



Banco Santander-Chile Announces Second Quarter 2021 Earnings

July 29, 2021

SANTIAGO, Chile, July 29, 2021 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its unaudited results¹ for the six month period ended June 30, 2021 and second quarter 2021 (2Q21).

Net income attributable to shareholder up 118.6% YoY in 2Q21, with ROAE of 21.6%

Net income attributable to shareholders in 2Q21 totaled Ch\$185,478 million (Ch\$0.98 per share and US\$0.54 per ADR), increasing 2.1% compared to 1Q21 (from now on QoQ) and 118.6% compared to 2Q20 (from now on YoY). Strong YoY results were driven by a 15.1% increase in net interest income, which in turn was driven by asset growth and an improved funding mix. Provision expense also decreased 49.9% as asset quality continues to improve despite the pandemic. 2Q21 provision expense also includes an additional provision of Ch\$18,000 million recognized in order to increase coverage ratios considering the uncertainty surrounding the potential impacts on credit quality of the COVID-19 crisis. Operating expenses, meanwhile, only increased 3.2% YoY. Compared to 1Q21, the higher net income was mainly due to higher revenues. The Bank notched its third consecutive quarter of plus 20% **ROAE** which reached 21.6% in 2Q21.

Net income attributable to shareholders in 6M21 totaled Ch\$367,191 million (Ch\$1.95 per share and US\$1.06 per ADR), a 60.4% increase compared to the same period in 2020. The Bank's **ROAE** for 6M21 was 21.0% compared to 13.0% in 6M20.

First bank in Chile to be certified by the Ministry of Women and Gender Equality

In July, we became the first bank in Chile to receive the Sello Iguala Conciliación (Certification for Equal Reconciliation) from the Chilean Ministry for Women and Gender Equality. This acknowledges the Bank's commitment to gender equality and reconciliation of work, family and personal life.

The Bank agrees to:

- Promote equal opportunity
- Create, reform and be aware of language and communications
- Facilitate and promote work/ life balance through initiatives
- Guarantee safe workplaces, preventing work and sexual harassment
- Comply with local and international laws referring to gender equality
- Be a leader and ensure the improvement of gender equality and work/life balance management systems

Life and Superdigital driving digital account openings

Retail demand deposit growth was also driven by Life and Superdigital that continued to thrive in the quarter. The lockdowns have increased the demand for online banking services and our attractive digital product continues to drive 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 Meritlife Program and Digital On-boarding process for opening a checking account. Total new clients in Life in June 2021 increased 238% YoY and in 2Q21 Life opened 117,858 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 729,500 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 June 2021, we already had more than 182,000 clients, adding 32,474 new clients in the quarter, a 65.4% increase of new clients compared to 1Q21.

Market in share in checking accounts rises 580bp to 27.8%

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 April 2021, net account openings at Santander Chile were equivalent to more than 2x the total account openings in the rest of the banking system, reaching a market share of nearly 28% in checking accounts. These figures do not include Superdigital since those accounts are categorized as debit cards.

Getnet's success continues

Getnet was officially launched in February 2021. Client reception has been high and Getnet has already sold some 28,000 POSs to more than 23,000 clients, of which 99% are SMEs. Moreover, it has an NPS score of 80 and 63% 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. Getnet generated

revenues of approximately Ch\$1bn in the quarter.

12.8% YoY rise in non-interest bearing demand deposits

The Bank's **total deposits** increased 11.0% YoY and 12.0% QoQ in 2Q21. In the quarter, **non-interest bearing demand deposits** continued to grow strongly, increasing 12.8% YoY due to high growth of retail checking accounts, continued strength in the Bank's transactional banking services for companies as clients looked to increase their liquidity to confront the months of quarantine and the positive impact of the third withdrawal from pension funds.

Time deposits decreased 16.9% YoY and increased by 10.9% QoQ. The yearly trend was due to lower interest rates, with a higher demand for time deposits from SCIB in recent months, which drove the QoQ increase. 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.

QoQ loan growth of 0.5%. Retail loans lead growth in 2Q21

Total loans increased 0.5% QoQ and decreased 1.7% YoY. The quarter continued the trend of the previous quarter as demand from working capital lines from CIB clients continued to wane and low consumer loan demand. **Loans to SMEs** increased 4.8% YoY and contracted 1.3% QoQ driven by FOGAPE loans (See Section 3). This program was launched at the beginning of May 2020. In January, the government launched a second phase of FOGAPE, FOGAPE Reactiva, with the focus for SMEs to be able to invest and not use the funds just for working capital. Total FOGAPE Reactiva loans disbursed in 6M21 reached Ch\$731 billion. **Loans to individuals** increased 4.7% YoY and 1.3% QoQ. **Consumer loans** continued to decrease, declining 1.1% QoQ, due to new restrictions from ongoing lockdowns and withdrawals from pension funds keeping demand low for these products. Santander Consumer Finance however, has been doing well, with a growth of 29.1% YoY and 9.8% QoQ in loans. Santander Consumer Finance makes up around 12% of consumer loans as of June 30, 2021. **Mortgage loans** increased 8.7% YoY and 2.3% QoQ. Long-term interest rates have remained at attractive levels, contributing to the sustained growth, especially among high-income earners.

NII up 15.1% YoY in 2Q21 driven by lower cost of funds and higher inflation

In 2Q21, **Net interest income, NII**, increased 15.1% compared to 2Q20 and 1.6% compared to 1Q21. The Bank's **NIM** in 2Q21 was 4.2%, stable compared to 1Q21 and higher than the 3.8% in 2Q20 mainly driven by inflation which was 1.1% in the quarter and a lower **cost of funds** which decreased from 1.8% in 1Q21 to 1.5% in 2Q21. The Central Bank has enforced an expansive monetary policy since 2020 with the MPR at 0.5%, which is the technical minimum set by the Central Bank. This had a positive impact on time deposit costs denominated in nominal pesos, which comprise most of our time deposits. In 2Q21, the 12.8% QoQ increase in non-interest bearing demand deposits also had a positive impact on margins. Furthermore, the Bank has accessed Ch\$5.9 trillion of the Central Bank liquidity lines with an interest rate equal to MPR. These positive effects contribute 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 1.1% in the quarter. High coverage of 252%

During the quarter, **provisions for loan losses** totaled Ch\$95,792 million, decreasing 49.9% YoY and increasing 8.5% QoQ. The **cost of credit** in 2Q21 reached 1.1%, increasing slightly compared to 1.0% in 1Q21 and decreasing compared to 2.2% in 2Q20. Given the uncertainty that still exists regarding new variants of the COVID19 virus, the Board felt it was prudent to take on Ch\$18bn in **additional provisions** in 2Q21 to ensure high coverage ratios during the pandemic. In total, the Bank has set aside since 4Q19, Ch\$168 billion in additional provisions of which, Ch\$26 billion are for consumer loans, Ch\$10 billion has been allocated to mortgage loans and Ch\$132 billion to the commercial loan portfolio.

Payment trends for reprogrammed loans remained positive in 2Q21. As of June 30, 2021, Ch\$8,324 billion of loans had received a payment holiday option during the pandemic. This amount has begun to decline compared to previous quarters as many have begun payment of capital. Of this amount, the payment holiday for Ch\$8,278 billion has expired, of which only 2% were impaired, showing better payment behavior than pre-COVID levels.

The **Expected loan loss ratio** (Loan loss allowance over total loans) fell from 3.3% in 1Q21 to 3.2% in 2Q21 and the **total Coverage ratio**, including the additional provisions, reached 252.2% in 2Q21. The **NPL ratio** continued improving from 1.9% in 2Q20 to 1.3% in 1Q21 and 2Q21 due to the healthy payment behavior after the payment holidays given in previous months while the **Impaired loans ratio** continued to fall, reaching 4.9%.

Fees income returns to pre-Covid levels driven by new digital products

Fee income increased 22.9% compared to 2Q20 and 1.4% compared to 1Q21. Fees in the quarter continued to show healthy signs of pick-up as the economy re-opens and the success of the various digital products launched in recent periods such as Life, Superdigital, Getnet and Autocompara.

Results from Total financial transactions, net was a gain of Ch\$41,803 million in 2Q21, an increase of 41.7 % compared to 1Q21 and a decrease of 45.9% compared to 2Q20. **Client treasury services** revenues reached a gain of Ch\$44,814 million in the quarter, an increase of 5.9% compared to 1Q21 and a decrease of 1.2% compared to 2Q20 reflecting the demand on behalf of clients for treasury products, mainly from market making in the quarter. **Non-client treasury** totaled a loss of Ch\$3,012 million in the quarter due to various liability management operations to improve NIMs going forward that resulted in an initial loss mainly arising from unwinding of currency hedges. Higher long-term rates also lowered realized gains from the Bank's AFS portfolio.

Productivity continues to rise. Efficiency ratio of 37.4% in 2Q21

Operating expenses increased 3.2% YoY and 3.4% QoQ with the Bank's **efficiency ratio** reaching 37.4% in 2Q21, demonstrating good cost control. Productivity continues to rise with volumes (loans plus deposits) per branch 10.7% YoY and volumes per employee rising 11.7% YoY despite COVID-19 effects. The Bank continues on track with its US\$250 million investment plan for the years 2021-2023, mainly focused on expanding the digitalization and automatization of both the front and backend of our processes.

In July 2021, the Bank reached an agreement with Servipag, a franchise with over 200 cash payment centers across the country, where clients can cash and deposit checks and pay loans, among other cash services. This should free up the branches for more value added services going forward.

BIS ratio at 14.7% with core capital at 10.1% following annual dividend payment in April.

The Bank's **core capital ratio¹** was **10.1%** and the **total BIS ratio²** was **14.7%** as of June 30, 2021. On April 29, 2021, the Bank's shareholders approved the decision to distribute a dividend payout of 60% of 2020 net income. The new regulation for BIS III requirements will be effective on December 1, 2021 and will be gradually phased-in until December 2025. **Risk-weighted assets** increased 1.3% compared to the previous quarter and decreased 6.4% YoY while the loan book only grew 0.5% QoQ and contracted 1.7% YoY.

Banco Santander Chile is the largest bank in the Chilean market in terms of loans and assets. As of June 30, 2021, the Bank had total assets of US\$ 80.3 billion, loans net of provisions of US\$ 46.1 billion, deposits of US\$ 40.3 billion, and total equity of US\$ 4.7 billion. The BIS capital ratio as of June 30, 2021 was 14.7%, with a core capital ratio of 10.1%. 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, A+ from Japan Credit Rating Agency, and AA- from HR Ratings.

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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).

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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.