Banco Santander Chile Announces Second Quarter 2018 Earnings

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(GLOBE NEWSWIRE via COMTEX) --Santiago, Chile, July 26, 2018. Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its unaudited results[1] for the six month period end June 30, 2018 (6M18) and second quarter 2018 (2Q18).

Net income attributable to shareholder increased 4.3% YoY and ROAE of 20.0% in 6M18

Net income attributable to shareholders in 2Q18 totaled Ch$154,515 million (Ch$0.82 per share and US$0.50 per ADR), increasing 2.3% compared to 1Q18 from now on QoQ) and increasing 2.7% compared to 2Q17. Operating income in the quarter increased 6.7% YoY in 2Q18 as business activity continued to accelerate in line with the improved economic outlook. This was partially offset by a higher effective tax rate. The Bank's ROAE in 2Q18 reached a solid 20.5%.

Net income attributable to shareholders accumulated up to June 2018 totaled Ch$305,531 million, increasing 4.3%. Operating income increased 7.8% and the YTD ROAE reached 20.0%.

Loan growth accelerating in all segments in the quarter.

Total loans increased 7.7% YoY and 3.1% QoQ in 2Q18, driven by greater economic activity, a higher level of investment and greater business confidence. This has led to strong commercial growth with loans in SCIB[2] increasing 3.3% QoQ and 3.9% YoY and Loans in the Middle-market growing 5.9% QoQ and 14.2% YoY as these companies increase their activities and need for funding. Retail banking loans also accelerated in the quarter and increased 2.0% QoQ and 5.6% YoY with growth from loans to individuals growing 2.1% QoQ and 6.5% YoY.

Demand deposits increase 12.9% YoY. Cost of funds[3]continues to improve

In 2Q18, the Bank's total deposits increased 3.3% QoQ and 8.1% YoY. The Bank's non-interest bearing demand deposits continued to grow strongly, increasing 12.9% YoY. The growth of demand deposits has been driven by double digit growth in all business segments led by SCIB which expanded 20.6% and Individuals 15.7%. In 2Q18, time deposits growth also accelerated and grew 6.0% as clients started to shift back to lower risk investments given the volatility experienced in the global and local equity markets. This growth in total deposits continues to contribute to a lower cost of funding for the Bank and as a result, the total average cost of deposits including demand and time deposits decreased from 2.0% in 6M17 to 1.7% in 6M18. The Bank's liquidity levels also remained healthy in the quarter. Our LCR ratio reached 122.9% and the NSFR ratio reached 109.0% as of June 30, 2018.

NIMs stable at 4.5% in 2Q18

The Bank's net interest margin (NIM) in 2Q18 reached 4.5% in 2Q18 stable QoQ and 10bp lower compared to 2Q17. Loan growth in the quarter was mainly driven by SCIB, Middle Market and mortgages that are generally lower yielding than consumer loans. On the other hand, the improved funding mix and stable cost of credit has offset the lower yielding asset mix. This is reflected in the 5.6% YoY growth of Net interest income (NII) and the YTD NIM that reached 4.5% compared to 4.4% in 6M17.

Asset quality stable QoQ. Cost of credit remains stable at 1.1%.

Provision for loan losses increased 4.6% compared to 2Q17 and 6.1% compared to 1Q18. In the quarter the Bank provisioned and charged-off various specific commercial loan positions leading to a higher provision expense. The Bank's overall asset quality remained healthy in the quarter. The cost of credit remained stable at 1.1% of loans as the Bank expected loans loss ratio (Loan loss allowance over total loans) improved slightly to 2.8% in the quarter. The total NPL ratio reached 2.2% as of June 2018, a decrease from the 2.3% in 1Q18 and stable compared to the 2.2% in 2Q17. The impaired loan ratio decreased 10bp compared to 2Q17 and 20bp QoQ to 6.2%. The slight improvement in both the NPL and impaired loan ratio along with a lower expected loss ratio reflects the more positive economic trends in Chile in 2018. As a result in 6M18 the Bank's total cost of credit remained stable at 1.1% compared to 6M17 and the Bank's NIM, net of risk[4] increased 9bp to 3.5%

Greater customer loyalty & satisfaction fueling fee growth

In 2Q18, fee income increased 4.4% compared to 1Q18 and 9.7% compared to 2Q17. In 6M18 fee income has grown 6.7% compared to 6M17. By products, the biggest contributor to fee income growth was collection fees due to higher rebates paid by insurance companies. The effects of cross-selling were reflected in the increase in loyal clients and the consequential strong growth seen in credit and debit card fees, insurance brokerage fees and asset management.

Continued improvements in productivity and digitalization lead to an efficiency ratio of 39.6% in 6M18

The Bank's efficiency ratio reached 39.6% in 6M18 compared to 40.2% in the same period of last year. The improvement of the efficiency ratio is due to the various initiatives that the Bank has been implementing to improve productivity and efficiency. In 2Q18, Operating expenses, excluding Impairment and Other operating expenses, increased 8.9% QoQ and increased 6.6% YoY. The increase compared to last quarter is mainly due to seasonality. The rise compared to 2Q17 is mainly due to an increase in administration expenses related to our digital investments. The efficiency ratio in 2Q18 reached 40.5% compared to 40.4% in 2Q17.

A weaker quarter for results from financial transactions

Results from Total financial transactions, net was a gain of Ch$18,560 million in 2Q18, a decrease of 47.6% compared to 2Q17 and of 20.1% compared to 1Q18 mainly from lower results from the Bank's Asset and Liability Management (ALM) recorded Non-client treasury income in the quarter. The Bank's fixed income liquidity portfolio is mainly comprised of Chilean sovereign risk and U.S. treasuries.

Annual dividend paid in the quarter. Core capital ratio at 10.0% and BIS ratio at 12.8%.

In April 2018, the Bank paid its annual dividend equivalent to 75% of 2017 earnings or Ch$2.25/share. The dividend yield, considering the register date in Chile on April 19, 2018, was 4.2%. After the payment of this dividend the bank's capital ratios remained solid. The Bank's core capital ratio[5] was 10.0% and the total BIS ratio[6]to 12.8% as of June 30, 2018.

[1]. These figures are unaudited and preliminary and are prepared according to Chilean Bank GAAP. The Bank will publish its audited financials on February 28, 2018

[2]. Santander Corporate and Investment Banking formerly GBM.

[3]. Interest expense divided by sum of average interest bearing liabilities and demand deposits

[4] NIM, net of risk = NII net of provision expense over average interest earning assets

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

[6]. BIS ratio: Regulatory capital divided by RWA.