



Banco Santander-Chile Announces Second Quarter 2024 Earnings

July 31, 2024

SANTIAGO, Chile, July 31, 2024 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: B santander) announced today its results¹ for the six-month period ended July 31, 2024, and second quarter 2024 (2Q24).

ROAE² of 20.7% in 2Q24³ and 15.8% in 6M24⁴.

In the second quarter of 2024 (2Q24), the Bank's net income attributable to shareholders totaled \$217,724 million (\$1.16 per share and US\$ 0.49 per ADR), reflecting an increase of 81.1% compared to the previous quarter, with an ROAE of 20.7%.

As of June 30, 2024, the Bank's net income attributable to shareholders totaled \$337,976 billion (\$1.79 per share and US\$0.76 per ADR), reflecting an increase of 28.6% compared to the same period of the previous year, along with an ROAE of 15.8%.

The increase in results in the quarter is explained by an increase in the Bank's main income lines, with operating income increasing by 19.4% in the quarter, driven by a better interest margin and adjustments.

Strong recovery in MIN⁵ to 3.6% in 2Q24 and 3.1% in 6M24.

Net interest and readjustment income (NII) as of June 30, 2024 increased by 54.5% compared to the same period in 2023. This increase in NII was due to higher interest income due to the effect of the lower monetary policy rate on our funding cost and partially offset by lower readjustment income due to lower inflation in the period.

In 2Q24, total net interest and readjustment income increased by 26.4% compared to 1Q24. This is explained by higher interest income due to lower funding costs and also by higher net income from readjustments due to the greater variation of the UF in the quarter.

It is important to mention the first payment of the FCIC, a line of credit granted by the Central Bank during the pandemic, which was made on April 1. This generated a 4.8% decrease in interest-generating assets in the last quarter. With these dynamics of funding costs, inflation and decrease in interest-generating assets in the last quarter, the NIM increased from 2.1% in 6M23 to 3.1% in 6M24 and from 2.0% in 2Q23 and 2.7% in 1Q24 to 3.6% in 2Q24.

Net commissions increase 6.5% in the quarter, with recurrence⁶ levels of 55%.

Net fees increased 6.5% QoQ⁷ due to increased customer numbers and greater use of products such as mutual funds, cards and current accounts. As a result, the recurrence ratio (total net fees divided by total expenses) is 55.0% in 2Q24, with more than half of the Bank's expenses being financed by the fees generated.

In the first half of 2024, fees decreased by 1.4% compared to the same period in 2023, mainly due to lower card fees due to the impact of interchange fee regulation and lower fees earned on financial advisory services. However, fees on our other core products continue to trend well.

Cost of credit of 1.25% in 6M24, in line with the evolution of asset quality given the economic scenario.

During the Covid-19 pandemic, asset quality benefited from state aid and pension fund withdrawals, which led to a positive evolution of assets during that period, and then began to normalize in line with the economy and the drainage of excess liquidity from households. Currently, the behavior of our clients is reflecting the state of the economy and the labor market, where non-performing loans (NPL) are slightly higher than usual, with the non-performing loan ratio (NPL) reaching 2.7% and the impaired loan ratio reaching 6.2% at June 2024. Overall the cost of credit remained stable at 1.25% in the quarter.

Core support expenses increase 4.2% in 6M24 in line with guidance

Core support expenses (salaries, administration and amortization) grew 4.2% in 6M24 compared to 6M23 and 4.7% compared to 1Q24, in line with the growth of the inflation, as we mentioned in our previous guidance. Total operating expenses (which includes other expenses) increased 15.2% in 6M24 compared to the same period in 2023 driven by higher other operating expenses, related to a provision for the restructuring of our branch network and the transformation to Work/Café and also the progress in Digital Banking.

The Bank's efficiency ratio reached 42.1% as of June 30, 2024, better than the 45.4% of the same period last year, with a quarterly efficiency ratio of 37.6%, explained by the recovery of revenues in the quarter.

Solid capital levels with a BIS⁸ ratio of 17.4% and a CET1⁹ of 10.6%.

Our total BIS ratio reached 17.4% as of June 30, 2024 and the CET1 ratio remains solid at 10.6%, even considering that we increased the dividend provision for the 2024 income from 30% to 60% in June 2024. Risk-weighted assets (RWA) increased 0.5% since December 31, 2023 and decreased 1.9% QoQ, explained by a decrease in credit risk-weighted assets. Additionally, in January 2024, the CMF 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.

Retail loans grow with soft trends, while commercial loans contract due to lower dynamism

Total loans decreased 1.8% QoQ and 0.7% compared to December 31, 2023. The retail banking portfolio (mortgage and consumer) continued to grow

modestly, while the slower dynamism of the economy, together with exchange rate effects, resulted in contractions in the commercial portfolio. In addition, during the quarter, Bansa S.A. was excluded from the Bank's consolidation, reducing commercial loans by approximately Ch\$ 219 billion (approximately 0.5% of the total portfolio).

Time deposits decrease 5.0% in the quarter in response to lower rates

The Bank's total deposits decreased by 1.3% since December 31, 2023, explained by the 2.3% decrease since December 31, 2023 in demand deposits and a decrease in time deposits in recent months. Compared to March 31, 2024, total deposits decreased by 3.7%, with demand deposits falling by 2.1%, while time deposits also decreased by 5.0%, as customers responded to lower interest rates. The beginning of the rate cut cycle began at the end of July 2023 and after 5 successive cuts, the MPR ended 2023 at 8.25%. In 2024, the Central Bank has continued to cut the rate, reaching 5.75% in June.

Upgrading guidance for 2024: ROE: 17%-18%

Given the strong recovery of results in the quarter and our current economic estimates, we are upgrading our NIM to 3.3%-3.5% and with this our ROAE guidance from 15%-17% to 17%-18%.

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 June 30, 2024, we had total assets of \$68,262,019 million (US\$72,431 million), total outstanding gross loans (including interbank loans) at amortized cost of \$40,565,553 million (US\$43,043 million), total deposits of \$29,297,940 million (US\$31,087 million) and shareholders' equity of \$4,194,393 million (US\$4,451 million). The BIS capital ratio was 17.4%, with a core capital ratio of 10.6%. As of June 30, 2024, Santander Chile employed 8,885 people and had 244 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 Annualized net income attributable to owners of the bank divided by the average equity attributable to equity holders.

³ The second quarter of 2024.

⁴ The six months accumulated as of June 30, 2024.

⁵ MIN: Net interest margin. Net interest income and annualized adjustments divided by interest-earning assets

⁶ Recurrence: Net commissions divided by operating expenses.

⁷ Quarter versus quarter (2Q24 vs 1Q24)

⁸ Regulatory capital divided by risk-weighted assets, according to CMF BIS III definitions

⁹ Core capital divided by risk-weighted assets, according to CMF BIS III definitions.