# Banco Santander-Chile Announces First Quarter 2024 Earnings

April 30, 2024

SANTIAGO, Chile, April 30, 2024 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its results[1] for the three-month period ended March 31, 2024, and first quarter 2024 (1Q24).

**Our CEO Strategy Update & 1Q24 results will be held on Tuesday, May 14, 2024 at 9.00am New York time. For more information please visit our website.**

***ROAE[2] of 11.2% in 1Q24[3]***

As of March 31, 2024, net income attributable to owners of the Bank totaled $120 billion ($0.64 per share and US$0.26 per ADR), reflecting a decrease of 11.4% compared to the same period from the previous year, along with an ROAE of 11.2%. This variation is due to several factors. On the one hand, there is an increase of 30.9% in the net income from interest and readjustments although this increase is offset by higher loan loss provisions, an increase in other specific expenses related to provisions for restructuring, and a higher effective tax rate.

***Solid capital levels with a CET1[4] of 10.4% and a BIS ratio[5] of 17.0%.***

Our CET1 ratio remains solid at 10.4% and the total Basel III ratio reaches 17.0% at the end of March 2024. Risk-weighted assets (RWA) increased 5.5% since March 31, 2023 and 2.4% QoQ[6]. We are actively seeking to reduce our market risk-weighted assets through netting and novation of our derivatives portfolio, resulting in a 3.0% YoY decrease.

At the same time, core capital increased 4.8% since March 31, 2023 and decreased 4.3% QoQ primarily due to the increase in the provision for dividends related to the proposal by the Board for the distribution of 70% of the 2023 net income attributable to shareholders, which was approved in the Shareholders' Meeting in April 2024.

***Loan growth led by mortgages and commercial lending***

Total loans increased 1.1% QoQ and 5.5% compared to March 31, 2023, driven mainly by mortgage loans and commercial loans.

Approximately 58% of our portfolio is indexed to the UF[7], mostly mortgage loans and around 36% of commercial loans. Regarding loans in foreign currency, around 23% of commercial loans are denominated in foreign currency, mainly in US dollars. These effects together with increasing demand due to the slightly more positive evolution of the economy in recent months led to a growth of 4.8% YoY and 1.5% QoQ in commercial loans.

Mortgages continue to grow above inflation, reaching growth of 7.7% YoY and 1.1% QoQ as clients adjusted to the conditions of market. Consumer loans increased 0.7% QoQ and 5.5% from March 31, 2023. After periods of contraction to the high liquidity of Chilean households in recent quarters we have seen an acceleration of credit card loans, mainly related to the increased use of cards.

***Total deposits increase 2.5% QoQ driven by time deposits***

The Bank's total deposits increased 2.5% QoQ and 8.4% since March 31, 2023. The increase was driven by time deposits which increased 18.5% since March 31, 2023, mainly in the CIB segment, because high rates led our clients to switch to more attractive deposits explaining the decrease of 2.2% since March 31, 2023 and 0.2% QoQ of demand deposits. It is important to note that the decrease in demand deposits is less pronounced than in previous quarters, while the rise in time deposits is also slowing down, as clients respond to lower interest rates.

Our clients' investments through mutual funds brokered by the Bank also grew in the quarter, reaching an increase of 12.7% QoQ and 35.5% since March 31, 2023.

Bonds increased 3.7% in the quarter and 11.4% since March 31, 2023. During 2024, the Bank has placed bonds for UF 5,132,000, CLP 55,050 million and CHF 225 million, taking advantage of attractive opportunities in the different fixed income markets at a national and international level.

The Bank's Liquidity Coverage Ratio (LCR) as of March 31, 2024, was 176.3% and the Bank's Net Stable Financing Ratio (NSFR), reached 101.6%, both well above the regulatory minimum established for this index.

***Interest income continues its recovery path in 1Q24 in line with a lower MPR. Income from readjustments decreases due to lower UF variation in 1Q24.***

Year to date net interest and readjustment income (NII) as of March 2024 increased 30.9% compared to the same period in 2023. This increase in NII was mainly due to higher interest income due to the effect of the lower monetary policy rate in our funding cost, which fell from 6.8% to 5.4% in 3M24.

The above is partially offset by lower income from readjustments which decreased 49.1% in 3M24 compared to the same period in 2023, given that the variation in the UF reached 0.8% in 3M24 compared to 1.3% in the same period in 2023.

With these two effects, the NIM[8] increased from 2.2% in 3M23 to 2.7% in 3M24.

***Net income from fees increases 10.1% in the quarter, with a recurrence ratio[9] of 49%***

Net commissions increased 10.1% QoQ due to the increase in clients and greater use of products such as mutual funds and insurance, where the Bank earns brokerage fees. With this, the recurrence ratio (total net commissions divided by total expenses) is 48.9% in 1Q24, demonstrating that almost half of the Bank's expenses are financed with commissions generated by our clients.

***Cost of credit[10] of 1.26% in 3M24, in line with the evolution of asset quality in conjunction with the economic scenario.***

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 non-performing loans (NPLs) are slightly higher than usual. Given the above, in 1Q24, the non-performing loan ratio increased to 2.5% in 1Q24 and the impaired portfolio ratio reached 5.8% in 1Q24. Finally, the expected loss ratio (provisions for credit risk divided by total loans) has increased slightly to 2.9% in 1Q24 product of higher provisions made in recent periods. With this our cost of risk reached 1.26% in 3M24.

***Support expenses increased 4.3% in 3M24 in line with guidance***
Support expenses (remunerations, administration and amortization) grew 4.3% YoY and decreased 2.2% QoQ. Total operating expenses increased 19.5% in 3M24 compared to the same period in 2023 driven by higher other operating expenses related to the restructuring of our branch network and the transformation to Work/café and also advances in Digital Banking.

The Bank's efficiency ratio[11] reached 47.4% as of March 31, 2024, higher than 44.4% in the same previous period, due to other operating expenses in the quarter. On the other hand, the ratio of costs to assets increases to 1.4% in 3M24 vs. 1.3% in the same period of the previous year.

*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 March 31, 2024 we had total assets of Ch$ 74,780,252 million (U.S.$ 76,187 million), outstanding gross loans (including interbank loans) at amortized cost of Ch$ 41,360,775 million (U.S.$ 42,139 million), total deposits of Ch$ 30,416,891 million (U.S.$ 30,234 million) and shareholders' equity of Ch$ 4,163,041 million (U.S.$ 4,241 million). The BIS capital ratio as of March 31, 2024, was 17.0%, with a core capital ratio of 10.4%. As of March 31, 2024 Santander Chile employed 8,976 people and has 246 branches throughout Chile.*

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1 The information contained in this report is presented in accordance with Chilean Bank GAAP as defined by the Financial Markets Commission (FMC).
2 Accumulated Shareholders' net income annualized, divided by annual average shareholders' equity.
3 First quarter of 2024
4 Core capital divided by risk-weighted assets, according to BIS III definitions by the FMC
5 Regulatory capital divided by risk-weighted assets, according to BIS III definitions by the FMC.
6 Quarter on quarter, 1Q24 vs 4Q23
7 Unidad de Fomento: inflation- linked unit.
8 NIM = Annualized net income from interest and readjustments divided by interest generating assets.
9 Recurrence: Net fees divided by operating expenses.
10 Provision expense annualized divided by average loans.
11 Efficiency ratio: Operating expenses including impairment and other operating expenses divided by Operating income.