



Banco Santander Chile anuncia los resultados del Cuarto Trimestre 2019

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SANTIAGO, Chile, Jan. 29, 2020 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its unaudited results¹ for the twelve month period ended December 31, 2019 and fourth quarter 2019 (4Q19).

Recurring ROAE of 17.7% reached in 2019.

Net income attributable to shareholders in 12M19 decreased 6.7% YoY with a stated ROAE at 16.7% for the twelve month period. This decline was mainly due to the increase of the Bank's **cost of credit** from 1.0% in 2018 to 1.3% in 2019. This was partially offset by the 4.6% increase in **net operating profit before provisions for loan losses** as the Bank experienced a favorable year in business activity and client growth. The Bank also continued to show a world class efficiency ratio, which finished the year at 40%. Adjusting for the additional provisions in the fourth quarter of Ch\$ 16 billion, as well as the one-time charge for the regulatory change in commercial loans analyzed on a group basis of Ch\$31 billion in 3Q19, the **recurring ROAE** would have reached 17.7%.

Net income attributable to shareholders in 4Q19 totaled Ch\$116,707 million (Ch\$0.62 per share and US\$0.33 per ADR). This was a decrease of 25.5% compared to 4Q18 (from now on YoY) and 15.9% compared to 3Q19 (from now on QoQ). In the quarter **net operating profit before provisions for loan losses** increased 9.3% YoY and 5.2% QoQ, with healthy growth of margins, fees and financial transactions. This was offset in the quarter by higher provisions for loan losses triggered by the social unrest and lower growth expectations for 2020. Furthermore, in November the Bank established additional provisions in the quarter of Ch\$16 billion for its consumer loan book.

Record client growth in 2019

The Bank's business activity remained solid in 4Q19 despite the social unrest. During 2019 total client growth reached record levels driven by higher client satisfaction and new product launches. These trends continued in the fourth quarter reflecting the strength of the Bank's digital channels in capturing new clients and cross-selling existing ones. In 2018, client acquisition ranged between 30,000-40,000 a quarter compared to 84,248 in 3Q19 and 76,587 in 4Q19. Santander Life continues to be the main contributor to new client growth due to the success of this product's Merit Program and Digital On-boarding process. Total Santander Life clients reached over 138,600 clients and with a total loan amount of more than Ch\$ 43 billion. In checking accounts, the Bank also had a record year. According to the latest available data, Santander Chile's market share in new account openings reached 26.0% in 2019 and we reached more than 1 million checking accounts in the Chilean market.

Cross-selling among existing clients also continued to rise in the quarter. Client loyalty² continued to rise with loyal individual customers in the high-income segment growing 6.8% YoY and 4.3% YoY among Mid-income earners. Loyal SMEs clients rising 5.3% in 2019. Total digital customers³ increased 13.2% in 2019.

Top 2 for customer satisfaction and recommendation. Top 3 in GPTW

The rise in clients and cross-selling was also fueled by the ongoing improvements in client service. Between 15-20% of every employee's targets now depend on the Bank's NPS and customer satisfaction scores. These are done by an independent evaluator and the results are audited by an external entity. According to the latest surveys, we reached Top 2 in client recommendation (NPS) and satisfaction, closing the gap with the leader.

In 2019, we also improved our ranking according to the Great Place to Work survey reaching 3rd place among all Chilean companies with more than 1,000 employees. This also shows the efforts to continue improving the quality of our workforce. We were chosen best company in corporate governance in a survey by EY in which 347 analysts, agencies and directors responded. Furthermore in the quarter, we were awarded Bank of the Year in Chile by The Banker, which highlighted our improvement in client experience through the development of new digital services and our operational efficiency.

Acquisition of Santander Consumer completed in November 2019

In the quarter we received the final approval of the CMF for the acquisition of 51% of Santander Consumer Chile S.A., an auto-financing company. We paid a total amount of Ch\$ 62,136 million for 51% of the company and the remaining 49% is owned by Banco Santander S.A. (Spain). This amounted to Ch\$451 billion of consumer loans as of December 2019, which is around 8% of our consumer loan book.

Getnet, our new acquiring business, performed its inaugural transaction. Klare subsidiary created.

In the quarter, we also made progress with our acquiring business, with the President of the Bank, Claudio Melandri, making the first transaction through Getnet, the new brand name of our acquiring business. We expect to start to ramp up this business in the first semester of the year. We also completed the creation of a new subsidiary called Klare, which will be an online platform where individuals can compare insurance between different providers and this will drive insurance brokerage fees.

Advancing in ESG metrics.

During 2019, we continued to focus on ESG themes. During the year, we maintained our position as part of the Dow Jones Sustainability Index in Chile and MILA and our MSCI sustainability grade of A. Furthermore, we improved our rating with Vigeo Eiris from a score of 38 out of 100 to 58 out of 100, improving from Limited to Robust. This score puts us at Top 4 in emerging markets and Top 8 in the world in our industry (retail and specialized banks).

In the quarter, we also launched our first green product for retail clients. Clients can now compensate their monthly carbon footprint through our webpage and APP. The Bank with the aid of external advisors is now able to calculate a client's carbon footprint based on their monthly expenditures.

The amount of carbon a client uses can be offset by buying, on the Bank's webpage or APP, carbon bonds or donating to a green project in Chile. 312 tons of carbon emissions were compensated by our clients in December.

Non-interest bearing demand deposits increase 8.8% QoQ and 17.8% YoY

The Bank's **total deposits** increased 7.7% YoY and 2.7% QoQ in 4Q19. In 4Q19, deposit growth was led by a strong rise of non-interest bearing demand deposits, which grew 8.8% QoQ and 17.8% YoY. This growth was due to high growth of retail checking accounts, continued strength in the Bank's transactional banking services for companies, a seasonal rise in demand deposits in 4Q on behalf of corporates and a preference of clients for liquidity during the social unrest events. This also led to a high liquidity ratio at year-end with the Bank's LCR and NSFR reaching 143% and 108%, respectively.

Loan growth driven by retail banking in the quarter

Total loans increased 8.1% YoY and 2.6% QoQ, led by loans in retail banking which grew 4.3% QoQ and 10.3% YoY. In 4Q19, **Loans to individuals** was the fastest growing segment and increased 5.1% QoQ and 11.3% YoY. **Consumer loans** increased 13.6% YoY and 9.4% QoQ driven by the incorporation of Santander Consumer Chile S.A. in November following the final approval at the extraordinary shareholders' meeting in August and of the CMF⁴. This contributed Ch\$451 billion of consumer loans as of December 2019, representing 8% of the consumer loan book. **Mortgage loans** continued to grow healthily and increased 3.3% QoQ and 11.0% YoY. Long-term interest rates decreased in 2019, and despite rising in 4Q19, they remained at attractive levels, fueling loan growth in this product. **Loans to SMEs** increased 5.7% YoY and 1.1% QoQ with growth in the quarter being led by the larger SMEs. The Bank continues to maintain a conservative stance regarding loan growth in this segment by focusing on larger, less risky SMEs that will generate *non-lending* revenues as well. **Middle-market loans** grew 5.2% YoY and 1.1% QoQ as this segment is more sensitive to the evolution of the economy, growth in this segment is in line with the slower economic growth and the Bank's more prudence stance regarding risk. **Loans in SCIB** decreased 0.6% YoY and 5.9% QoQ as the Bank continued to follow a strategy of profitability.

Higher NIMs in the quarter due to higher inflation and improved funding mix

In 4Q19, **Net interest income, NII**, increased 8.0% compared to 3Q19 and 5.1% compared to 4Q18. The Bank's **NIM** in 4Q19 was 4.2%, lower than the 4.4% in 4Q18, but higher than the 4.0% in 3Q19. The QoQ increase in the NIM was mainly due to the higher UF inflation rate, a decrease of 25bp in the short-term interest rates, the improved funding mix driven by the high growth of demand deposits and an increase in long-term interest rates in the quarter. The variation of the UF⁵ was 0.9% compared to 0.5% in 3Q19, mainly due to the depreciation of the Chilean peso. Simultaneously, and in order to stimulate growth, the Central Bank in 2019, started a process of relaxing monetary policy with the latest rate cut in October 2019, when it was reduced by 25bp to 1.75%. This had a positive impact on deposit costs. Furthermore, in 4Q19 the rise in non-interest bearing demand deposits also had a positive impact on margins. These positive effects were partially offset by the negative impact of lower long-term interest rates that drove a record level of refinancing of mortgage loans in the year.

Asset quality remains stable with conservative outlook leading to higher provisions

During the quarter provisions increased 31.2% compared to 3Q19 and 107.4% compared to 4Q18 due to higher provisioning resulting from the negative impact on asset quality from the social unrest in Chile and a weaker economic scenario expected for 2020. This included establishing additional provisions⁶ of Ch\$16 billion for our consumer loan book analyzed on a group basis to cover possible higher risk levels and any greater provisions required by the bank regulator for this portfolio in 2020. Therefore, the **cost of credit** in 4Q19 reached 1.87%. The incorporation of Santander Consumer Chile S.A. also increased the cost of risk by ~10bp in the quarter.

The **expected loan loss ratio** (Loan loss allowance over total loans) increased slightly to 2.7% compared to 2.6% in the previous quarter. The **NPL and Impaired loans ratio both increased by 10bp QoQ to 2.1% and 5.9%**, respectively. The **total Coverage ratio** including the additional provisions reached 135.4% at year-end 2019. The **cost of credit for 12M19** reached 1.34%, including all one-time impacts.

Fee income increased 6.9% QoQ driven by business segments

In 4Q19, **fee income** increased 6.9% compared to 3Q19 and 13.7% compared to 4Q18. The Bank experienced positive client and business activity in 4Q19, despite the social unrest. This was mainly due to the strength of the Bank's digital channels, which continued attracting new clients and cross-selling existing ones. Fee growth in the quarter was mainly led by the following products: (i) a rebound of card fees due to the migration of our cards to an interchange fee model; (ii) an increase in collection fees from Santander Consumer Chile S.A, which we started to consolidate in the quarter (iii) an increase in financial advisory among our corporate clients.

Positive client and non-client treasury results in the quarter

Results from Total financial transactions, net was a gain of Ch\$54,444 million in 4Q19, an increase of 52.2% compared to 4Q18 and a decrease of 15.9% compared to 3Q19. **Client treasury services** revenues reached a gain of Ch\$35,080 million in the quarter, an increase of 1.9% compared to 4Q18 and a decrease of 7.1% compared to 3Q19. The movement of client treasury revenue, which usually makes up the bulk of our treasury income, reflects the demand on behalf of clients for treasury products, mainly for their hedging needs and market making. With the uncertainty in the global markets and volatility of exchange rates, demand for treasury products was strong during 2019, reaching the peak in 3Q19. The increase in demand for hedging products reflects a shift in the behavior of our commercial clients and the Bank's ability to capture this profit generating business, strengthened by our good customer service.

¹The information contained in this report is unaudited and is presented in accordance with Chilean Bank GAAP as defined by the Superintendency of Banks of Chile (SBIF).

² Loyal high income and middle income customers with 4 products plus a minimum profitability level and a minimum usage indicator, all differentiated by segment. SME + Middle-market cross-selling differentiated by client size using a point system that depends on number of products, usage of products and income net of risk.

³ Digital customers are clients who access their web account using a passcode

⁴ Santander Consumer Chile S.A. does auto financing and we paid a total amount of Ch\$ 62,136 million for 51% of the company. The remaining 49% if

owned by Banco Santander S.A. (Spain).

⁵ UF or Unidad de Fomento, an inflation indexed unit used in Chile

⁶ Additional provisions as defined by the CMF, which are not for any specific to any loan provisioning model and must be approved by the Board

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