Banco Santander-Chile Announces Third Quarter 2024 Earnings

October 30, 2024

SANTIAGO, Chile, Oct. 30, 2024 (GLOBE NEWSWIRE) -- Banco Santander Chile (NYSE: BSAC; SSE: Bsantander) announced today its results[1] for the nine-month period ended September 30, 2024, and third quarter 2024 (3Q24).

ROAE[2] of 23.1% in 3Q24[3] and 18.2% in 9M24[4].

In the third quarter of 2024 (3Q24), the Bank's net income attributable to shareholders totaled $243,133 million ($1.29 per share and US$ 0.58 per ADR), reflecting an increase of 11.7% compared to the previous quarter (2Q24), with an ROAE of 23.1%.

As of September 30, 2024, the Bank's net income attributable to shareholders totaled $581.109 billion ($3.08 per share and US$1.37 per ADR), reflecting an increase of 81.9% compared to the same period of the previous year and with an ROAE of 18.2%.

The increase in results in the quarter is explained by an increase in the Bank's main income lines, with operating income increasing by 6.3% in the quarter, driven by a better interest margin and readjustments.

Strong recovery of NIM[5] to 3.9% in 3Q24 and 3.4% in 9M24.

Net interest and readjustment income (NII) accumulated as of September 30, 2024 increased by 74.8% compared to the same period in 2023. This increase in NII was due to higher interest income due to improvements in the cost of funds resulting from a lower monetary policy rate, partially offset by lower readjustment income due to lower inflation in the period.

In 3Q24, total net interest and readjustment income increased by 4.2% compared to 2Q24. This is explained by higher net interest income due to lower funding costs and better investment portfolio performance, offset by lower net readjustment income due to lower UF variation in the quarter.

Net fees increase 8.3% in the quarter, reaching recurrence[6] levels of 63.4%.

Net fees increased 8.3% QoQ due to increased customer numbers and greater use of products such as mutual funds, cards and current accounts. With this, the recurrence ratio (total net fees divided by total core expenses) is 63.4% in 3Q24, demonstrating that more than half of the Bank's expenses are financed by fees generated by our customers.

In the nine months to September 30, 2024, fees increased by 5.4% compared to the same period in 2023, mainly due to higher fees from current accounts, mutual fund brokerage and Getnet. This was partially offset by the impact of interchange fee regulation.

Getnet's customer base continues to grow and its expansion continues

As a result of our strategy to strengthen digital products, the Bank's market share in current accounts remains strong. According to the latest publicly available information, which is as of July 2024, our market share reaches 23.8% in current accounts, which includes products such as Santander Life and PYME Life, while our US$ current account solution is already attracting 41.2% of customers in this market. In total, our digital customers total around 2.2 million and represent 86% of our active customers, with the products with the greatest traction being deposits, credit cards, investment funds and general insurance brokerage.

Getnet's entry into the Chilean acquiring market continues to surprise with good results, with net commissions of $54 billion in 9M24 (not including operating expenses). Customer reception has been high, with more than 182 thousand affiliated merchants and more than 243 thousand operational POSs, with a strong demand from SME clients and an expansion towards larger clients that require a Host to Host solution, offering an integrated payment system for more sophisticated clients. Thanks to Getnet and other initiatives such as the Cuenta Pyme Life, we are seeing significant growth in current accounts for SMEs and companies, growing 26.7% YoY by July 2024, and with a market share of 39.3% according to the CMF.

For the fifth consecutive year we are Top 1 in NPS among our Chilean peers

As a result of all our efforts, our customers are the most satisfied with us. As of September 2024, our NPS is 59 points, top 1 among our peers. We also rank first in net satisfaction in the evaluation of our account executives and contact center with 66 and 72 points respectively. Regarding digital channels, they also continue to be a strength, with the website standing out with a net satisfaction of 72 and the App with 74 points.

Efficiency ratio of 36.3% in the quarter as income improves and costs remain under control

The Bank's efficiency ratio reached 40.0% as of September 30, 2024, better than the 48.0% of the same period last year, with a quarterly efficiency ratio of 36.3%, explained by the recovery of revenues in the quarter and solid cost control.

Core support expenses (salaries, administration and amortization) grew 4.4% in 9M24 compared to 9M23 and 0.4% compared to 2Q24, in line with the growth of inflation, as we mentioned in our previous guidance. Total operating expenses (which includes other expenses) increased 13.1% in 9M24 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.

Cost of credit of 1.28% in 9M24, 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 performance in assets during that period, before normalizing in line with the performance of the economy and the drainage of excess liquidity from households. Currently, our clients' performance is reflecting the state of the economy and the labor market, where delinquency is higher than the levels we saw before the pandemic with the non-performing loans (NPL) ratio increasing to 3.1% and the impaired portfolio to 6.7% at September 2024. Overall the cost of credit remained stable at 1.28% in the quarter.

Solid capital levels with a BIS[7] ratio of 17.2% and a CET1[8] of 10.7%.

Our total BIS ratio reached 17.2% as of September 30, 2024 and the CET1 ratio remains solid at 10.7%, even considering that we increased the dividend provision for the 2024 income from 30% to 60% in June 2024 and then to 70% in September 2024. Risk-weighted assets (RWA) increased 0.8% since December 31, 2023 and 0.3% QoQ, explained by a growth in market risk-weighted assets offset 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 charge to the Bank.

Upgrading guidance for 2024 and soft guidance for 2025

Given the strong recovery in our results and our current economic estimates for the fourth quarter, we are improving our ROAE guidance for 2024 to 18%-19%. We have upgraded our medium term guidance for ROAEs to 18%-20% and our soft guidance for 2025 indicates a ROAE within this range.

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 September 30, 2024, the Bank has total assets of $65,890,254 million (US$73,419 million), total gross loans (including loans to banks) at amortized cost of $40,362,740 million (US$44,975 million), total deposits of $29,617,085 million (US$33,001 million) and shareholders' equity of $4,218,883 million (US$4,701 million). The BIS capital ratio was 17.2%, with a core capital ratio of 10.7%. As of September 30, 2024, Santander Chile employed 8,861 people and has 234 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 shareholders of the Bank divided by the average equity attributable to equity holders

[3] The third quarter of 2024

[4] The nine months accumulated as of September 30, 2024

[5] NIM: Net interest margin. Annualized net interest income and annualized readjustments divided by interest-earning assets

[6]Recurrence: Net commissions divided by structural operating expenses (excludes other operating expenses).

[7] Regulatory capital divided by risk-weighted assets, according to CMF BIS III definitions

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