Santander
INVESTOR RELATIONS

Banco Santander-Chile Announces First Quarter 2021 Earnings

April 30, 2021

SANTIAGO, Chile, April 30, 2021 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its unaudited results[1] for the three month period ended March 31, 2021 and first quarter 2021 (1Q21).

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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).

Net income attributable to shareholder up 26.2% YoY in 1Q21, with ROAE of 20.4%

Net income attributable to shareholders in 1Q21 totaled Ch$183,970 million (Ch$0.96 per share and US$0.54 per ADR), decreasing 1.0% compared to 4Q20 (from now on QoQ) and increasing 26.9% compared to 1Q20. It is important to point out that 1Q21 results include an additional provision of Ch$24,000 million recognized in order to increase coverage ratios considering the uncertainty surrounding the potential impacts on credit quality of the COVID-19 crisis. Strong YoY results were driven by a 11.0% increase in net interest income which in turn was driven by asset growth and an improved funding mix. Provision expense also decreased 14.2% as asset quality continues to improve despite the pandemic. Operating expenses, meanwhile, only increased 1.5% YoY. Compared to 4Q20, the lower net income was mainly due to lower net interest income affected by a slightly lower inflation from 1.3% in 4Q20 to 1.1% in 1Q21. This was partially offset by a rebound in fees and financial transactions. The Bank notched its second consecutive quarter of plus 20% ROE which reached 20.4% in 1Q21.

42% YoY rise in non-interest bearing demand deposits

The Bank's **total deposits** increased 4.2% YoY and 4.7% QoQ in 1Q21. In the quarter, **non-interest bearing demand deposits** continued to grow strongly, reaching 7.9% QoQ and 42.2% 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 25.4% YoY and increased 0.2% QoQ due to lower interest rates. 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 March 2021 increased 239% YoY and in 1Q21 Life opened 126,666 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 611,600 clients, 75% of which were digitally onboarded. The marginal cost of acquiring a new client through digital onboarding is approximately Ch$801.

In Superdigital a record amount of debit accounts was opened in the quarter, providing an attractive alternative for unbanked Chileans to manage the money received from government initiatives during the COVID-19 crisis. At the end of March 2021, we already had close to 149,600 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 January 2021, 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 26% in checking accounts. These figures do not include Superdigital, since those accounts are categorized as debit cards.

Successful launch of Getnet in the quarter

Getnet was officially launched in February 2021. Client reception has been high and Getnet has already sold over 16,700 POSs up to date to more than 14,000 clients. Moreover, 65% of the clients have auto installed their new POS, which demonstrates the efficiency of Getnet's systems. A star feature has been the deposit of sales receipts up to 5 times daily, including weekends.

YoY loan growth of 0.4%. Retail loans lead growth in 1Q21

Total loans increased 0.4% YoY and 0.3% QoQ. Loan growth remains subdued due to ongoing lockdowns and high liquidity levels at the corporate and personal levels. Loan growth was mainly by the **SME** segment, which increased 1.5% QoQ and 20.8% YoY. In the quarter, Ch$241bn were disbursed under the new FOGAPE Reactiva program. **Loans to individuals** increased 2.0% YoY and 1.4% QoQ. **Consumer loans** decreased 2.3% QoQ as ongoing lockdowns and withdrawals form pension funds has kept demand low for these products. **Mortgage loans** increased 8.7% YoY and 2.1% QoQ. Long-term interest rates have remained at attractive levels, contributing to the sustained growth, especially among high-income earners.

NII up 11.0% YoY in 1Q21 driven by inflation and lower cost of funds

In 1Q21, **Net interest income, NII,** increased 11.0% compared to 1Q20 and decreased 2.8% compared to 4Q20. The Bank's **NIM** in 1Q21 was 4.2%, slightly lower compared to the 4.1% 4Q20 and the same as 1Q20. In 1Q21 UF inflation reached 1.1% and the funding mix improved. This was partially offset by a lower yielding asset mix.

Cost of funds decreased from 2.7% in 1Q20 to 1.8% in 1Q21. As previously mentioned, non-interest bearing demand deposits increased 7.9% QoQ and 42.2% YoY. 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.

Cost of credit at 1.0% in the quarter. Increasing coverage to 261%

During the quarter, **provisions** decreased 35.0% YoY and increased 52.0% QoQ. The QoQ increase was mainly due to additional provisions in the quarter for Ch$24 billion. The **cost of credit** in 1Q21 reached 1.0%, stable compared to 4Q20 and lower than the 1.2% in 1Q20. The positive evolution of asset quality following the finalization of part of the payment holidays gave way to a low cost of credit in 1Q21, 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$150 billion in additional provisions of which, Ch$26 billion are for consumer loans, Ch$10 billion has been allocated to mortgage loans and Ch$114 billion to the commercial loan portfolio.

At the start of the pandemic in March 2020, 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 2%, showing better payment behavior than pre-COVID levels.

As a result, the **Expected loan loss ratio** (Loan loss allowance over total loans) rose from 3.2% in 4Q20 to 3.3% in 1Q21 as the Bank continued to increase its coverage ratio. The **NPL ratio** improved from 2.0% in 1Q20 and 1.4% in 4Q20 to 1.3% in 1Q21 due to the healthy payment behavior after the payment holidays given in previous months while the **Impaired loans ratio** fell slightly to 5.1%. The total **Coverage ratio**, including the additional provisions, reached 261.4% in 1Q21.

Fees income rebounding in the quarter

Fee income increased 9.3% QoQ and 1.4% YoY. Fee growth was driven by the strong opening of checking accounts, greater client loyalty, the rise in insurance brokerage especially through our digital platforms such as Autocompara and Klare and a good quarter for CIB in investment banking activities.

Total income from financial transactions, net, increased 29.1% YoY and 627.6% QoQ, mainly due to **higher client treasury income**. This was offset by a loss in non-client treasury income. Various liability management operations executed in the quarter lowered the results from our Financial Management, but with positive impacts on NIMs going forward.

Productivity continues to rise. Efficiency ratio of 37.6% in 1Q21

Operating expenses increased 1.5% YoY and 1.9% QoQ with the Bank's **efficiency ratio** reaching 37.6% in 1Q21, demonstrating good cost control. Productivity continues to rise with volumes (loans plus deposits) per branch increasing 8.5% YoY and volumes per employee rising 8.7% YoY despite COVID-19 effects. Personnel expenses decreased 3.0% YoY and administrative expenses increased 9.1%. This rise in administrative expenses was driven by costs associated with the launch of Getnet in the quarter and greater overall activity as we prepared for the reopening of the economy.

During the previous 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.

BIS ratio at 15.4% with core capital at 10.9%. Payout of 60% approved

The Bank's **core capital ratio[1] was 10.9% and the total BIS ratio[2] was 15.4%** as of March 31, 2021, maintaining high levels. On April 29, 2021, the Bank' shareholders approved the decision to distribute a dividend payout of 60%, in line with historical levels. The remaining 40% of 2020 net income was assigned to reserves. The new regulation for BIS III requirements will be effective on December 1, 2021 and will be gradually implemented and adjusted to be fully in place by December 1, 2025. Banks can begin publishing under BIS III requirements as of March 2021. This includes a phase-in of AT1 capital, which can currently be made up of subordinated bonds and replaced with perpetual bonds in the following years for up to 1.5% of capital. Under these new requirements, we have Ch$501,943 million as AT1, made up of subordinated bonds. As part of the phase-in of BIS III standards, minority interest is also now included in core capital.

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

2. BIS ratio: Regulatory capital divided by RWA.

Banco Santander Chile is the largest bank in the Chilean market in terms of loans and assets. As of March 31, 2021, the Bank had total assets of US$ 75.8 billion, loans net of provisions of US$ 48.0 billion, deposits of US$ 36.6 billion, and total equity of US$ 5.1 billion. The BIS capital ratio as of March 31, 2021was 15.4%, with a core capital ratio of 10.9%. 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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