Santander INVESTOR RELATIONS

Banco Santander-Chile Announces First Quarter 2023 Earnings

April 28, 2023

SANTIAGO, Chile, April 28, 2023 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its results[i] for the three-month period ended March 31, 2023, and first quarter 2023 (1Q23).

Net income attributable to shareholders in 3M23 decreased 42.4% YoY, (Ch$0.72 per share and US$ 0.36 per ADR) with the Bank's ROAE in 3M22 reaching 13.3%. Compared to 4Q22, net income attributable to shareholders in 1Q23 increased 33.3% YoY, (Ch$0.72 per share and US$ 0.36 per ADR) with the Bank's ROAE improving from 10.1% in 4Q22 to 13.3% in the quarter. Our business segments continue to grow solidly with our corporate activities affected by the impact of higher interest rates on our cost of funding and the carry of lower rate interest earning assets. Fees continue to grow strongly while costs have remained controlled.

Dividend payout of 60% of 2022 earnings approved

In our Ordinary Shareholders' meeting held on April 19, 2023, the distribution of 60% of 2022 earnings was approved. This is a dividend per share of Ch$2.57469221 and represent a dividend yield of 6.8%.

Furthermore, in the same meeting, our Shareholders elected our Board of directors. 5 of the 9 board members and our 2 alternate board members are classified as independent and 4 of 9 directors elected are female and now represent 44% of the Board, a big advance in equality at our Board level.

Launch of Chile First: Más Lucas, Work/Café Expresso and a specialized service model for companies

In March 2023, Roman Blanco, CEO and Country Head, publicly launched the strategy for 2023-2026, unveiling the first three revolutionary projects for 2023.

The first initiative presented was "Más Lucas", the first 100% digital on-boarding interest-bearing sight and savings account for the mass market. This product will not charge maintenance or transaction fees. In this way, "Más Lucas" responds to Santander's commitment to financial inclusion, by granting people access to new financial products.

Another of the great novelties presented at "Chile First" was Work/Café Expresso, our new transaction centers with cashier or self-service services, a service desk, embossers for card printing and lockers for product delivery. Thus, Santander responds to another of the great challenges of the industry: customer service experience in branches.

During the meeting, the new specialized business service model in the Middle-Market of corporates was announced, with a special focus on the agricultural, automotive and "Multi-Latina" companies (Middle-market clients seeking to internationalize), which is based on two pillars: expert advice and financial solutions tailored to their needs.

The success of Getnet continues

The entrance of Getnet in the acquiring market in Chile continues to show good results. The reception of clients has been high with over 177,570 POS installed for 153,633 clients, of which 91% are SMEs. Through Prospera, we have started selling mobile POS, a more compact POS, and currently we have sold over 1,450 of these mPOS.

Furthermore in 2Q22 Getnet launched ecommerce, attracting some 9,600 business with some Ch$ 5,686 million in sales in the month of March 2023. In total Getnet has more than Ch$556 billion in monthly sales through our POS. A key characteristic has been receiving the deposit of sales up to 5 times a day including weekends. Getnet generated fees for about Ch$10,216 million in 1Q23.

Life driving the opening of digital accounts

Santander Life continues to be the main contributor in new client growth due to the success of the Meritolife program of this product and the digital onboarding process of current account openings. The total number of Life clients as of March 2023 increased 17.3% YoY and in the first quarter 2023 Life opened 47,784 current accounts reaching a total of 1,145,750 clients. Santander Life clients are quickly monetized and have a high NPS score throughout the incorporation process.

Current account market share remains strong at 27.9%

As a result of our efforts, the market share of the Bank in current accounts continues strong. According to the latest information available, as of February, our market share of current accounts reached 27.9% in current accounts. These numbers do not include Superdigital since these are categorized as debit cards. Furthermore, with the volatility in the exchange rate, we have seen increasing demand from clients for US$ current accounts. As of February 2023, we have a market share of 38.3% and we opened some 214,743 US$ current accounts during the year.

Loan growth led by consumer loans

Total loans increased 0.6% QoQ and increased 6.2% from March 31, 2022. The increase in loans in the quarter is mainly driven by the retail segment, especially mortgages and consumer loans. Credit card lending increased 1.3% QoQ as household liquidity levels returned to normal and holiday travel resumed credit card loans began to grow again, increasing in total balance compared to pre pandemic levels.

Cost of credit at 1.2% YTD and coverage at 185.5% as asset quality continues to normalize

During the Covid-19 pandemic, asset quality benefited from state aid and the pension fund withdrawals leading to a positive evolution of asset quality. As the economy slows down and excess household liquidity returns to normal levels, asset quality levels are gradually returning to pre-pandemic levels. This was visible in the 1Q and the non-performing loan (NPL) ratio increased from 1.2% in 1Q22 to 1.8% in 4Q22 to 1.9% in 2023. The impaired loan ratio, which includes loans that are 90 days or more overdue and loans that have been renegotiated increased from 4.5% in 1Q22 to 4.8% in 4Q22 to 5.1% in 1Q23. Meanwhile the expected loss ratio (credit risk provisions divided by total loans) remained stable at 2.7% in 1Q23.

Total deposits increase 3.8% QoQ as Bank takes advantage of inverted yield curve

The last Central Bank hike was in October 2022 where the monetary policy rate (MPR) reached 11.25% probably concluding the cycle of increases and maintaining that level since. This rate increase and maintained at this high level has a direct impact on our funding mix.

The Bank's total deposits increased 3.7% QoQ and 3.8% YoY. The increase was driven by time deposits that increased 9.9% QoQ and 40.4% YoY, mainly in the CIB segment, due to the fact that the increase in rates led our clients to switch to more attractive deposits explaining the decrease of 2.0% QoQ and 18.2% YoY of demand deposits.

Bonds increased 17.2% YoY and 2.3% for the quarter. During1Q23, the Bank has issued bonds for UF1.1 million and Ch$ 258,340 million. In April we issued US$30 million, taking advantage of attractive opportunities in the various fixed income markets locally and abroad.

CET1 reaches 10.5% and ROE of 13.3% in 3M23.

Risk-weighted assets (RWA) increased 1.2% YoY and 0.9% QoQ. We are actively seeking to lower our market risk through netting and novation of our derivatives portfolio leading to a 2.0% QoQ decline in market risk-weighted assets. At the same time, core capital increased 14.9% YoY due to higher results and an improvement in valuation adjustments and a decreased of 4.7% QoQ due to the change in the dividend provision policy mentioned above. As a result, our CET1 is 10.5% and the total BIS III ratio 17.0% at the end of March 2023. The Bank's ROAE was 13.3% in 1Q23 compared to 10.1% in 4Q22, due to higher net income and a decrease in total equity.

Income from interests and inflation readjustments remains stable QoQ

In 1Q23, total NII remained stable compared to 4Q22. The variation of inflation measured by the variation of the UF was 1.3% in the quarter compared to 2.5% in 4Q22, explaining the 30.9% decrease in net income from readjustments in 1Q23 compared to 4Q22. The monetary policy remained at 11.25% for both quarters and the Bank has actively been reducing the cost of funds and net interest income, which excludes the portion of assets and liabilities linked to inflation increased 34.8%. Overall this led the NIM to remain to 2.2% in 1Q23.

Non-NII increases 35% YoY driven by client growth and greater product usage

Total non-net interest income revenues (fees plus treasury) increased 35% YoY in 12M22. This was due to a 33.8% increase in fees and a 36.1% rise in treasury income. Both results were driven by growth of the client base and greater usage of the Bank's products.

Operating expenses decreased 1.2% YoY and 8.0% QoQ, demonstrating solid cost control in the quarter.

Operating expenses decreased 1.2% in 3M23 compared to the same period in 2022 and decreased 8.0% in 1Q23 compared to 4Q22 demonstrating the solid cost control in the quarter as the Bank continues to improve its productivity levels.

The Bank continues to advance in the execution of its investment plan of US$260 million for the years 2022-2024 with a focus on digital initiatives both on the front and back-end.

Our earnings webcast will be held today, April 28, 2023 at 11am ET. For more information please visit our website.

Banco Santander Chile is the largest bank in the Chilean market in terms of loans and assets. As of March 31, 2023, the Bank had total assets of US$ 87.5 billion, loans net of provisions of US$ 47.9 billion, deposits of US$ 35.3 billion, and total equity of US$ 4.9 billion. The BIS capital ratio was 17.0%, with a core capital ratio of 10.5%. Banco Santander Chile is one of the companies with the highest risk classifications in Latin America with an A2 rating from Moody's, A- from Standard and Poor's, A+ from Japan Credit Rating Agency, AA- from HR Ratings and A from KBRA.

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[i] 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).