



Banco Santander-Chile Announces Third Quarter 2021 Earnings

October 29, 2021

SANTIAGO, Chile, Oct. 29, 2021 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its unaudited results¹ for the nine month period ended September 30, 2021 and third quarter 2021 (3Q21).

Net income attributable to shareholder up 62.6% YoY in 3Q21, with ROAE of 21.3%

Net income attributable to shareholders in 3Q21 totaled Ch\$176,007 million (Ch\$0.93 per share and US\$0.46 per ADR), increasing 67.4% compared to 3Q20 (from now on YoY) and decreasing 5.1% compared to 2Q21 (from now on QoQ). Strong YoY results were driven by a 15.7% increase in net interest income, which in turn was driven by asset growth, higher inflation rates and an improved funding mix. Provision expense also decreased 28.5% as asset quality continues to improve. Fee income increased 39.3% YoY and 12.1% QoQ due to healthy signs of pick-up driven by various new products, client growth and greater product usage. Operating expenses, meanwhile, only increased 2.8% YoY in 3Q21. Compared to 2Q21, the lower net income was mainly due to higher other operating expenses due to greater costs related to Transbank and cyber-fraud insurance costs. The Bank notched its fourth consecutive quarter of plus 20% **ROAE** which reached 21.3% in 3Q21.

Net income attributable to shareholders in 9M21 totaled Ch\$543,198 million (Ch\$2.88 per share and US\$1.42 per ADR), a 62.6% increase compared to the same period in 2020. The Bank's **ROAE** for 9M21 was 21.1% compared to 12.5% in 9M20, the Net interest margin (NIM) reached 4.1% compared to 3.9% in 9M20 and the efficiency ratio reached 37.7% in 9M21 compared to 40.3% in 9M20.

Client base increases 14.4% YoY and surpasses 4 million total clients

In the quarter, total clients continued to grow strongly, increasing 3.1% QoQ and 14.4% YoY and the Bank surpassed 4 million. The growth of our client base clearly reflects the success of our digital strategy, including Life and Superdigital.

Life and Superdigital driving digital account openings

The success of Life and Superdigital continued in 3Q21, with demand for these digital products remaining high. This led to an 8.5% QoQ and a 48.5% YoY increase in clients with accounts at the Bank.

Santander Life continues to be the main contributor to new client growth due to the success of this product's Meritoflife Program and Digital On-boarding process for opening a checking account. Total new clients in Life in September 2021 increased 125.9% YoY and in 3Q21 Life opened 92,106 checking accounts reaching a total of 821,622. Santander Life's clients are rapidly being monetized while obtaining a high Net Promoter Score (NPS) for the onboarding process. Santander Life has an NPS of 75. This year Santander Life's client base is forecast to generate revenues of more than Ch\$82 billion.

In **Superdigital** a record amount of debit accounts was opened in the quarter, providing an attractive alternative for unbanked Chileans to open a digital debit account. At the end of September 2021, we already had more than 215,000, clients, adding 33,092 new clients in the quarter. This has been led by the ease of opening these accounts online, the possibility of receiving government aid into these accounts as well as the various partnerships Superdigital has signed with companies such as Uber and Cornershop to attract new customers.

Market share in checking accounts rises 650bp to 28.8%

As a result of these efforts, the Bank's market share in checking accounts continued to rise sharply. According to the latest publicly available information, which is as of July 2021, net account openings at Santander Chile were equivalent to more than 1.6x the total account openings in the rest of the banking system, reaching a market share of nearly 28.8% in checking accounts. These figures do not include Superdigital since those accounts are categorized as debit cards.

Getnet's success continues

Getnet's entry into Chile's acquiring market continues to show strong results. Client reception has been high with more than 46,000 POSs installed for 38,000 clients, 94% of which are SMEs. Moreover, it has an NPS score of 74 and 61% 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\$2.2bn in the quarter and Ch\$3bn since being launched in February 2021.

Santander Chile awarded "Outstanding leadership in sustainable finance" by Global Finance

Please join us for our ESG Talk that will be held on November 16. You can sign up [here](#).

Global Finance awarded Santander Chile for "Outstanding leadership in sustainable finance", a distinction which was awarded together with Santander Mexico. This reflects the initiatives that the Bank has carried out to support clients in the transition towards a greener economy and the combat of climate change. The Bank has granted several sustainability-linked loans as an alternative financing source for companies that look to generate a positive impact for the community and planet.

Total deposits increase 16.2% YoY

The Bank's **total deposits** increased 16.2% YoY and 1.3% QoQ in 3Q21. In the quarter, **non-interest bearing demand deposits** decreased 2.0% QoQ as short-term rates increased and some funds shifted to time deposits, especially in corporate banking. Demand for **time deposits** accelerated, growing 6.7% QoQ as the Monetary Policy Rate (MPR) increased from 0.5% in June to 0.75% in July to 1.5% in September. The average time

deposits, albeit rising in yield, continues to have a rate below the MPR.

QoQ loan growth of 3.1% as economic activity picks up

Total loans increased 3.1% QoQ and 2.5% YoY. During the quarter, our **SCIB segment** experienced strong growth of 30.9% YoY as demand for bank loans surged as the economy reactivated and the low availability of funds in mid-long term bond markets following pension fund withdrawals. This also drove lending in the **Middle-market** in which loans increased 2.7% QoQ. Translation gains due to the depreciation of the peso against the dollar in the quarter also influenced the growth rates of commercial loans in the quarter. The Chilean peso depreciated 10.8% in 3Q21. Approximately 8.9% of our loan book is denominated in foreign currency, mainly US\$. **Loans to SMEs** contracted 1.8% YoY and 2.5% QoQ as demand for FOGAPE loans decelerated (See Section 3).

Loans to individuals increased 7.4% YoY and 2.6% QoQ. **Consumer loans** increased 1.8% QoQ driven by a 17.5% increase in Santander Consumer, our subsidiary that provides auto loans. **Mortgage loans** increased 10.3% YoY and 3.0% QoQ. Even though interest rates have been rising, the continued liquidity of our clients is contributing to sustained mortgage lending growth, especially among high-income earners. Translation gains due to the high inflation rate in the quarter also influenced the growth rate of mortgage loans as 99% of these loans are indexed to inflation via the *Unidad de Fomento* (UF).

NII up 15.1% YoY in 3Q21 driven by lower cost of funds and higher inflation

In 3Q21, **Net interest income, NII**, increased 15.7% compared to 3Q20 and 0.8% compared to 2Q21. The YoY growth in NII and Net interest margins (NIMs) was driven by loan growth, a better funding mix and higher inflation. The Bank's **NIM** in 3Q21 was 4.1%, higher than the 3.7% in 3Q20 and lower than the 4.2% in 2Q21. The QoQ decrease in NIMs was mainly due to higher funding costs, as the Central Bank started to tighten monetary policy. This was partially offset by the rebound in loan growth in the quarter.

Cost of credit at 1.1% in the quarter. High coverage of 259% and positive payment trends

During the quarter, **provisions for loan losses** totaled Ch\$94,498 million, decreasing 28.5% YoY and 1.4% QoQ. The **cost of credit** in 3Q21 reached 1.1%, stable compared to 2Q21 and decreasing compared to 1.5% in 3Q20. The **Expected loan loss ratio** (Loan loss allowance over total loans) remained stable at 3.2% in 3Q21 and the **total Coverage ratio**, including the additional provisions, reached 259.4% in 3Q21. The **NPL ratio** continued improving from 1.6% in 3Q20 to 1.3% in 2Q21 to 1.2% in 3Q21 due to the healthy payment behavior while the **Impaired loans ratio** continued to fall, reaching 4.7%.

Fees income increases 12.1% QoQ driven by rise in client base.

Fee income increased 39.3% compared to 3Q20 and 12.1% compared to 2Q21. Fees in the quarter continued to show healthy signs of pick-up driven by various new products, client growth and greater product usage as the economy reopens. **Checking and debit account fees** increased 9.4% QoQ due to the growth in account openings driven by Santander Life and Superdigital. **Card fees** increased 19.5% YoY and 9.4% QoQ due to the growth in usage of our debit and credit cards. Getnet's contribution to fee income continued to gather momentum, generating Ch\$2.2 billion of fee income in the quarter. **Insurance brokerage** fees rose sharply, increasing 6.3% QoQ and 48.5% YoY, aided by the Insurtech platforms Autocompara and Klare.

Results from Total financial transactions, net was a gain of Ch\$34,642 million in 3Q21, a decrease of 17.1 % compared to 2Q21 and 7.5% compared to 3Q20. **Client treasury services** revenues reached a gain of Ch\$47,435 million in the quarter, an increase of 5.8% compared to 2Q21 and 22.1% compared to 3Q20. **Non-client treasury** totaled a loss of Ch\$12,793 million in the quarter.

Productivity continues to rise. Efficiency ratio of 38.0% in 3Q21

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. **Operating expenses** increased 2.8% YoY and decreased 1.4% QoQ with the Bank's **efficiency ratio** reaching 38.0% in 3Q21, demonstrating good cost control. The YTD efficiency ratio reached 37.7% compared to 40.3% in the same period of 2020.

Productivity has continued to improve demonstrating the strength of our digital channels, with digital clients defined as those using internet and mobile banking increasing over 30% in the year. Volumes (loans plus deposits) per branch increasing 16.7% YoY and volumes per employee rising 16.7% YoY.

First Chilean issuer of AT1 perpetual bond.

The Bank's **core capital ratio¹** reached **9.6%** and the **total BIS ratio²** was **14.2%** as of September 30, 2021. **Risk-weighted assets** increased 3.2% compared to the previous quarter and 2.6% YoY in line with the growth of the loan book. In 3Q21, the rise in long-term local interest rates also resulted in an increase in the loss recognized as Valuation adjustment of our AFS portfolio.

The Bank also continues moving forward in the implementation of BIS III. The new risk weightings for assets under BIS III requirements will be effective on December 1, 2021. In October 2021, the Bank became the first Chilean bank to **issue an AT1 perpetual bond**. The bond is for US\$ 700 million with no fixed maturity and not redeemable before five years from the date of issuance. Chilean banks are permitted to include as Tier I perpetual bonds for an amount up to 1/3 of CET1. This AT1 instrument will increase our Tier I ratio by 1.6% in October 2021.

Banco Santander Chile is the largest bank in the Chilean market in terms of loans and assets. As of September 30, 2021, the Bank had total assets of US\$ 78.5 billion, loans net of provisions of US\$ 42.9 billion, deposits of US\$ 36.8 billion, and total equity of US\$ 4.2 billion. The BIS capital ratio as of September 30, 2021 was 14.2%, with a core capital ratio of 9.6%. 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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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).

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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.