Santander
INVESTOR RELATIONS

Banco Santander-Chile Announces Fourth Quarter 2020 Earnings

February 4, 2021

SANTIAGO, Chile, Feb. 04, 2021 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its unaudited results[1] for the twelve month period ended December 31, 2020 and fourth quarter 2020 (4Q20).

Net income attributable to shareholder up 57.2% YoY in 4Q20. ROAE of 20.4% in 4Q20

Net income attributable to shareholders in 4Q20 totaled Ch$183,435 million (Ch$0.97 per share and US$0.55 per ADR), increasing 74.5% compared to 3Q20 from now on QoQ) and increasing 57.2% compared to 4Q19. It is important to point out that 4Q20 results include an additional provision of Ch$50,000 million recognized in order to increase coverage ratios considering the uncertainty surrounding the potential impacts on credit quality of the COVID-19 crisis. Even with this impact, net income increased 74.5% QoQ due to higher net interest income, a rebound in fees, an improvement in asset quality and cost control. The Bank's ROAE expanded 886bp compared to 3Q20, reaching 20.4%. With these strong results, **net income attributable to shareholders accumulated up to December 2020** totaled Ch$517,447 million (Ch$2.75 per share and US$1.54 per ADR), decreasing 6.3% compared to 2019 with a ROAE of 14.5% year-to-date (YTD).

41% YoY rise in non-interest bearing demand deposits

The Bank's **total deposits** increased 7.0% YoY and decreased 2.1% QoQ in 2Q20. In the quarter, **non-interest bearing demand deposits** continued to grow strongly, reaching 4.7% QoQ and 41.4% YoY due to high growth of retail checking accounts and continued strength in the Bank's transactional banking services for companies. Demand deposit growth was also driven by the effects of the second withdrawal from pension funds.

Time deposits decreased 19.8% YoY and 10.2% QoQ due to lower interest rates. In March, the Central Bank lowered its MPR, which serves as reference rate for most CLP denominated deposits. At the same time the Bank continued to enforce time deposit price discipline, improving our time deposit funding cost in nominal pesos in absolute terms and compared to our main peers.

Life and Superdigital driving digital account openings

Retail demand deposit growth was also driven by Life and Superdigital that thrived in the quarter**.** The lockdowns have increased the demand for online banking services and our attractive digital product offer drove record demand for these products. Our digital channels have proven vital during the COVID-19 crisis providing clients with an easy access to our transactional products.

Santander Life continues to be the main contributor to new client growth due to the success of this product's Meritolife Program and Digital On-boarding process for opening a checking account. Total new clients in Life in 2020 increased 259% YTD and in the fourth quarter Life opened 121,219 checking accounts. The lockdowns have increased the demand for online banking services and Santander Life's attractive product offer has continued to drive demand for this product. Life already has more than 480,000 clients, 75% of which were digitally onboarded.

In April 2020, Superdigital was fully launched to the public and a record amount of debit accounts were opened in the quarter, providing an attractive alternative for unbanked Chileans to manage the money received from government initiatives during the COVID-19 crisis. In April Superdigital had 20,000 clients and this jumped to over 100,000 by September. At the end of December 2020, we already had close to 130,000 clients.

The Bank opens more than 3x more current account than the banking system

As a result of these efforts, the Bank's market share in traditional checking accounts remained strong. According to the latest publicly available information, which is as of November 2020, net account openings at Santander Chile were equivalent to more than 3x the total account openings in the rest of the banking system, reaching a market share of over 25% in checking accounts. These figures do not include Superdigital, since those accounts are categorized as debit cards.

Solid YoY loan growth of 5.1%. Retail loans lead growth in 4Q20

Total loans increased 5.1% YoY and decreased 1.2% QoQ. After strong loan growth in the first semester of 2020, loan growth decelerated in the quarter as the **Middle-market** and **CIB** segment reduced their demand for working capital loans for liquidity needs and the demand from SMEs for FOGAPE loans also waned. As of December 31, 2020, the Bank had approved approximately Ch$ 2,076 billion (or US$2.9 billion) loans granted under this program, representing 12.2% of our total commercial loan book.

Loans to individuals increased 2.8% YoY and 1.8% QoQ. **Consumer loans** increased 0.3% QoQ, which show early signs of recovery after various quarters contracting. **Mortgage loans** increased 10.2% YoY and 2.5% QoQ. Long-term interest rates have remained at attractive levels, contributing to the sustained growth, especially among high-income earners.

Positive evolution of repayment of reprogrammed loans. Increasing coverage to 227%

At the start of the pandemic in March, the Bank offered grace periods to clients with good payment behavior with consumer loans receiving up to 3 months, commercial loans up to 6 months and mortgage loans initially receiving 3 months with the possibility to extend a further 3 months for clients that were most affected by the lockdowns. As we only gave 3-month grace periods for consumer loans, the payment holiday for most of these clients has finished. The majority of the 6-month grace periods have also finished during the months of October, November and December. Early NPLs have been less than 1%, showing better payment behavior than pre-COVID.

During the quarter, **provisions** decreased 44.2% YoY and 35.8% QoQ. The QoQ decrease was mainly due to positive evolution of asset quality. The

cost of credit in 4Q20 reached 1.0% compared to 1.5% 3Q20 and 1.9% in 4Q19. In 4Q20, the Bank set an additional $50 billion in additional provisions. The positive evolution of asset quality following the finalization of part of the payment holidays gave way to a low cost of risk in 4Q20, but given the uncertainty that still exists around the COVID-19 crisis and that new waves of the virus could hurt economic activity, the Board felt it was prudent to take on additional provisions. In total, the Bank has set aside since 4Q19, Ch$126 billion in additional provisions of which, Ch$26 billion are for consumer loans, Ch$10 billion has been allocated to mortgage loans and Ch$90 billion to the commercial loan portfolio.

As a result, the **Expected loan loss ratio** (Loan loss allowance over total loans) rose from 3.1% in 3Q20 to 3.2% in 4Q20 as the Bank continued to increase its coverage ratio. The **NPL ratio** improved from 2.1% in 4Q19 and 1.6% in 3Q20 to 1.4% in 4Q20 due to the healthy payment behavior after the payment holidays given in previous months while the **Impaired loans ratio** fell slightly to 5.2%. The total **Coverage ratio**, including the additional provisions, reached 226.7% in 4Q20.

BIS ratio at 10-year high leads to second payout of 2019 earnings

The Bank's **core capital ratio[1] was 10.7% and the total BIS ratio[2] was 15.4%** as of December 31, 2020, the highest level since 2009. Considering the solid capital ratios achieved as of September 2020, the Board of Directors summoned an extraordinary shareholders' meeting which was held on November 26 in which shareholders approved the distribution of a dividend of Ch$0.88/share equivalent to a 3% dividend yield, using the share price on the day this announcement was made. With this, the total payout ratio paid in 2020 over 2019 earnings amounted to 60%, in line with the historical average.

NII up 18.0% YoY in 4Q20 driven by higher inflation and lower cost of funds

In 4Q20, **Net interest income, NII,** increased 18.0% compared to 4Q19 and 16.3% compared to 3Q20. The Bank's **NIM** in 4Q20 was 4.3%, higher compared to the 3.7% in 3Q20 and 4.2% in 4Q19, with strong inflation in the quarter of 1.3% and an improved funding and loan mix.

Cost of funds decreased from 2.8% in 4Q19 to 2.0% in 4Q20. The Central Bank has maintained an expansive monetary policy throughout 2020 with the reference rate currently at 0.5%. This had a positive impact on time deposit costs denominated in nominal pesos, which comprise most of our time deposits. Furthermore, the Bank's access to the Central Bank liquidity lines with an interest rate of 0.5% also lowered funding costs. These positive effects contributed to offset the growth in lower yielding but less risky interest earning assets, such as government treasuries, Central Bank bonds, corporate loans and FOGAPE loans in 2020.

Fees increase 12.1% QoQ. Lower results from non-client treasury income

Fee income increased 12.1% compared to 3Q20 as lockdowns eased. Card transactions are already picking up due to greater usage of our card products. For this reason, in 3Q20 debit and credit card fees were up 9.8% QoQ and 61.5% YoY. Insurance brokerage increased 16.6% QoQ in 4Q20 driven by our digital insurance platforms.

Total income from financial transactions, net, decreased of 26.2% QoQ and 44.3% YoY, mainly due to **lower non-client treasury income**. During the quarter the peso appreciated 9.2%. This resulted in lower provision expense for loans denominated in US$ when translated to Ch$, giving a lower cost of credit in the quarter of Ch$14bn. As this result is hedged, the counter-balancing hedge is recognized in this line.

Productivity continues to rise. Efficiency ratio of 39.8% YTD

Operating expenses increased 0.7% YoY and decreased 1.0% QoQ with the Bank's **efficiency ratio** reached 38.3% in 4Q20 and 39.8% YTD, demonstrating good cost control. Productivity continues to rise with volumes (loans plus deposits) per branch increasing 11.5% YoY and volumes per employee rising 13.3% YoY despite COVID-19 effects. YTD Operating expenses to total assets improved to 1.3% in 4Q20 compared to 1.7% in in 4Q19.

During the quarter we held the event Santander Digital Talk, where we outlined the various digital initiatives we have been working on, and investors were able to participate in a Q&A session with the Bank's senior management. In this event, the CEO announced an investment plan of US$250 million for the years 2021-2023, which will enable us to further our digital initiatives, making them more user-friendly and increasing cross-selling.

Banco Santander Chile is the largest bank in the Chilean market in terms of loans and assets. As of December 31, 2020, the Bank had total assets of US$ 78.3 billion, loans net of provisions of US$ 46.9 billion, deposits of US$ 35.3 billion, and total equity of US$ 5.1 billion. The BIS capital ratio as of December 31, 2020 was 15.4%, with a core capital ratio of 10.7%. Banco Santander Chile is one of the companies with the highest risk classifications in Latin America with an A1 rating from Moody's, A from Standard and Poor's, and A+ from Japan Credit Rating Agency.

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[1] *Core Capital ratio = Shareholders' equity divided by Risk-weighted Assets (RWA) according to CMF BIS I definitions.*

[2] *BIS ratio: Regulatory capital divided by RWA.*

CONTACT INFORMATION
Robert Moreno
Investor Relations
Banco Santander Chile
Bandera 140, Floor 20
Santiago, Chile
Tel: (562) 2320-8284
Email: irelations@santander.cl
Website: www.santander.cl

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[1] The information contained in this report is unaudited and is presented in accordance with Chilean Bank GAAP as defined by the Financial Markets Commission (CMF).