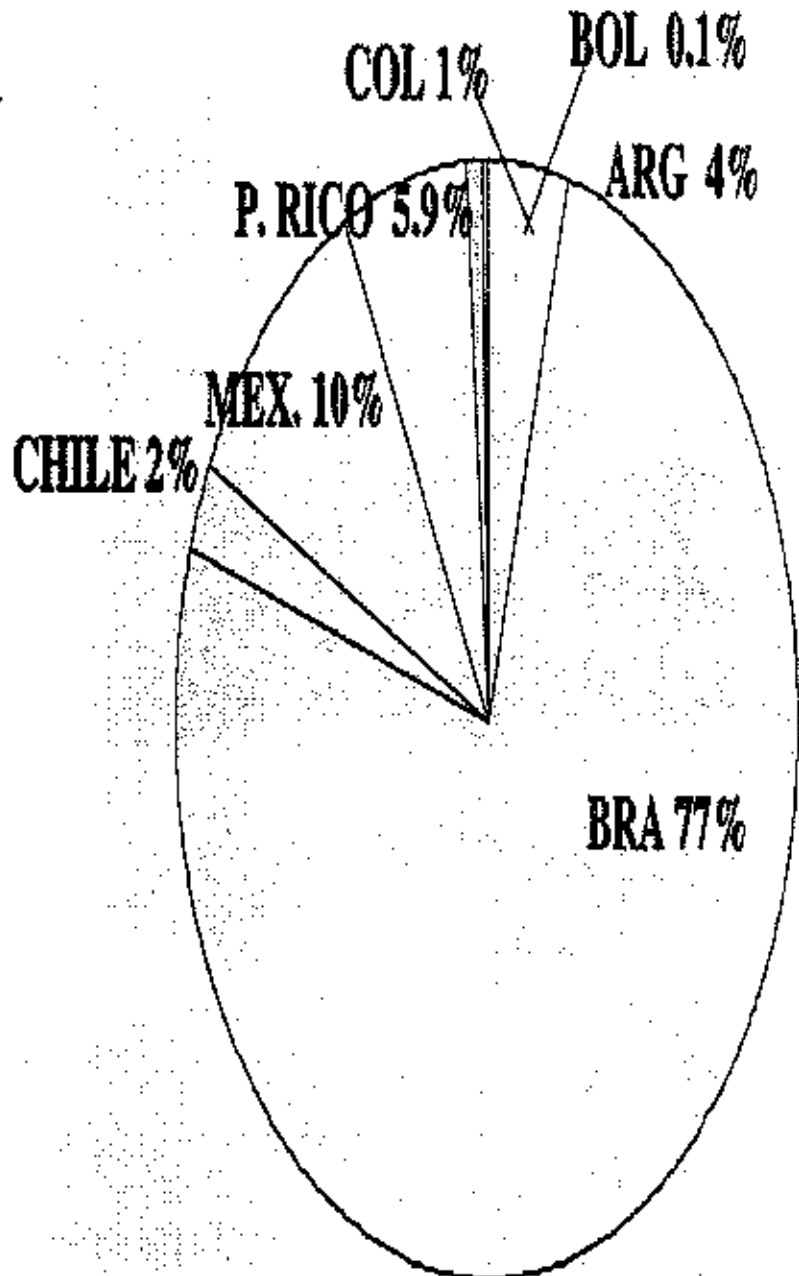
• Brazil.....	31 %
• Mexico.....	21 %
• Argentina.....	14 %
• Chile.....	18 %
• P. Rico.....	8 %
• TOTAL.....	92 %

# SIZE OF OUR TARGET MARKET AND BSCH POSITIONING

## Mutual Funds

### FINANCIAL SYSTEM

(US\$ 199 Bn)

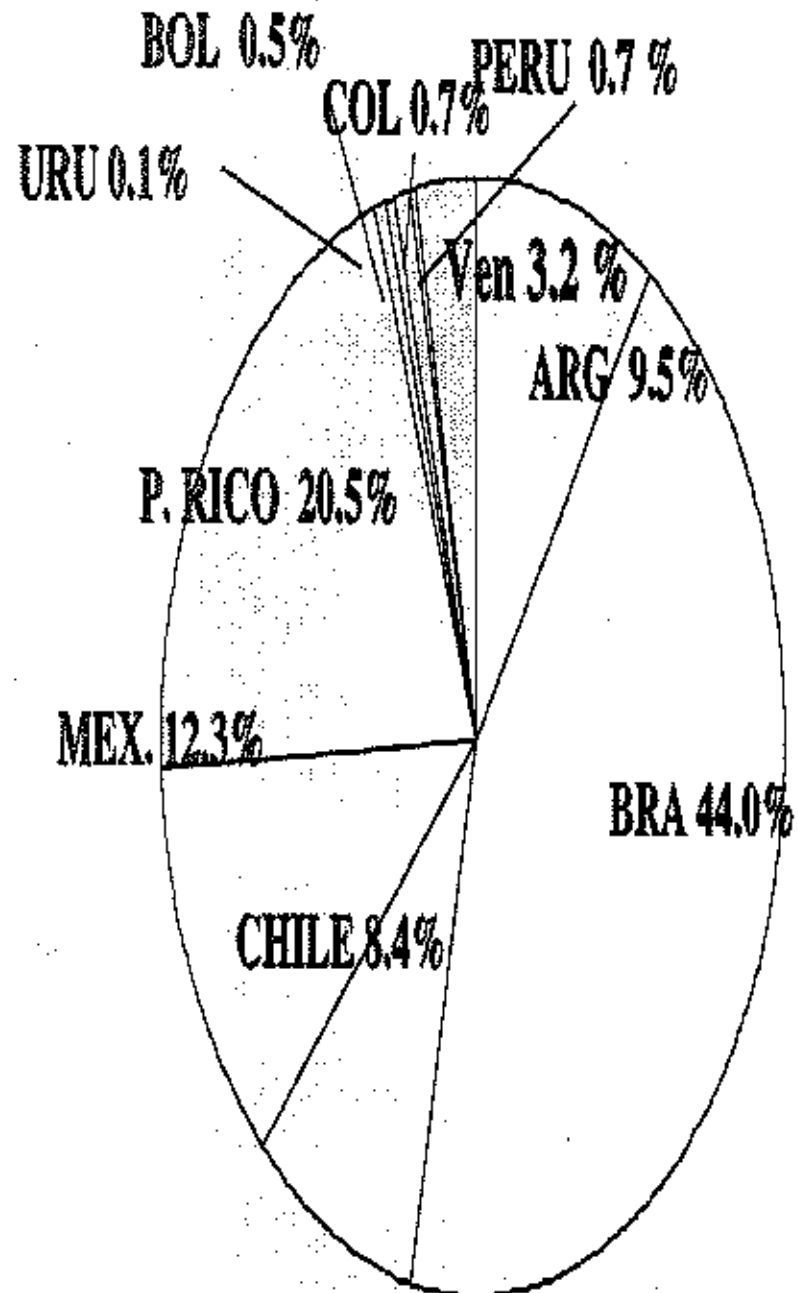


Structure (%) by countries

• Brazil.....	77 %
• Mexico.....	10 %
• Argentina.....	4 %
• Chile.....	2 %
• P. Rico.....	6 %
• TOTAL.....	99 %

### BSCH\*

(US\$ 15.7 Bn)



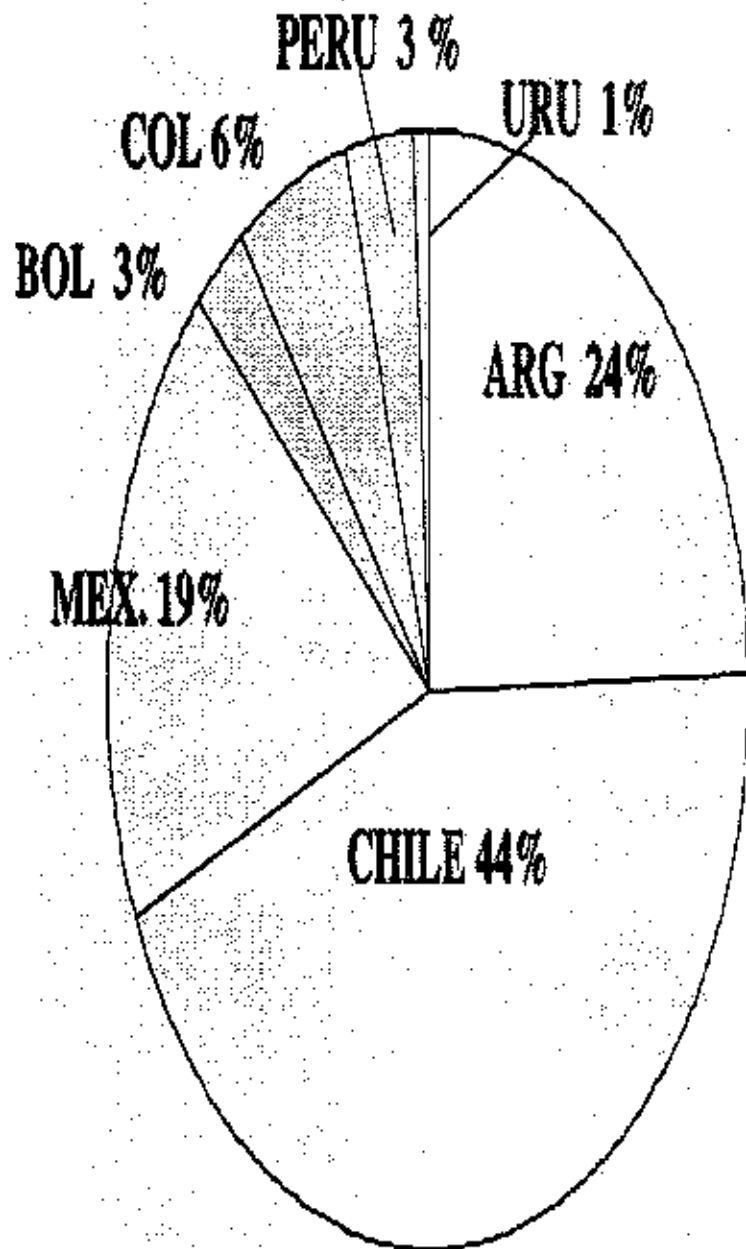
Structure (%) by countries

• Brazil.....	44 %
• Mexico.....	12 %
• Argentina.....	10 %
• Chile.....	8 %
• P. Rico.....	21 %
• TOTAL.....	95 %

# SIZE OF OUR TARGET MARKET AND BSCH POSITIONING

## Pension Funds

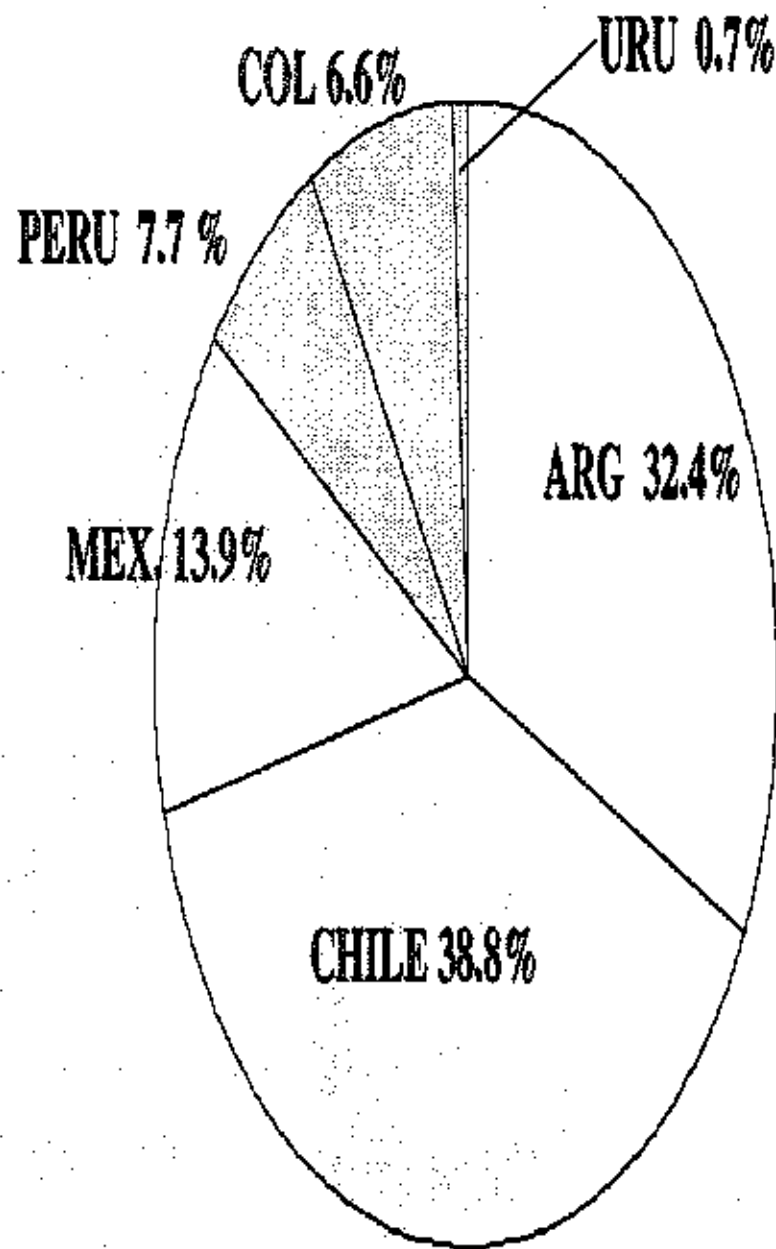
**FINANCIAL SYSTEM**  
(US\$ 81 Bn)



Structure (%) by countries

• Mexico.....	19 %
• Argentina.....	24 %
• Chile.....	44%
• TOTAL.....	87 %

**BSCH\***  
(US\$ 11.9 Bn)



Structure (%) by countries

• Mexico.....	14 %
• Argentina.....	32 %
• Chile.....	39%
• TOTAL.....	85 %

## **SIZE OF OUR TARGET MARKET**

- Target market size comparable to Spain**
- 5 countries account for 85 / 90% of the business**
- Low banking penetration - growth opportunity**
- Different business cycles, income distribution and risk profiles**

# AGENDA

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# BSCH IN LATIN AMERICA

The largest and more diversified franchise in the region

	31.12.00
■ Countries	12
■ Banks	17
■ Pension Management Companies	9
■ Mutual Management Companies	12
■ Stock-Brokerage Units	12
■ Branches	4,646
■ Employees	76,563
■ Total Assets (US\$ Mill.)	115,908

# BSCH IN LATIN AMERICA

## Business Presence on a geographical basis, 31.12.00

(Absolute figures in US\$ Bn)

	Argentina	Brazil 1	Chile	Mexico 2	Puerto Rico	Colombia	Peru	Venezuela 3	Bolivia	Panama	Paraguay	Uruguay	TOTAL
■ Loans	7.1	6.3	13.2	5.7	4.9	1.0	1.0	2.5	0.6	0.1	0.1	0.5	43.0
- Ranking	2*	5*	1	3	2	11	4	1	1	--	7	3	--
■ Deposits	8.0	10.5	11.3	14.7	5.2	1.3	1.3	4.5	0.7	0.0	0.1	0.5	57.7
- Ranking	2*	3*	1	3	2	8	5	1	1	--	8	3	--
■ Pension F.	5.0	--	4.0	1.5	--	0.7	0.7	--	--	--	--	0.1	12.0
- Ranking	1	--	5	3	--	5	2	--	--	--	--	4	--
■ Mutual F.	1.4	6.7	1.4	1.9	3.4	0.1	0.1	0.5	0.1	--	--	0.0	15.7
- Ranking	2	3	1	2	2	6	3	--	1	--	--	4	--

\* Public entities are not included

1. Includes Banespa y Meridional  
2. Includes Serfin  
3. Includes Caracas



# BSCH FRANCHISE: POSITIONING

Undisputed Leader in the Region

Market Share (%)

Assets 9.8 %

Deposits 10.3 %

Loans 9.9 %

Mutual Funds 7.3 %

Pension Funds 14.2 %

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**DEPOSITS + M. FUNDS + P. FUNDS 9.9 %**

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# BSCH FRANCHISE: POSITIONING

## Balance Sheet and Business: Loans

### LOAN PORTFOLIO\*

Market Share (%) \*\*

Structure (%)

(Local Criteria)

■ Argentina	7.4	17.5	} 86.5
■ Brazil	3.9	12.9	
■ Chile	27.6	29.9	
■ Mexico	9.9	14.4	
■ Pto Rico	15.7	11.8	
■ Venezuela	20.1	5.8	
■ Bolivia	17.7	1.6	
■ Colombia	4.3	2.0	
■ Paraguay	4.4	0.3	
■ Peru	8.8	2.6	
■ Uruguay	9.2	1.1	
<b>TOTAL</b>	<b>9.9</b>	<b>100.0</b>	

\* Including Banespa and Caracas

\*\* Latest Available Data

# BSCH FRANCHISE: POSITIONING

## Balance Sheet and Business: Customer Deposits

### CUSTOMER DEPOSITS \*

Market Share (%) \*\*

Structure (%)

(Local Criteria)

■ Argentina	8.2	14.1	} 86.1
■ Brazil	5.6	17.6	
■ Chile	26.8	21.3	
■ Mexico	13.0	24.7	
■ Pto. Rico	13.8	8.4	
■ Venezuela	19.7	7.4	
■ Bolivia	23.9	1.5	
■ Colombia	4.6	1.8	
■ Paraguay	5.6	0.2	
■ Peru	6.2	1.3	
■ Uruguay	6.6	0.8	
<b>TOTAL</b>	<b>10.3</b>	<b>100.0</b>	

\* Including Banespa and Caracas

\*\* Latest Available Data

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**Santander Central Hispano**

# BSCH FRANCHISE: POSITIONING

## Balance Sheet and Business: Mutual Funds

### MUTUAL FUNDS \*

#### Market Share (%) \*\*

#### Structure (%)

(Local Criteria)

■ Argentina	17.5	9.5	} 94.7
■ Brazil	4.3	44.0	
■ Chile	25.2	8.4	
■ Mexico	10.0	12.3	
■ Pto Rico	25.1	20.5	
■ Venezuela	--	3.2	
■ Bolivia	25.7	0.5	
■ Colombia	7.5	0.7	
■ Paraguay	--	--	
■ Peru	23.7	0.7	
■ Uruguay	10.4	0.1	
<b>TOTAL</b>	<b>7.3</b>	<b>100.0</b>	

\* Including Banespa and Caracas

\*\* Latest Available Data

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**Santander Central Hispano**

# BSCH FRANCHISE: POSITIONING

## Balance Sheet and Business: Pension Funds

### PENSION FUNDS

Market Share (%) \*\*

Structure (%)

(Local Criteria)

■ Argentina	24.7	32.4	} 85.0
■ Chile	11.2	38.8	
■ Mexico	8.8	13.8	
<hr/>			
■ Colombia	13.5	6.6	
■ Peru	28.6	7.7	
■ Uruguay	8.6	0.7	
<b>TOTAL</b>	<b>14.2</b>	<b>100.0</b>	

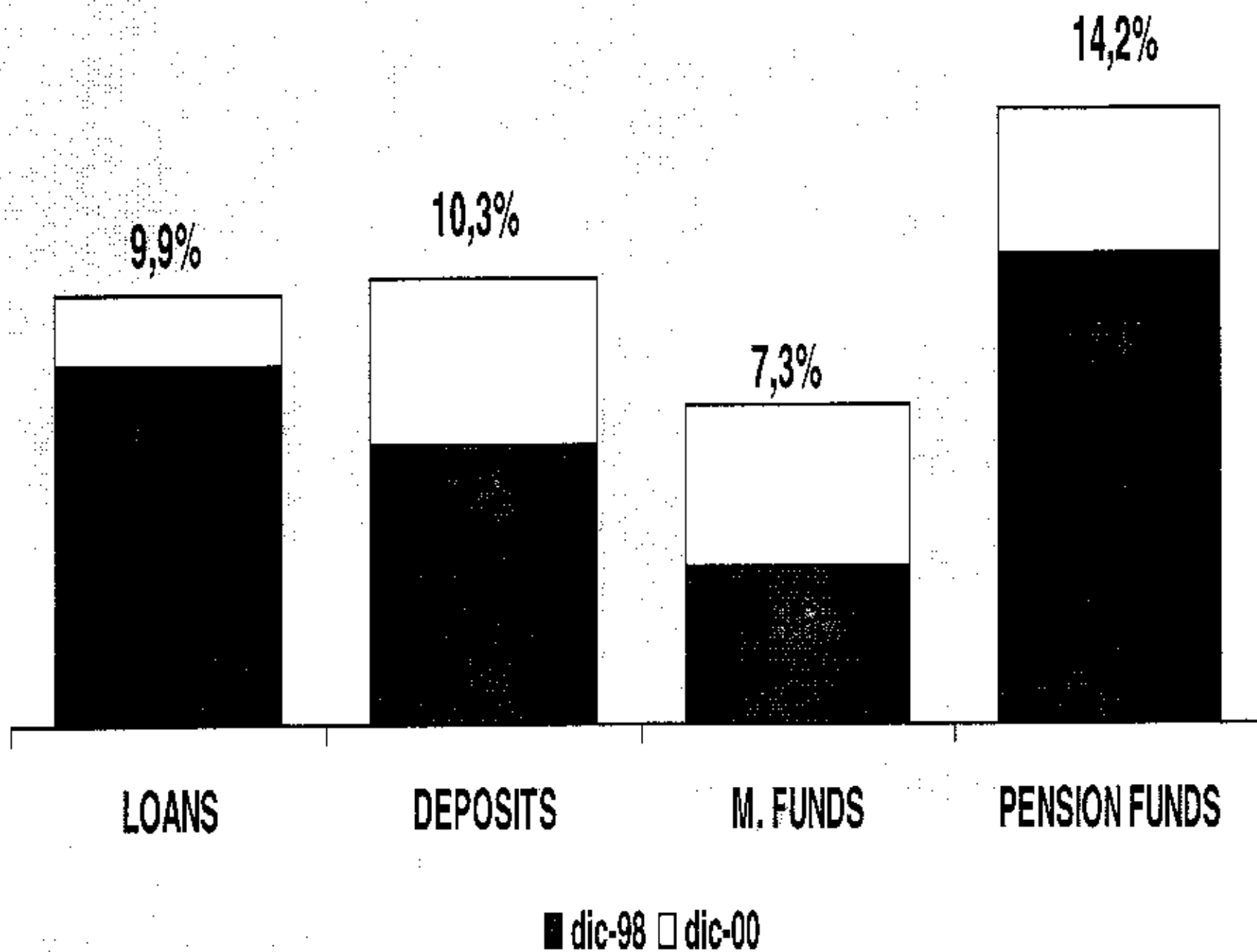
\* Including Banespa and Caracas

\*\* Latest Available Data

# BSCH FRANCHISE: POSITIONING

We have built our franchise on an ongoing basis, through organic growth and timely acquisitions....

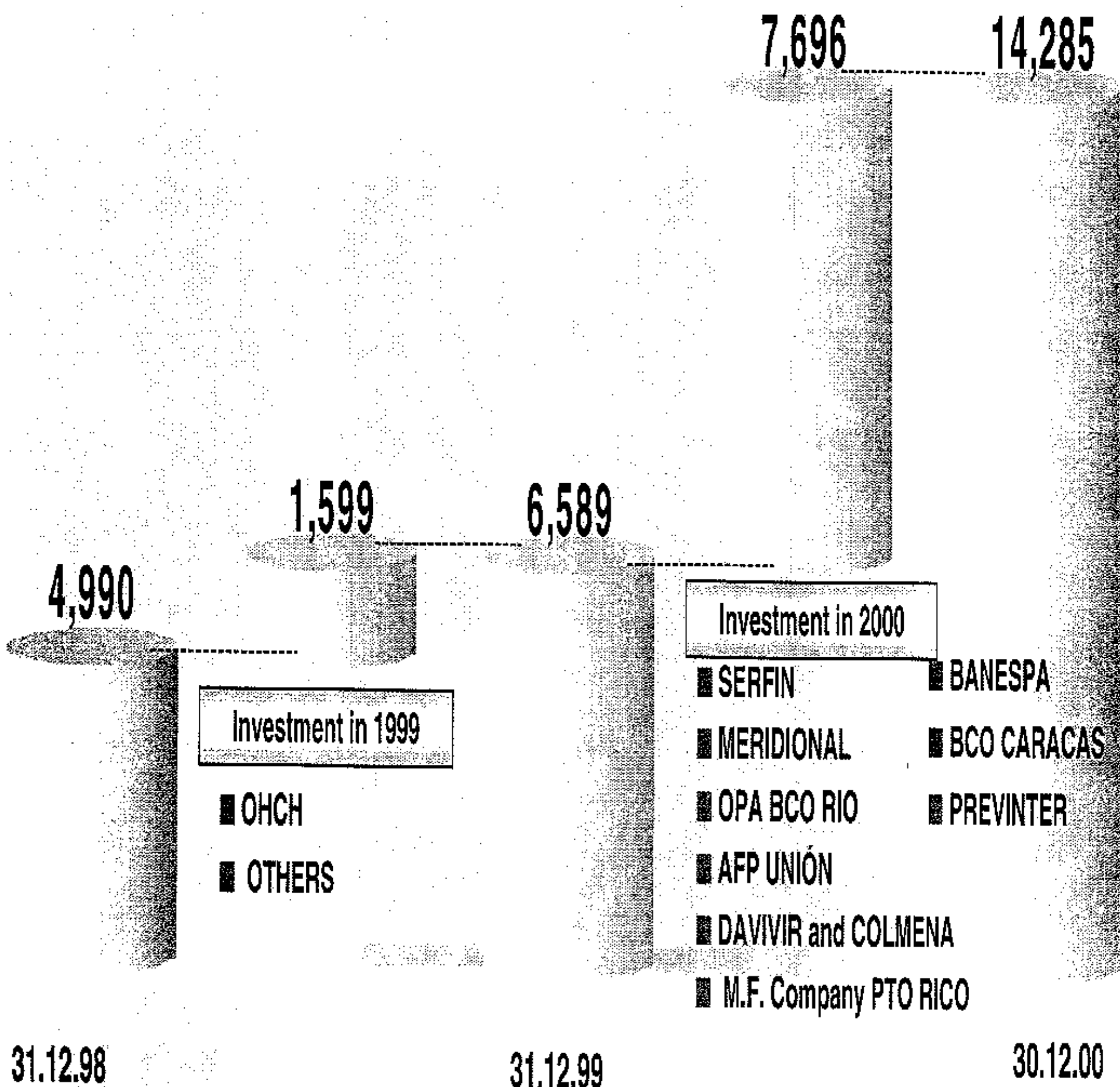
*% Market Share*



# BSCH FRANCHISE: INVESTMENTS

## Total Disbursements

...increasing presence in business / countries with high growth potencial

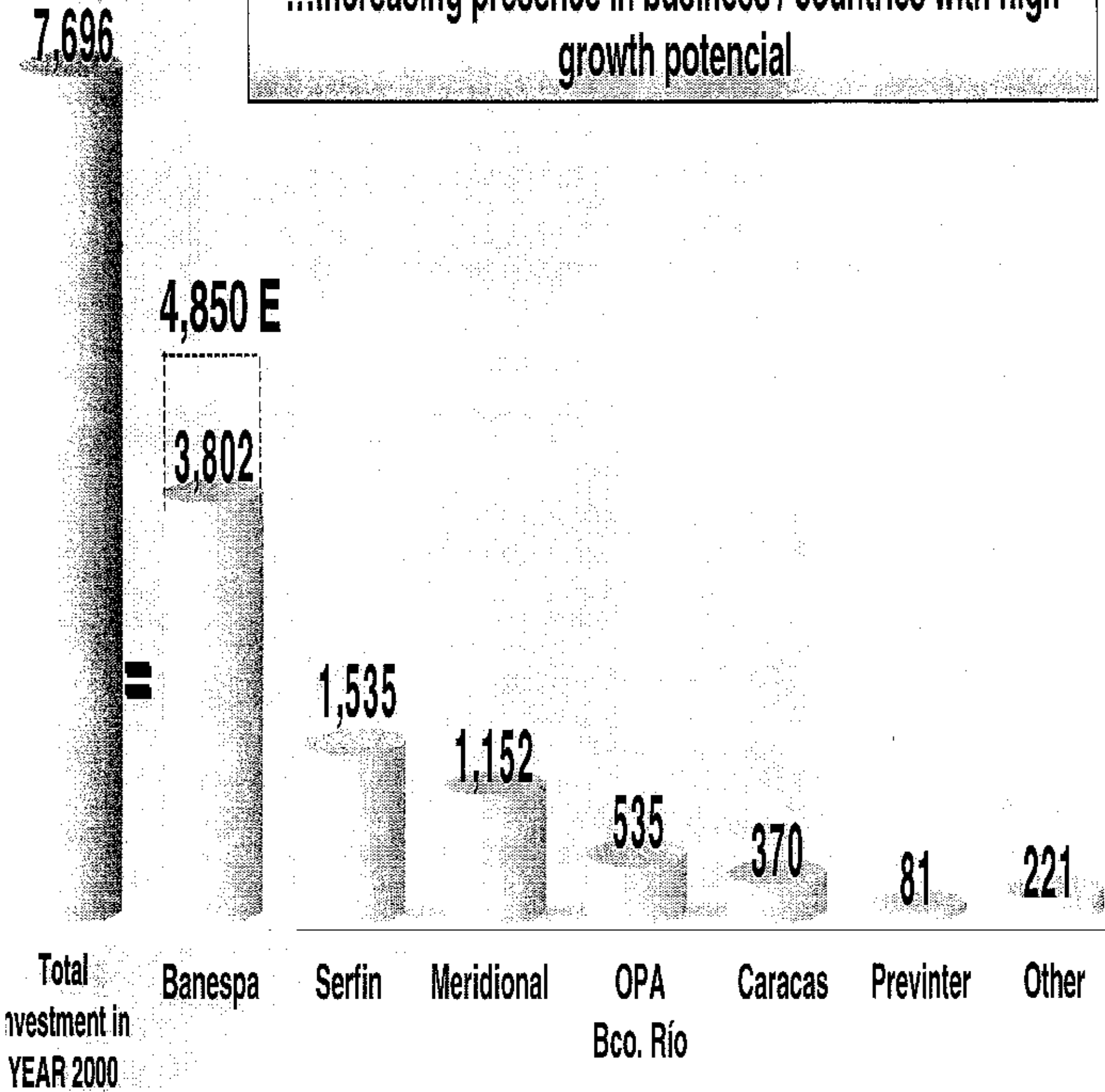


# BSCH FRANCHISE: INVESTMENTS IN THE YEAR 2000

## Total Disbursements

(Figures in US\$ Millions)

...increasing presence in business / countries with high growth potencial





# BSCH FRANCHISE: INVESTMENTS (31.12.00)

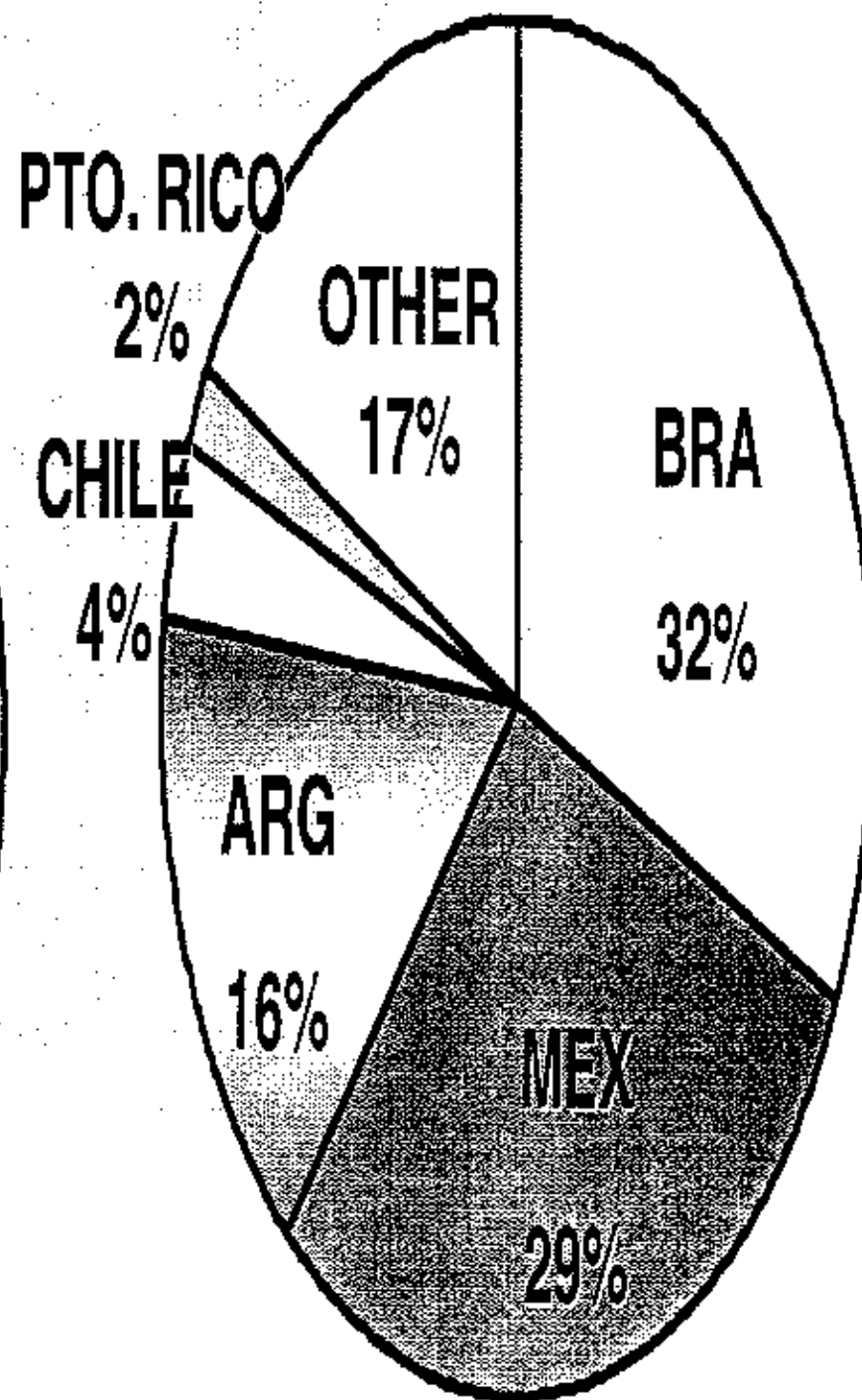
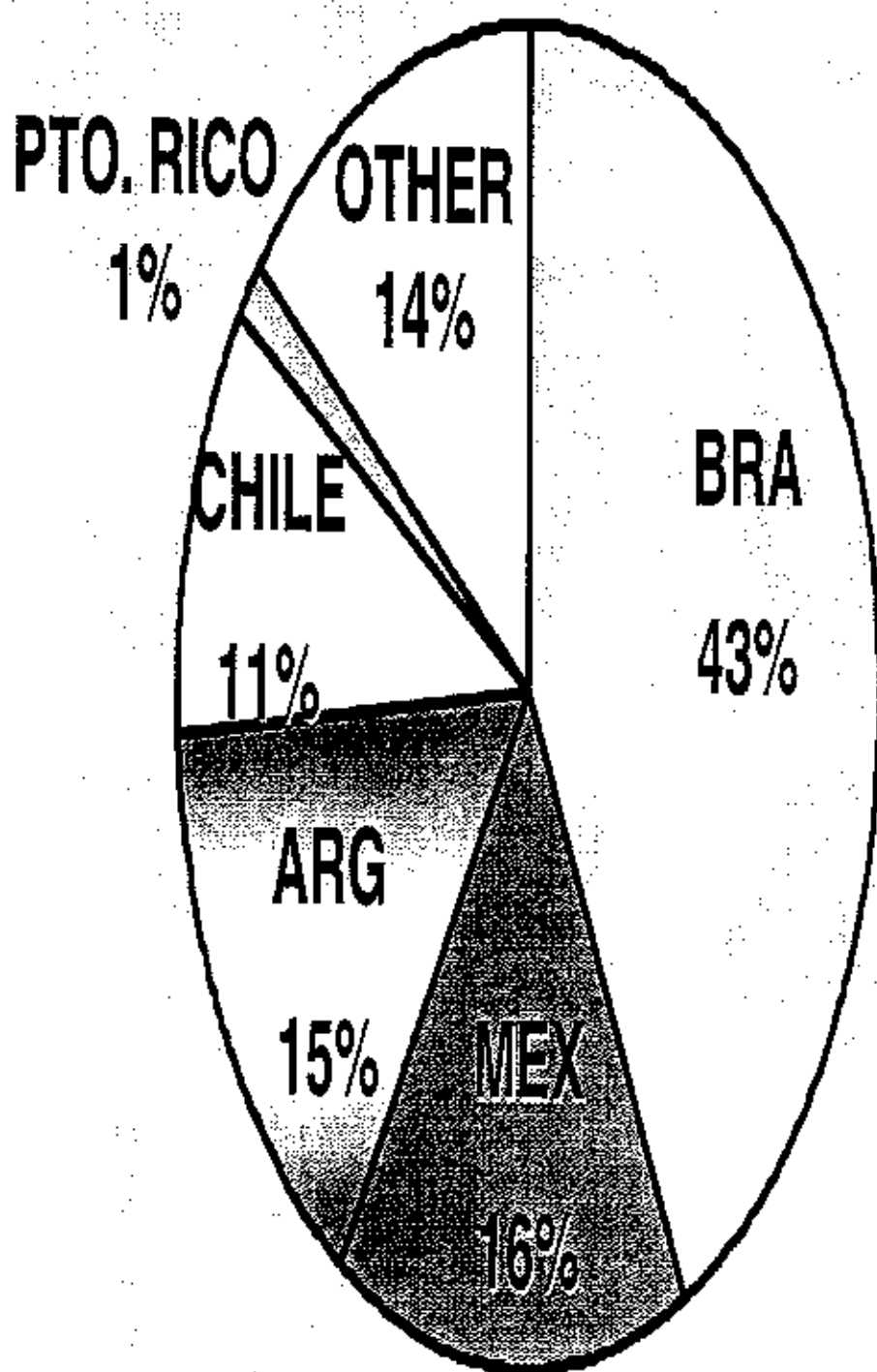
Investment: 14.285 US\$ Mill.

GDP: 1.726 Bn US\$

... With Well-balanced Investments...

5 Major Countries: 86%

5 Major Countries: 83%



# BSCH FRANCHISE

## Ownership Model (31.12.00): Weighted Stakes, %

...and with controlling majorities in every country / business

	Banking Activities*	Mutual Funds	Pension Funds	TOTAL
■ Argentina	79.2	79.8	36.1	78.0
■ Brazil **	92.9	90.4	n.a.	92.8
■ Chile	82.6	76.4	99.4	83.0
■ Mexico	95.7	98.6	98.9	95.9
■ Pto. Rico	84.2	100.0	n.a.	84.7
SUBTOTAL	90.3	93.4	65.7	89.7
■ Colombia	92.7	100.0	100.0	96.0
■ Venezuela	95.6	n.a.	n.a.	95.7
■ Peru	99.4	100.0	99.9	99.6
SUBTOTAL	95.7	100.0	99.9	96.6
■ Bolivia	95.1	94.7	n.a.	95.0
■ Paraguay	98.1	n.a.	n.a.	98.1
■ Uruguay	100.0	100.0	100.0	100.0
SUBTOTAL	99.2	95.8	100.0	98.7
TOTAL	90.8	93.9	68.6	90.3

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\*Including securities and assurance services and all consolidated companies.

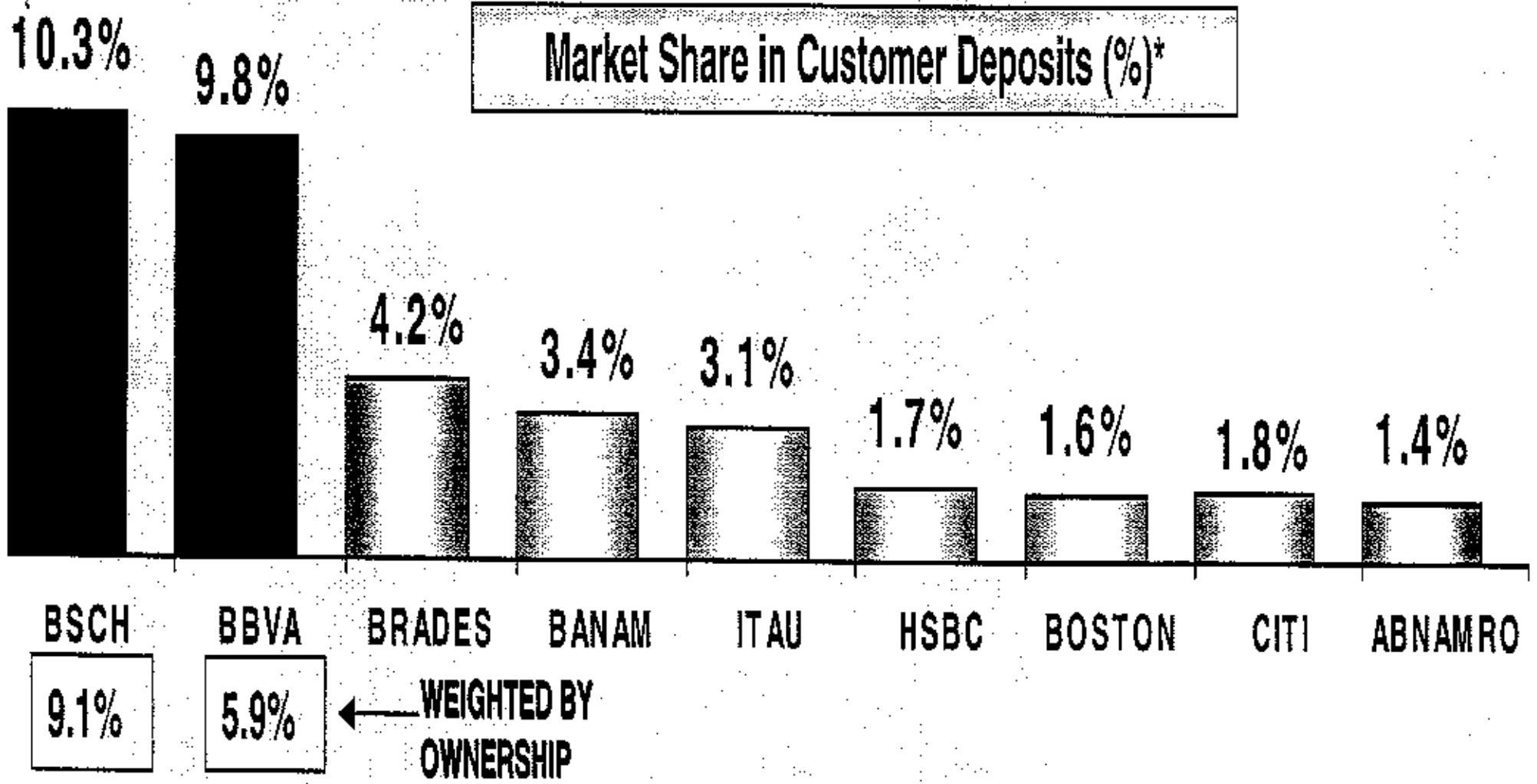
\*\*Brazil's figures assume 90% stake after takeover bid

# BSCH FRANCHISE

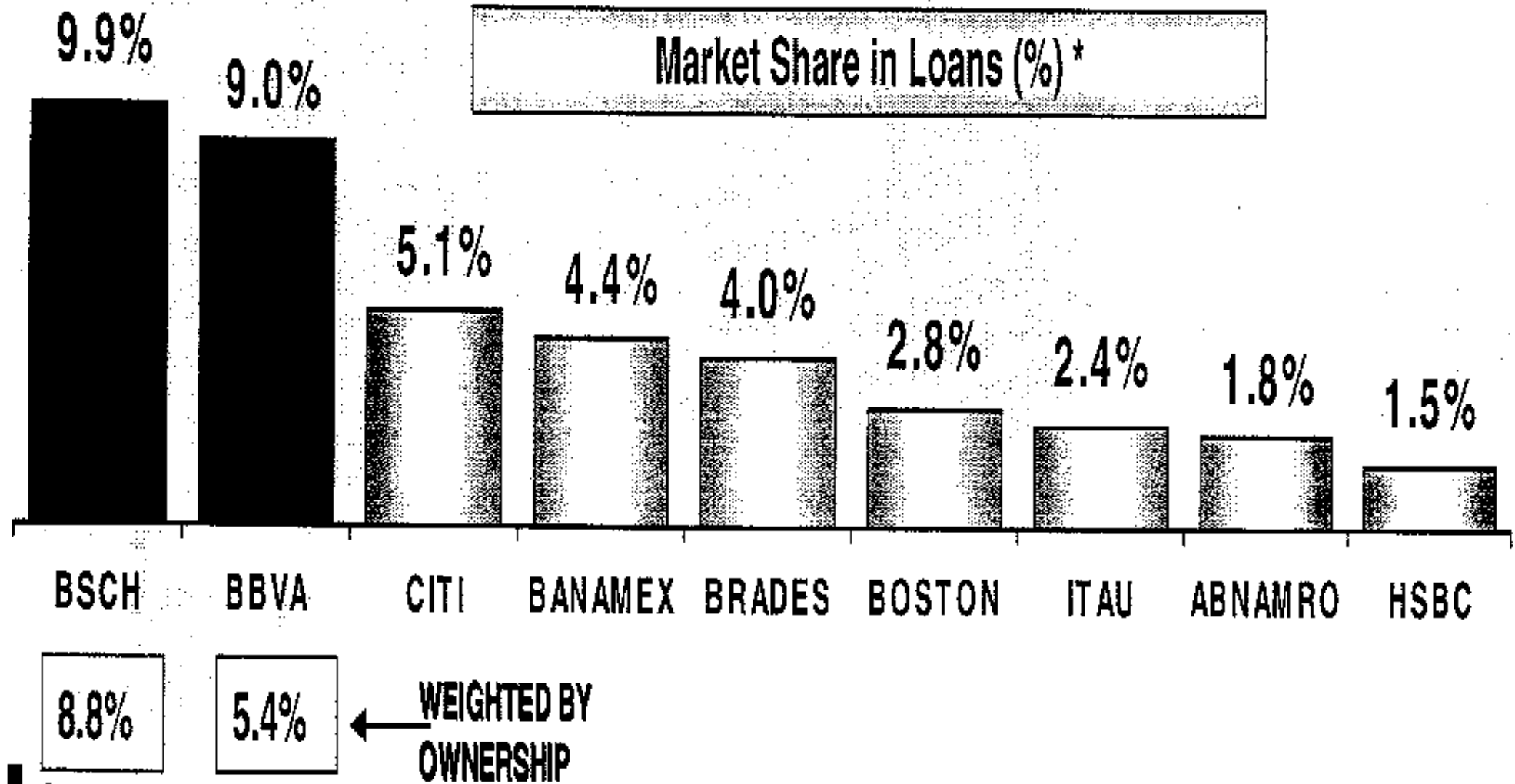
## Market Share (%)

Leadership in terms of Business...

Market Share in Customer Deposits (%)\*



Market Share in Loans (%)\*



Banco Santander Central Hispano

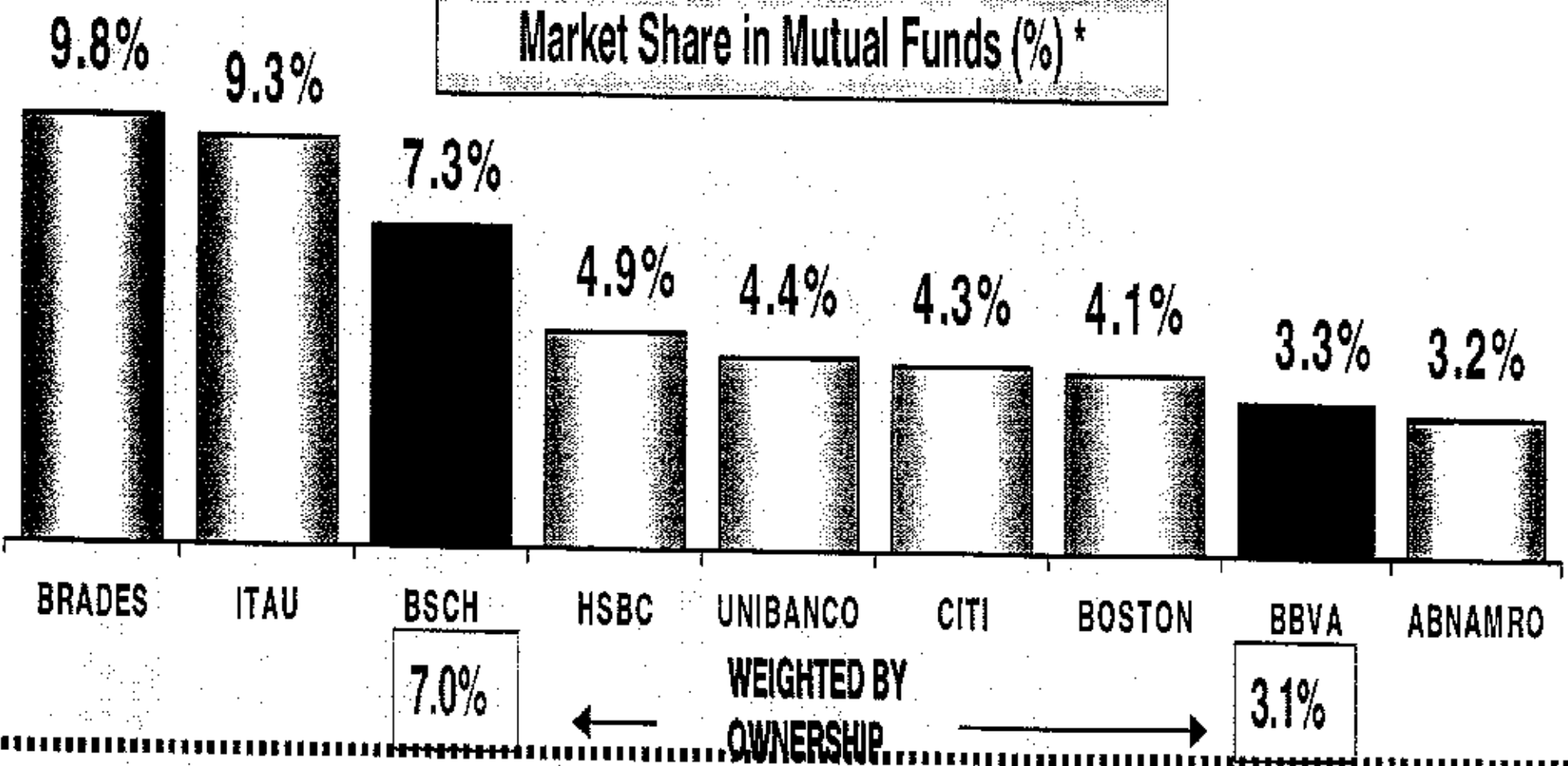
\* Including Banespa and B.de Caracas.

# BSCH FRANCHISE

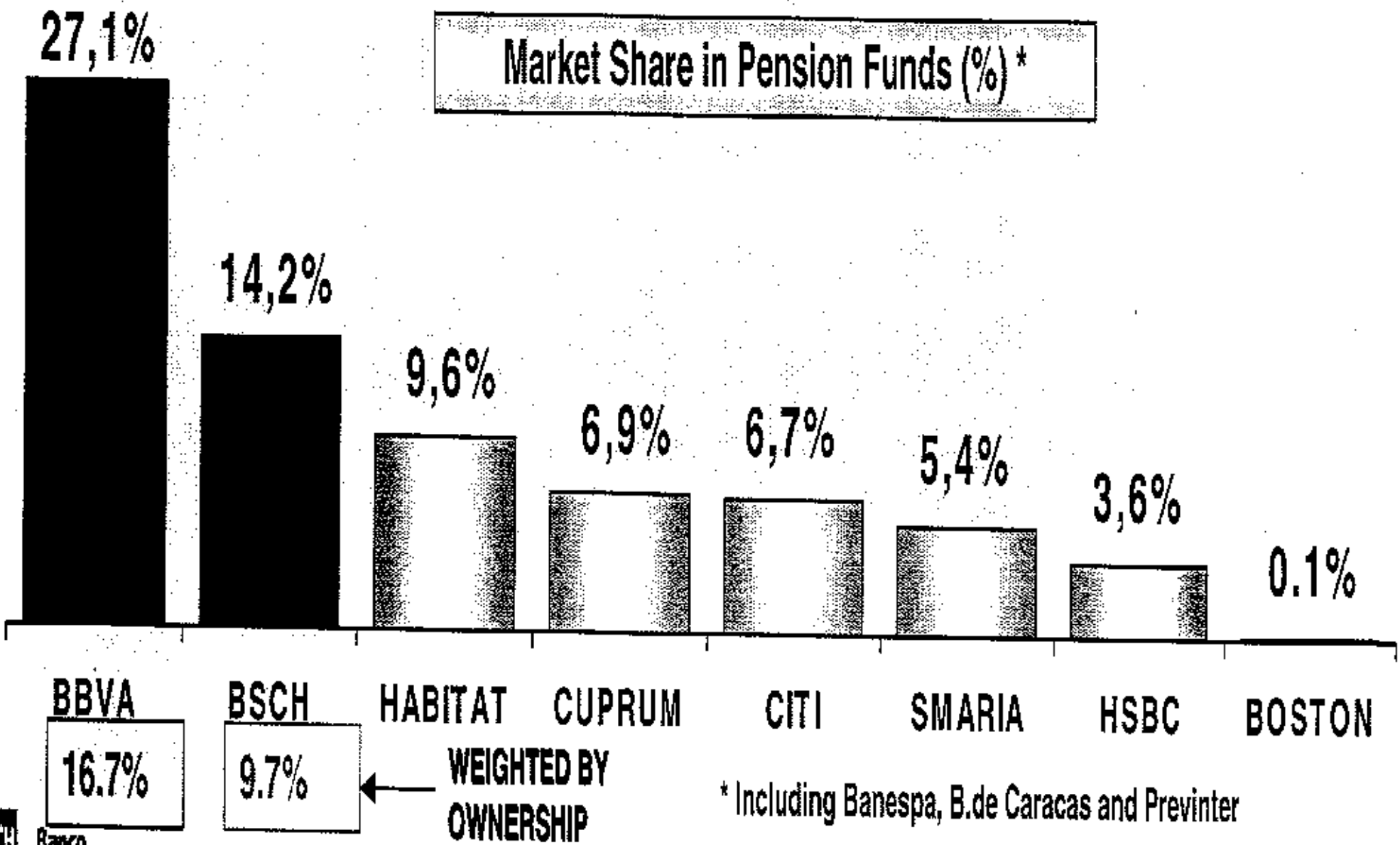
## Market Share (%)

Leadership in terms of Business...

Market Share in Mutual Funds (%) \*



Market Share in Pension Funds (%) \*



\* Including Banespa, B.de Caracas and Previnter

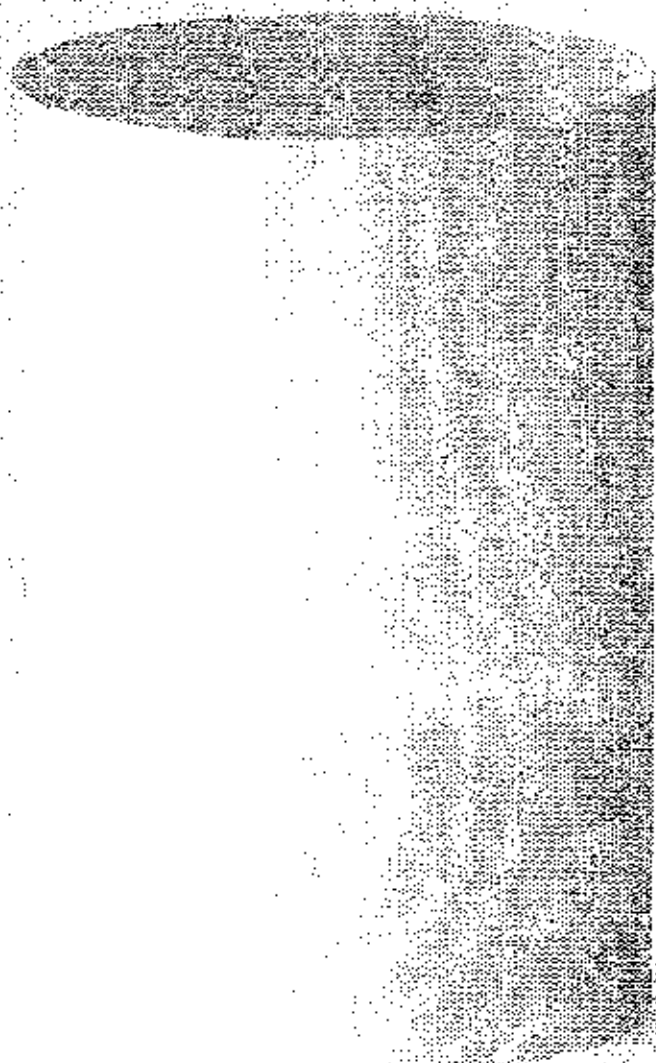
Banco Santander Central Hispano

# BSCH FRANCHISE

...but also in terms of Results

Attributable Income Year 2000, US\$ Million

1010



435



**BSCH**

**2 Largest  
Latin American  
Franchise**

# BSCH FRANCHISE

**...and achieving an outstanding diversification of earnings**

## **US\$ Attributable Income**

**2.000 (US\$Mill)    % Over Total    Growth (%) v/ 99**

■ Brazil	241	24 %	240 %
■ Mexico	234	23	360
■ Argentina	198	20	170
■ Chile	250	25	52
■ Puerto Rico	70	7	5
■ Colombia	1		n.m.
■ Perú	(29)		n.m.
■ Venezuela	106	10	1
■ Uruguay	16	2	140
■ Bolivia	(19)		n.m.
■ Paraguay	1		150

## **BSCH FRANCHISE: POSITIONING (Summary)**

- 10 % mkt share in banking; 15% p. fund mgmnt.**
- Top tier markets concentrate 90% of the business**
- Keep growing - safely**
- Earnings are diversified (ie. in 1998, 50% came from Venezuela)**
- Aim 100 % Control**

# **AGENDA**

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**I PROYECTO AMERICA**

**II OUR TARGET MARKET**

**III BSCH IN LATIN AMERICA**

**IV DRIVERS OF FRANCHISE VALUE**

**V CONCLUDING REMARKS**



# **DRIVERS OF FRANCHISE VALUE**

**Growth Potential** → **NII**

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**Diversification** → **Commission & Mkt. related  
revenue**

**Size - scale** → **Expenses - cost / income**

**Risk Profile** → **Provision expense**

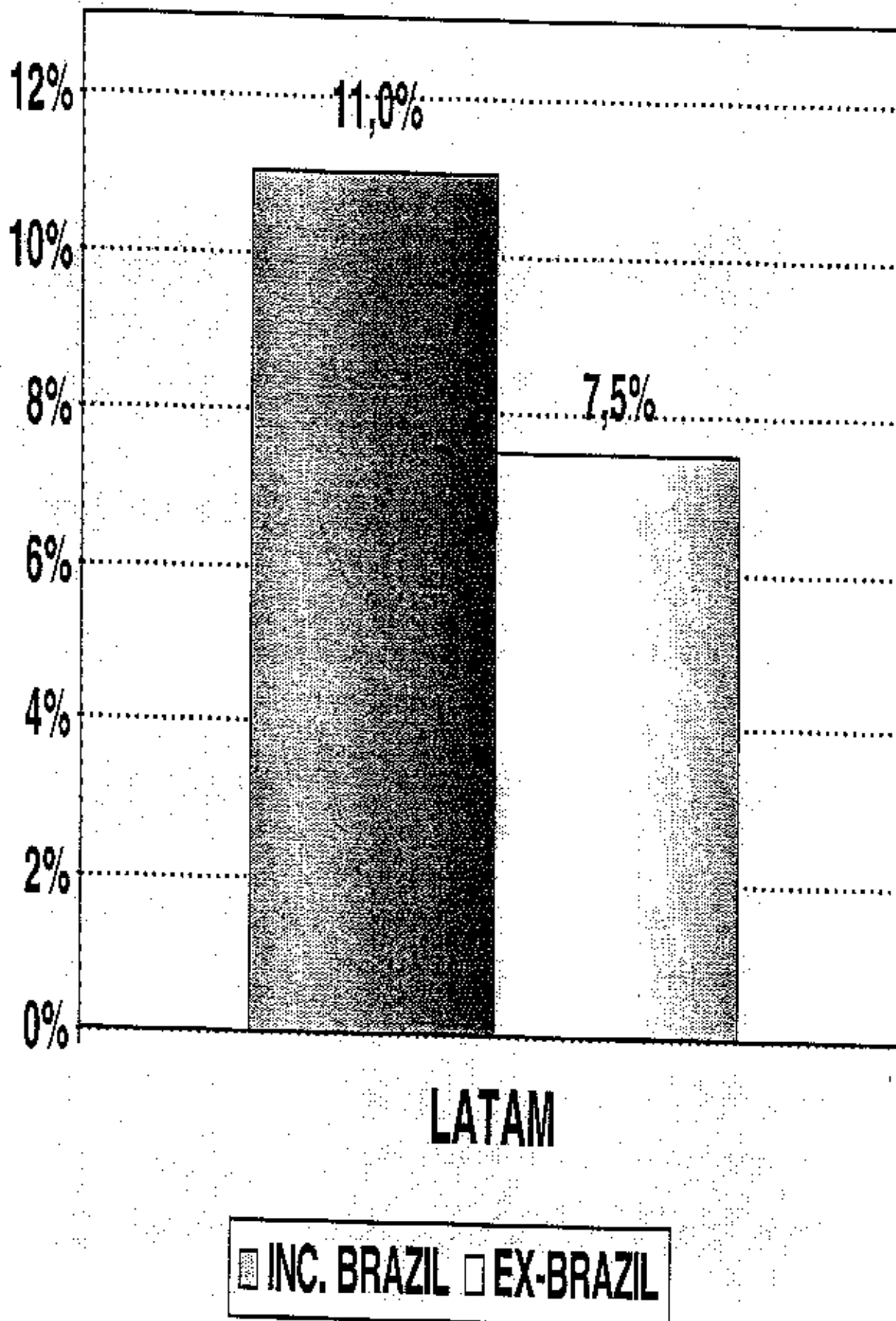


**Profitability - Quality of Earnings**

**Sustainable Growth Earnings**

# GROWTH POTENTIAL - 2000/02

Loan Growth Rates weighted by Relative Size of Each Country - % CAGR 00/02 Real



BSCH is adequately positioned to enjoy double digit growth rates  
➔ Our presence in Brazil adds 2.5% points of growth potential

# LOCAL DIVERSIFICATION



**BRASIL** Retail Presence in SP, Wholesale, Inv.Banking *Very High*

**ARGENTINA** Fully Integrated Franchise *Very High*

**CHILE** Fully Integrated Franchise *Very High*

**P. RICO** Fully Integrated Franchise *Very High*

**VENEZUELA** Economies of Scale , Treasury & Cap Mkts *High*

**MEXICO** Retail Presence in DF, MR, GJ & Pension Fund *High*

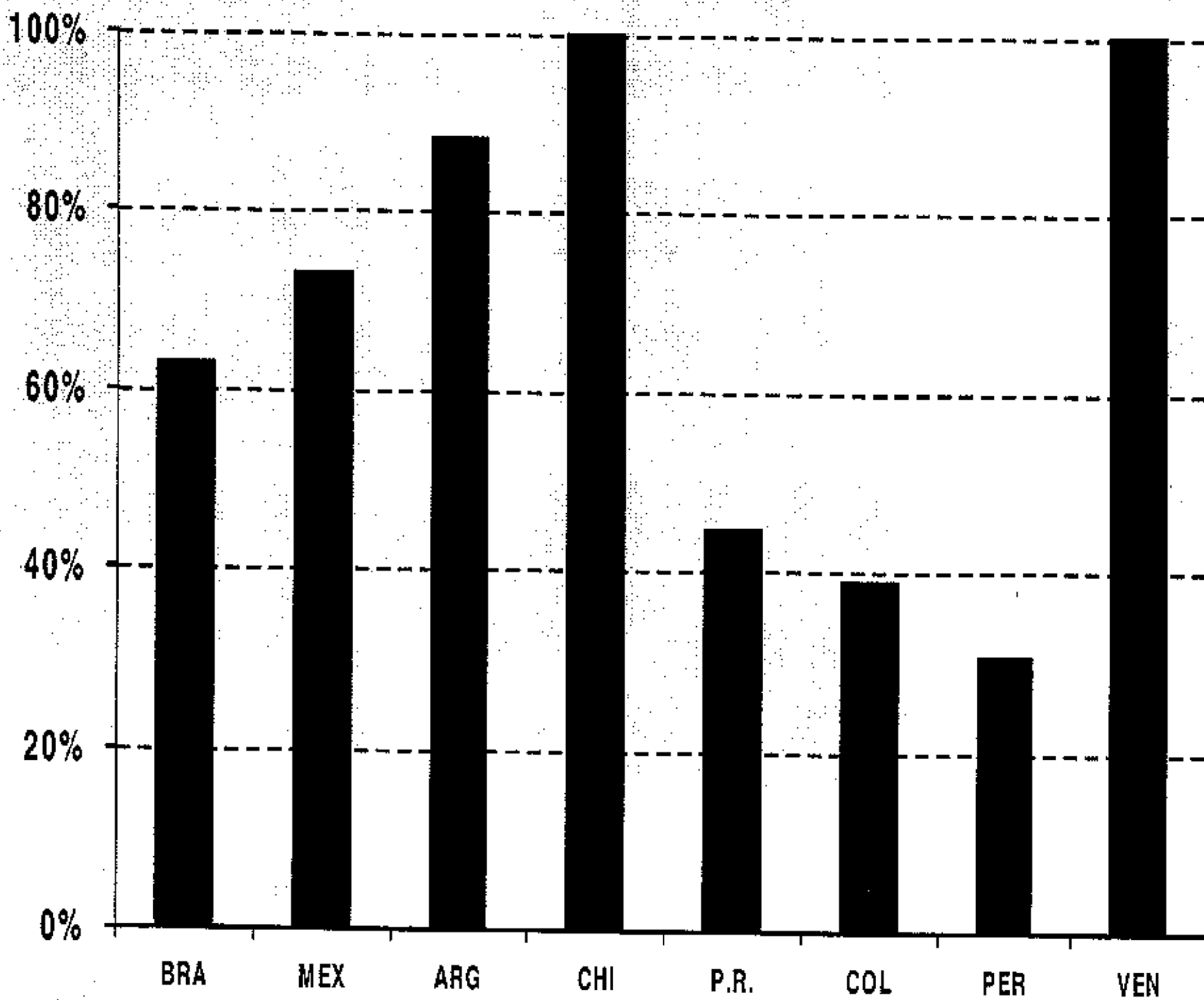
**COLOMBIA** Right Size & Pension Funds *Medium*

**PERÚ** Right Size & Pension Funds *Medium*

# SIZE & SCALE

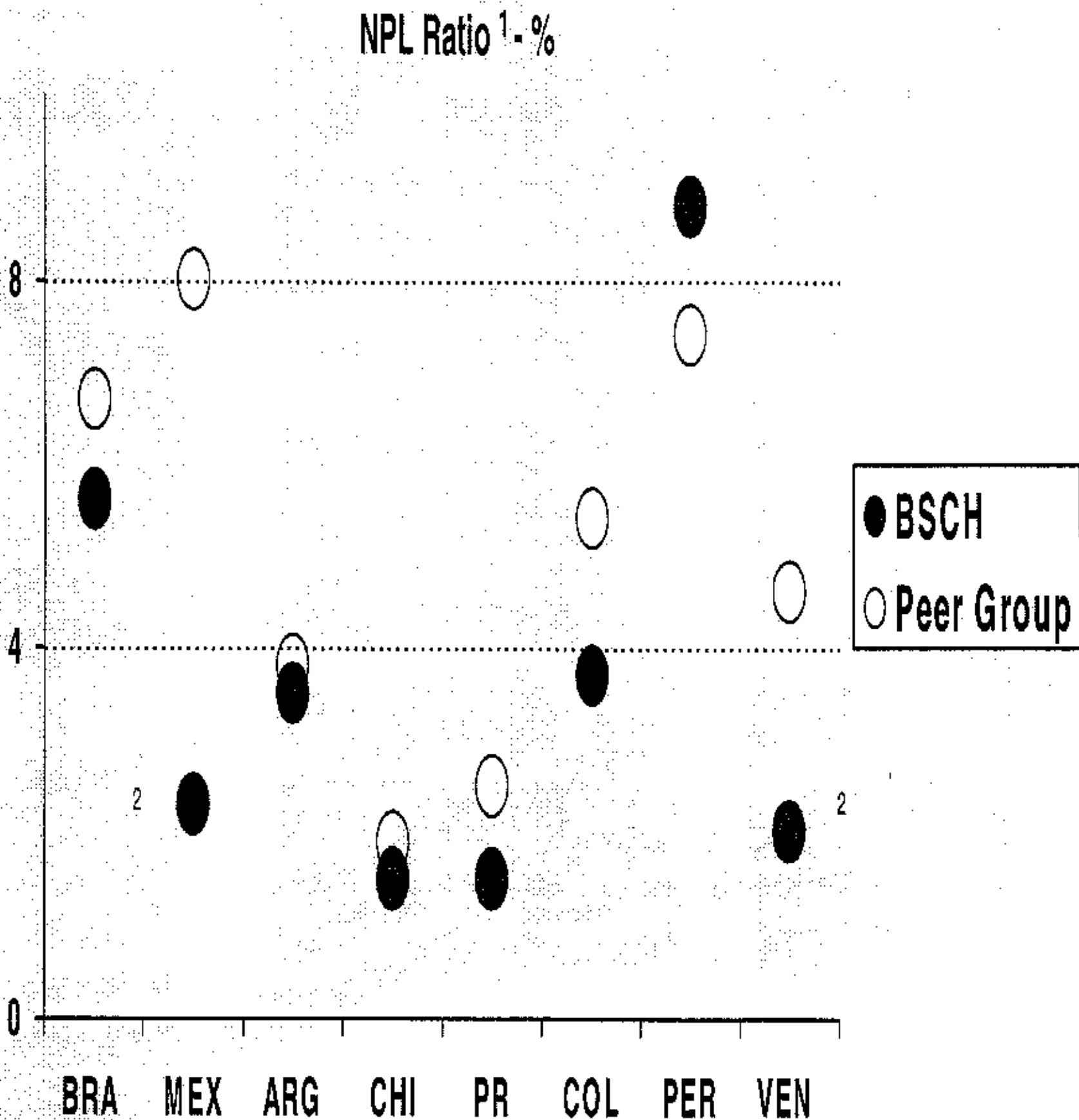
- ▶ Very strong positioning in Brazil, Chile, Argentina, Mexico, and Venezuela
- ▶ Colombia & Peru - optimal size given market environment

Asset size vs. leading private bank



# RISK PROFILE - NPL RATIO

- ▶ Best NPL ratios - highest reserve coverage
- ▶ Very strict loan classification criteria



<sup>2</sup>: Banespa and Caracas not included

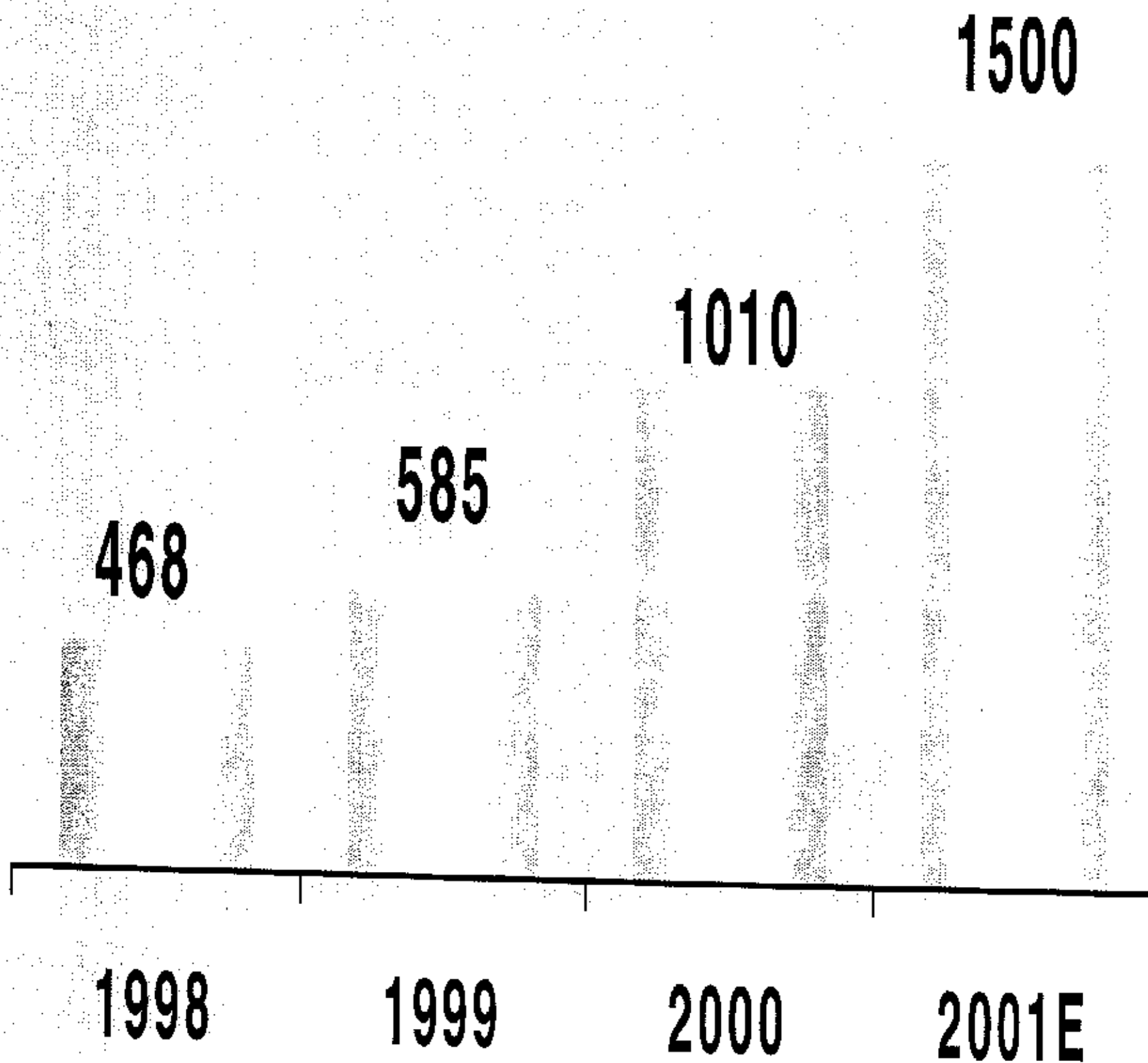
<sup>1</sup> local criteria as of Dec. 2000

# **APPROACH TO MANAGEMENT - CORPORATE CULTURE**

- **Control - towards 100%**
- **Country Heads & local management teams**
- **Very strong risk culture, both credit and market-related**
- **Driven by ambitious goals - Track record**
- **Proyecto America**

# OUR VIEW ABOUT 2001

## ATTRIBUTABLE PROFIT US\$ Million



## CONCLUDING REMARKS

→ Banco Santander Central Hispano franchise in Latin

America has unique characteristics:

- Outstanding local positioning
- Ability to grow in a sustainable way
- A differentiated approach to management

→ and has proven its ability to increase shareholder's value:

2003 / 2004
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■ Expected ROI

16%-18%