



## Banco Santander-Chile Announces Fourth Quarter 2023 Earnings

February 2, 2024

SANTIAGO, Chile, Feb. 02, 2024 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its results<sup>1</sup> for the twelve-month period ended December 31, 2023, and fourth quarter 2023 (4Q23).

### **ROAE of 16.6% in 4Q23 and 11.9% in 12M23, with a solid net contribution from business segments that increases 34.7%.**

As of December 31, 2023, net income attributable to shareholders reached Ch\$496,404 million (\$2.63 per share and US\$ 01.20 per ADR), decreasing 38.6% compared to the same period last year and with an ROAE of 11.9%. This lower result was mainly due to the impacts perceived in the NIM produced by the deceleration of inflation during the year and higher interest rates that reduced the return on assets in UF and increased the funding costs, respectively.

The net contribution of our business segments continues to be very strong, increasing 34.7 YoY. Specifically, the Retail Banking segment increased 25.6% YoY with total revenues increasing 22.0% YoY. The net contribution of the Middle-market segment increased 27.9% YoY, with an increase in total revenues of 16.3% YoY. Finally, the net contribution of our Corporate and Investment Banking (CIB) unit grew 65.4% YoY, driven by a 42.8% YoY increase in total revenues.

### **Net income from fees increases 22.4% in 12M23, with the recurrence ratio reaching 55.3%.**

During 12M23, net commissions increased 22.4% YoY due to an increase in clients and greater usage of our products. With this, the recurrence ratio (total net fees divided by total expenses) increased from 42.4% accumulated as of December 2022 to 55.3% accumulated as of December 2023, demonstrating that more than half of the Bank's expenses are financed with the commissions generated by our clients.

In 4Q23, commissions decreased 5.2% Q/Q, mainly because the other commissions line fell due to a quarter with fewer insurance brokerage commissions and lower collections. However, commissions on our main products continue to show good trends.

### **Top 1 in NPS among our Chilean peers**

The first pillar of our strategy is based on cutting-edge technology and customer-focused processes and products. We are building a bank with strengths in digital channels that already allows digital onboarding in a safe, fast and user-friendly way, offering our Life and Más Lucas accounts for the mass segment and the PYME (SME) Life account and payment services through Getnet for small and medium-sized businesses and entrepreneurs. These initiatives not only encourage our clients to become more digital, they are also managing to increase financial inclusion in these segments and supporting them with transaction services, with the potential to extend the offer of other products and financing options.

As a result of all our efforts, our clients are the most satisfied with us. As of December 31, 2023 our NPS reached 60 points, and our contact center reached 72 points, being recognized as the best in the industry. Our digital channels also continue to be our strength, highlighting the website with an NPS of 73 and the App with 74 points.

### **Solid capital levels with a CET1 ratio of 11.1% and a BIS ratio of 17.6%**

Our CET1 ratio remains solid at 11.1% and the total Basel III ratio reaches 17.6% at the end of December 2023. Risk-weighted assets (RWA) increased 4.0% since December 31, 2022 and decreased 0.9% Q/Q. We are actively seeking to reduce our market risk-weighted assets through netting and novation of our derivatives portfolio, resulting in a 9.2% decrease this quarter. At the same time, core capital increased slightly by 2.9% Q/Q, mainly due to lower growth in results and 4.4% since December 31, 2022, which considers the payment of dividends authorized at the last shareholders meeting in the month of April.

Additionally, in January 2024, the FMC announced the Pillar II charges for six banks in the Chilean system, and we highlight that, on this occasion, they did not assign a Pillar II charge to the Bank.

### **We launched Workcafé Inversiones and reached a total of 91 Workcafé in Chile**

In 4Q23 we launched Work/Café Inversiones, a new space open to the community aimed at helping people improve their financial well-being. Clients and potential clients will be able to access specialized advice, talks and workshops on different topics that will help them learn and understand more about investment instruments, the impact of market movements and how to prepare for their various personal projects. Through concrete initiatives such as the opening of this new space, the Bank continues to clearly advance its purpose of helping people progress.

This branch is part of our network of 91 Workcafé branches, which includes our Work/Café StartUp and Work/Café Expresso, in addition to our traditional Workcafé. The Work/Café StartUp is an initiative that aims to offer a comprehensive solution to all the needs of entrepreneurs. The Work/Café Expresso are transaction centers with cashier or self-service services, service desk, stampers for card printing and lockers for product delivery, all of the above in Work/Café format, where our clients can carry out their transactions in an environment efficient and secure, providing a better customer experience. As of December, we have opened 5 Work/Café Expresso, with a customer satisfaction (NPS) of 74.

### **Successful issuance on the Swiss market in January 2024**

In January 2024, the Bank returned to the international market with the successful issuance of a bond in Swiss francs for CHF 225 million (equivalent to US\$ 263 million) for a three-year term, achieving a spread of 125 basis points over the reference rate, which is equivalent to a coupon of 2.445%. The results of this transaction reflect the great interest and demand from investors, making it the third largest placement of a Chilean issuer in this market. The previous two also belong to Banco Santander, for CHF 250 million in 2010 and for CHF 300 million in 2014.

This new operation consolidates the excellent reception of Santander Chile in international markets, considering that the entity had not issued new bonds in this market since 2021. Thanks to this recent instrument, the Bank's position in the Swiss franc market is around CHF 900 million (close to US\$ 1,000 million), consolidating itself as the second most relevant within the entity's financing diversification strategy, thus reaching around 25% of

the total foreign debt.

### **We made important progress in our Chile First strategy in 2023**

- Largest bank in terms of loans and deposits (17.4% market share according to latest information from the CMF).
- only Chilean bank included in the DJSI emerging markets.
- More than 167,000 people bankerized through the Life y Más Lucas accounts in 2023.
- A total of 91 Work/café in Chile, serving our clients and the community in their different formats.
- TSR of 35.8% in 2023, the highest among Chilean banks.
- First green bond of US\$ 50 million to finance green mortgages.
- Recognized as the Best Bank in Chile in 2023 by The Banker and Euromoney.
- More than US\$450 million committed to invest in infrastructure and technology between 2023 and 2026.

#### **Loan growth led by retail banking**

Retail banking loans grew 3.1% QoQ and 7.3% since December 31, 2022, driven by growth in mortgages. In recent periods, the origination of new mortgage loans has decreased due to high inflation and rates, however, in the second half of the year mortgage loans once again grew stronger than inflation, reaching a growth of 2.5% QoQ and 8.5% from December 31, 2022 in the way that clients adjust to market conditions.

Consumer loans increased 2.9% QoQ and 6.0% YTD. Between the end of 2019 and 2021 credit card loans decreased 7.0% as clients reduced large purchases such as travel and hotels which fuels credit card loans. At the same time many clients paid off credit card debt with the liquidity obtained from government transfers and pension fund withdrawals.

At the end of 2022, as household liquidity levels returned to normal and holiday travel resumed credit card loans began to grow again. In the last quarter we have seen an acceleration of credit card loans, mainly related to the increased use of cards and seasonality.

As for the SME loans, after several quarters with a contraction in this portfolio, growth is beginning to normalize. During the pandemic, our SME clients had access to Fogape programs with a state guarantee. As clients are finishing paying their debt and also thanks to the increase in SME clients through checking accounts and Getnet, the demand for credit in this segment is reactivating. Given the above, the SME segment portfolio increased 2.4% QoQ and decreased 1.8% YTD.

#### **Solid liquidity levels and total deposits increase 3.9% QoQ**

The Bank's total deposits increased 2.9% QoQ and 9.6% YTD. The increase was driven by time deposits that increased 24.3% YTD, mainly in the CIB segment, because high rates led our clients to switch to more attractive deposits explaining the decrease of 3.9% YTD of demand deposits. The growth in the fourth quarter is due to both time deposits and demand deposits with our clients maintaining more liquidity for the end of the year.

The bonds increased 1.1% QoQ and 9.8% YTD. During 2023, the Bank has placed bonds for UF7.7 million, CLP \$424,400 million, US \$30 million and JPY \$25,500 million, taking advantage of attractive opportunities in the different fixed income markets at a national and international level.

In addition to the above, in mid-October the Bank placed its first green bond under its ESG Framework which incorporates ESG criteria focusing on the green mortgage product. The objective of the transaction is to refinance or finance new operations of this product, which is offered by the Bank for the purchase of homes, based on energy efficiency certifications existing in the industry, and which benefits clients with a preferential rate. This is the first green bond with use of funds for green mortgages in the country. The instrument was placed privately to a Japanese investor with the advice of Daiwa Securities Capital Markets, for an amount of JPY 8,000 million, equivalent to US\$ 53 million, for a term of two years and with a rate of 0.845%.

Additionally, in the first days of 2024, the Bank issued a senior bond for a total of CHF 225 million in the Swiss market with a term of 3 years and a rate of 2.445%.

#### **Solid capital levels with CET1 in 11.1% with an ROAE of 16.6% in 4Q23**

Our CET1 ratio remains solid at 11.1% and the total Basel III ratio reaches 17.6% at the end of December 2023. Risk-weighted assets (RWA) increased 4.0% YTD and decreased 0.9% QoQ. We are actively seeking to reduce our market risk-weighted assets through netting and novation of our derivatives portfolio, resulting in a 9.2% decrease this quarter.

At the same time, core capital increased by 2.9% QoQ mainly due to lower growth in results and an increase of 4.4% YTD which considers the payment of dividends authorized at the last shareholders meeting in the month of April.

The Bank's ROAE was 16.6% in 4Q23 compared to 5.4% in 3Q23, due to greater inflation in the quarter and the rate cuts that improved our margin. The accumulated ROAE 2023 is 11.9%.

#### **Income from interest and readjustment rebound in 4Q23 due to greater inflation (UF variation) and a lower MPR**

Year to date net interest income and readjustments (NII) as of December 2023 decreased by 29.8% compared to the same period in 2022. This decrease in NII was mainly due to lower inflation in the period, a higher funding cost caused by a higher MPR and to a lesser extent by our financial investments held to maturity that are at a fixed rate. The above is partially offset by a higher spread earned on deposits.

Net income from readjustments decreased 62.0% in 12M23 compared to the same period in 2022, given that the variation in the UF reached 4.8% in 12M23 compared to 13.3% in the same period in 2022. The UF GAP is significantly lower in 12M23 compared to 12M22, decreasing 21.4%, in line with lower inflation expectations.

The Bank has a shorter duration of interest-bearing liabilities than interest-bearing assets, so our liabilities recognize the change in prices more quickly than our assets. After the rapid rise in the MPR that began in mid-2021 and continued throughout 2022, the Central Bank began to cut the MPR in July 2023 from 11.25%, with five successive cuts to reach 8.25% in December 2023. This has produced a rapid recovery in net interest income, increasing by 23.3% in 12M23 compared to 12M22. Despite the above, the effect of lower inflation has been significantly greater, decreasing the NIM from 3.3% as of December 31, 2022 to 2.2% as of December 31, 2023.

#### **Cost of credit of 1.20% YTD and coverage of 157.3%**

During the Covid-19 pandemic, asset quality benefited from state aid and withdrawals from pension funds, which produced a positive evolution of these during that period, later normalizing in line with the economy and the drainage of excess liquidity from households. More recently, the behavior of our clients is reflecting the state of the economy and the labor market, where delinquencies are slightly higher than usual. Given the above, in 4Q23, the non-performing loan ratio (NPL) increases from 1.8% in 4Q22 to 2.3% in 3Q23 and 4Q23 with data for 4Q23 below the rising trend due to a calendar effect in the quarter. The impaired portfolio ratio increases from 4.8% in 4Q22 to 5.5% in 3Q23 and 5.6% in 4Q23. Finally, the expected loss ratio (provisions for credit risk divided by total loans) remains more stable, increasing to 2.8% in 4Q23, from 2.7% in 4Q22 as a result of higher provisions made in recent periods.

The expense for net credit losses totaled Ch\$ 473,593 million in the twelve-month period ended December 31, 2023, an increase of 27.7% compared to the same period in 2022 and in the same line, the cost of credit goes from 0.98% at the end of December 2022 to 1.20% in 2023.

***Solid client treasury income with net financial results increasing 37.9% in 12M23***

Net financial results recorded a profit of Ch\$ 300,239 million in 12M23, an increase of 37.9% compared to 12M22, mainly due to higher gains on foreign exchange hedges.

In 4Q23, net financial results recorded a loss of \$89,049 million due to losses from writing off financial assets at fair value in the quarter and a loss from trading financial assets and liabilities, which was partially offset by a higher gain in exchanges, readjustments and accounting hedges of foreign currency.

***Operating expenses decreased 5.4% in 12M23, demonstrating the solid cost control in the year***

Operating expenses decreased 5.4% in 12M23 compared to the same period in 2022 demonstrating solid cost control in the quarter as the Bank continues to improve its productivity levels. In 4Q23 operating expenses increased 4.1% QoQ due to higher administration expenses.

The Bank's efficiency ratio reached 46.6% as of December 31, 2023, higher than the 42.8% in the same period last year, due to lower growth of our operating income. On the other hand, the ratio of costs to assets decreased to 1.3% in 12M23 vs 1.4% in the same period last year.

**Our earnings webcast will be held on Friday, February 2, 2023 at 8.30am New York time. For more information please visit our website.**

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. All our ratings as of the date of this report have a Stable Outlook.

As of December 31, 2023, we had total assets of Ch\$ 70,857,886 million (U.S.\$ 81,031 million), outstanding gross loans (including interbank loans) at amortized cost of Ch\$ 40,811,866 million (U.S.\$ 46,671 million), total deposits of Ch\$ 29,675,768 million (U.S.\$ 33,936 million) and shareholders' equity of Ch\$ 4,367,159 million (U.S.\$ 4,994 million). The BIS capital ratio as of December 31, 2023, was 17.6%, with a core capital ratio of 11.1%. As of December 31, 2023 Santander Chile employed 9,229 people and has 247 branches throughout Chile.

**CONTACT INFORMATION**

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i The preliminary unaudited information contained in this report is presented in accordance with Chilean Bank GAAP as defined by the Financial Markets Commission (CMF).