



Pillar III Annual Report
Banco Santander
Chile / **2023**



Índice





1 Introduction



Banco Santander Chile is part of Grupo Santander, a global financial institution. This group provides financial services on three continents, serving an extensive customer base of 165 million. With 3.7 million shareholders and a workforce of more than 212,000 employees, Grupo Santander stands out for its global presence and its impact on the financial sector.

As for Santander Chile's presence, it is present throughout the national territory through its extensive network of branches and physical spaces of different kinds.

Main achievements – Chile First Strategy

Largest bank in terms of loans and deposits

17.4%

market share according to the latest information from the FMC.

The only

Chilean bank included in the DJSI for emerging markets.

More than

167,000

people banked through the Life account and Más Lucas in 2023.

A total of

91 Workcafés

in Chile, serving our customers and the community in their different formats.

TSR¹ of

35.8%

in 2023, the highest among Chilean banks.

First

JPY 8

billion green bond, equivalent to US\$ 53 million, to finance green mortgages.

Recognized as

Best Bank

in Chile in 2023 by The Banker and Euromoney.

More than

US\$ 450

million was committed to invest in infrastructure and technology between 2023 and 2026.

Financial Information

Balance Sheet (\$ millions)	Dec-23	Dec-22	% Change
Total Assets	70,857,888	68,164,604	4.0%
Total gross loans ¹	40,917,143	38,871,708	5.3%
Demand deposits	13,537,826	14,086,226	(3.9%)
Time Deposits	16,137,942	12,978,790	24.3%
Assets attributable to owners of the Bank	4,367,158	4,128,808	5.8%

YTD Results	Dec-23	Dec-22	% Change
Net interest income and adjustments	1,121,438	1,598,345	(29.8%)
Net fee income	502,640	407,269	23.4%
Net Financial Result	300,239	217,653	37.9%
Total operating income ²	1,950,445	2,245,340	(13.1%)
Operating expenses ³	(909,698)	(961,326)	(5.4%)
Operating income before credit losses	1,040,747	1,284,014	(18.9%)
Credit Loss Expense	(473,593)	(370,727)	27.7%
Operating profit before tax	567,155	913,287	(37.9%)
Net income attributable to owners of the Bank	496,404	808,651	(38.6%)

1. Total shareholder return, in CLP as of 31.12.2023 and based on the last 12 months.

2. Total operating income: Net interest income + income net of adjustments + net income from fees and commissions + net financial result + income from investments in companies + result from non-current assets and groups disposed of for sale not eligible as discontinued operations + other operating income.

3. Operating expenses: Employee benefit expense + administrative expenses + depreciation and amortization + other operating expenses + impairment of non-financial assets

Priority in Regulatory Policies

The Bank advocates for the implementation of robust and high-quality regulation that reinforces the strength and solvency of banking institutions. To this end, it sets rigorous standards of consumer protection and market stability to promote transparency in relation to risks, both for investors and supervisors. Santander Chile is firmly committed to constructive and transparent collaboration with regulators regarding the objectives, design and implementation of regulations and policy frameworks that impact its banking activity and, therefore, the interests of its customers.

Banking & Capital Resilience

The reforms carried out over the last decade at the global level have contributed to increasing the strength of financial institutions in terms of capital. However, economic instability has raised some questions about the functioning of the regulatory framework that need to be carefully addressed. In this case, Banco Santander Chile aligns itself with the challenges of Santander Group in the adapting to the European regulatory foundations regarding the implementation of the new Basel IV standards by 2025.

Main results Banco Santander Chile

ROAE* accumulated
12M 2023

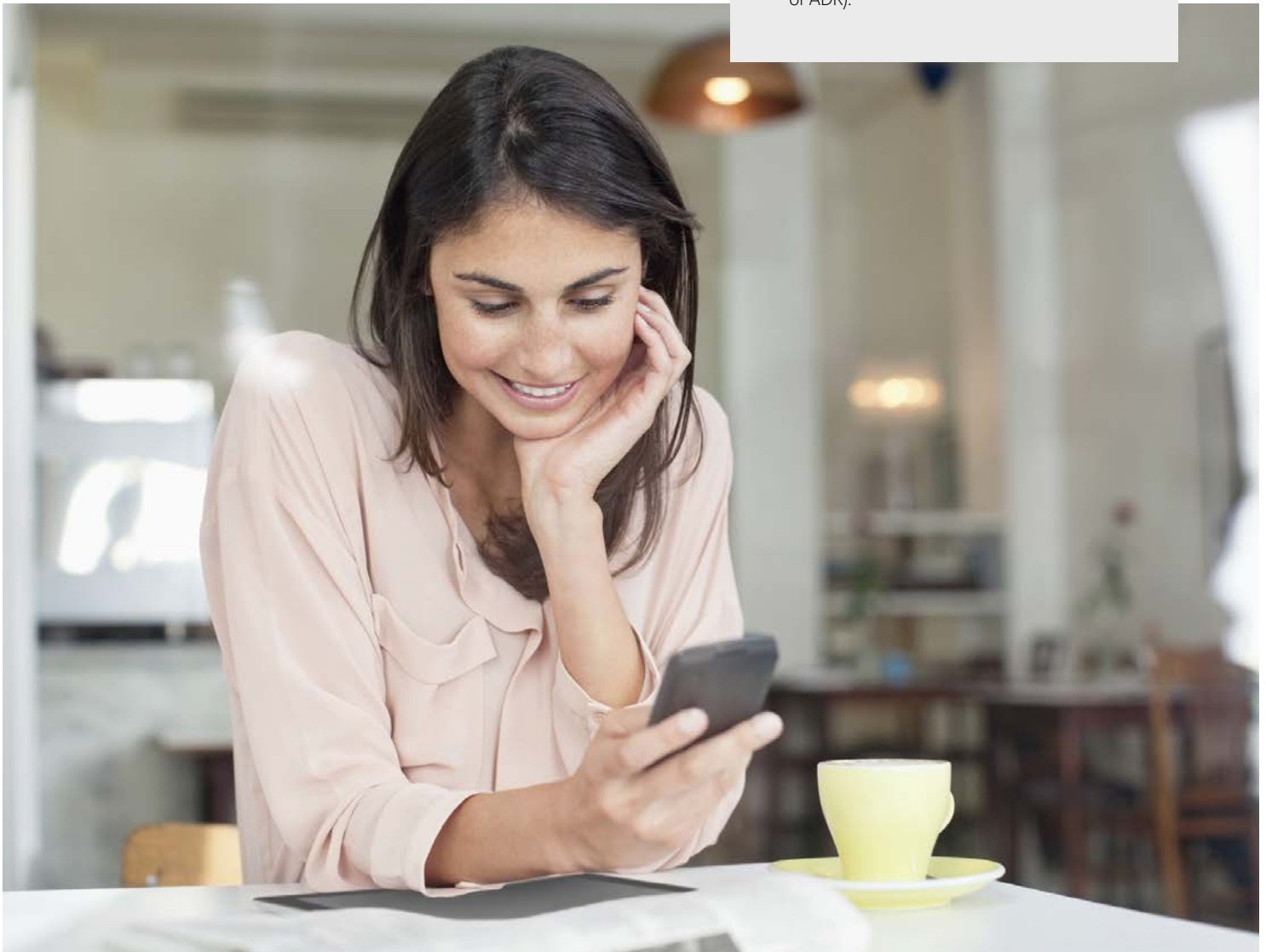
11.9%

*Net income attributable to owners of the bank annualized divided by the average equity attributable to equity holders

Net income attributable to owners of the owners of the bank totaled

\$496 billion

(\$2.63 per share and \$1.20 per share of ADR).



Executive Summary

Main Capital ratios

Ch\$mn	Phased in			Change 2022/2023
	2021	2022	2023	
CET1	3,494,580	4,212,691	4,397,824	185,134
AT1	972,124	779,845	608,720	-171,125
Tier I	4,466,704	4,992,535	5,006,544	14,009
Risk-Weighted Assets	37,965,517	38,026,915	39,552,228	1,525,313
CET1	9.20%	11.08%	11.12%	0.04%
AT1	2.56%	2.05%	1.54%	-0.51%
Tier I	11.77%	13.13%	12.66%	-0.47%
Tier II	3.45%	4.62%	4.98%	0.36%
Total Ratio	15.22%	17.75%	17.64%	-0.11%



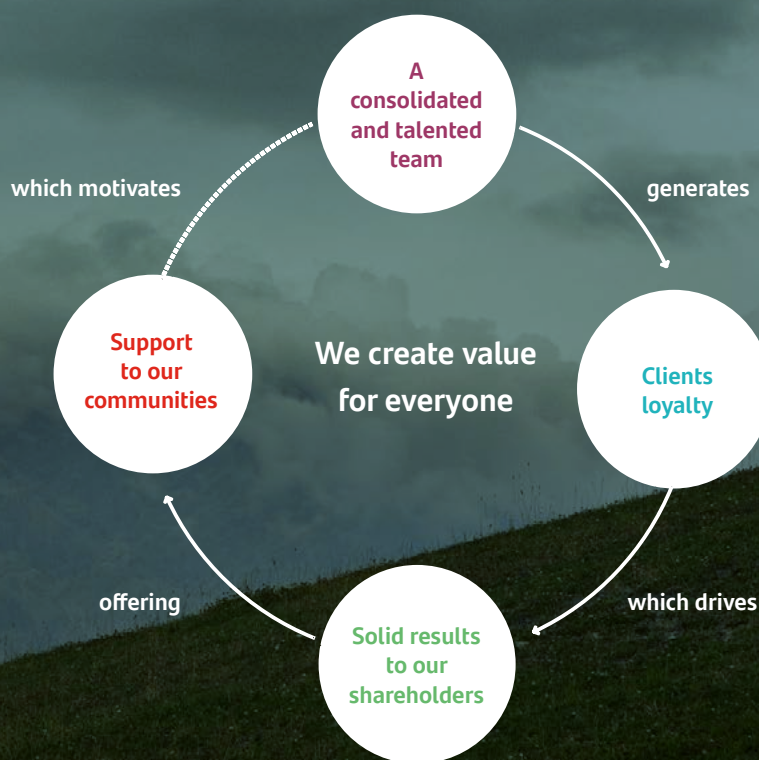
Corporate culture

“The Santander Way” is the name given to Santander’s corporate culture. It establishes how things are done, and guides people to continue to progress as a team.

This corporate culture encompasses the mission, vision, values, risk culture and behaviors that must prevail in each of the Group’s entities. Santander is confident that a company with a strong internal culture attracts and retains talent, fostering a fruitful work environment and improved performance throughout the Bank’s operations.

Our Corporate Culture: The Santander Way

The Santander Way has been the guide of the organization, encompassing the mission, vision, values, risk culture and behaviors. Santander is confident that a Company with a strong internal culture attracts and retains talent, fostering a positive labor climate and improved performance throughout Bank’s organization.



Mission

To contribute to the progress of people and companies.

Vision

To be the best open platform for financial services, acting responsibly and earning the trust of our employees, customers, shareholders and society.

Values

Everything we do must be simple, personal and fair.

Simple: Santander seeks to offer efficient and easy-to-understand products that meet the needs of customers. For this reason, it designs systems and processes that are simple to operate, which facilitates a clear and agile response from its collaborators.

Personal: SA priority is to have different service channels, which offer each customer a service and response tailored to their needs. This also refers to our commitment to the personal development of each employee, through the fulfillment of their professional goals.

Fair: Above all Santander advocates transparency in its relations with its various stakeholders and to promote the progress of the community.

Business

Santander Chile seeks to be the best open financial services platform to contribute to the progress of companies and individuals, through a wide range of products with a high level of service for its customers.

The Bank focuses its business on a wide range of commercial and retail banking services for its clients in Chile. These include lines of credit, current account plans, loans in Chilean pesos and foreign currencies, mortgage loans, and various other types of financing for clients. In recent years, mortgage loans for sustainable housing and financing for renewable energy projects have also been included. In conjunction with the above, it offers financial services such as financial advisory, mutual fund management, securities and insurance brokerage, and leasing.

The business areas by which Santander segments its operations are as follows:

Retail Banking:

Retail Banking's customers are individuals and SMEs with sales of less than Ch\$3 billion annually. For all of them, it has a differentiated value proposition. In turn, retail banking is subdivided into:

- **Personal Banking:** Medium, high-, and mass-income customers are served.
- **SME Banking:** Focuses on providing financial services based on plans to accompany small and medium-sized enterprises in their growth.
- **Santander Consumer:** Offers financial solutions with greater flexibility for vehicle purchases.
- **Select Private Banking:** Aimed at high-net-worth clients, through personalized attention, which includes a wealth manager and the support of specialized advisors.

Middle Market:

The middle-market offers products and services to medium and large companies with annual sales of over Ch\$3 billion to Ch\$15 billion and includes the following subsegments:

- **Companies:** Companies with annual sales from Ch\$3 billion to Ch\$15 billion.

- **Large Companies:** Companies with annual sales greater than Ch\$15 billion.
- **Real Estate:** Companies that execute projects for third parties and construction companies, with annual sales of more than Ch\$800 million.
- **Institutions:** Organizations such as municipalities, regional governments, government agencies, and universities.

Santander Corporate and Investment Banking (CIB):

CIB focuses on companies with sales above Ch\$10 billion, whether they are foreign or Chilean multinationals. This segment has four specialized units:

- **Corporate Finance:** The Corporate Finance team provides global advice and execution in Mergers and Acquisitions (M&A) and Capital Markets (DCM).
- **Global Transaction Banking:** This team provides tailor-made banking solutions for some of the world's largest and most demanding clients. All of their products are designed to fit your business.
- **Global Debt Financing:** Global Debt Financing combines knowledge, experience and in-depth understanding of the financial markets to provide its clients with tailor-made access to all sources of solutions to help them achieve their capital structure and financing objectives.
- **Global Markets:** The Global Markets team provides risk management

solutions, investment products, and execution services to a wide range of clients, including corporate clients, financial institutions, financial sponsors, and individuals.

Wealth Management & Insurance

Attends clients are those who wish to make investments through the bank. To this end, a homogeneous and consistent model of products is generated with different advice and contracting according to the needs of the clients.

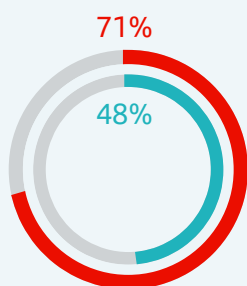
All this is supported by a solid and capable governance structure, together with the approach of strategic pillars aimed at meeting goals with a focus on the customer and promoting the processes of digital transformation, sustainability, and cybersecurity.

As for Santander Chile's strategy, the concept "Chile First: together, with you" was implemented as an action plan that will be the roadmap to help build a great country and a better Banco Santander. Each letter represents a central concept that should guide the Bank's work for a better future.

Business segments

Retail Banking (Individuals & SMEs)

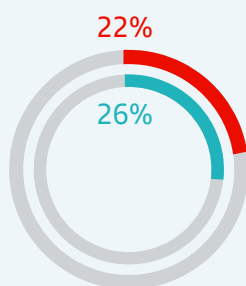
It comprises individuals and small companies with annual sales of less than Ch\$3 billion. This segment offers a variety of services to customers including consumer loans, credit cards, auto credit, business loans, foreign trade, mortgage loans, debit cards, checking accounts, savings products, securities brokerage, securities, and insurance. SME clients are also offered state-guaranteed loans, leasing and factoring.



■ % of loans
■ % of net income from operating segments

Middle-market

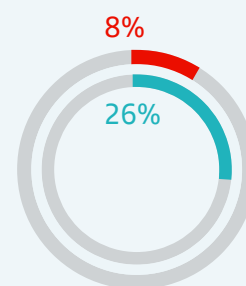
It includes companies and large companies with annual sales of over Ch\$3 billion institutional organizations such as universities, government agencies, municipalities and regional governments, and companies in the real estate sector that execute projects to sell to third parties and all construction companies with annual sales in excess of \$800 million without cap. A wide variety of products are offered to this segment, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, savings products, securities brokerage and insurance. In addition to companies in the real estate sector, specialized services are offered for the financing of mainly residential projects, with the intention of increasing the sale of mortgage loans.



■ % of loans
■ % of net income from operating segments

Corporate Investment Banking (CIB)

It comprises foreign multinational companies or Chilean multinational companies that have sales above Ch\$10 billion. This segment offers a wide variety of products, including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investment banking, savings products, securities brokerage, and insurance. This segment has a Treasury Division that provides sophisticated financial products mainly to companies in the Wholesale Banking and Corporate areas. Products such as derivatives, securitization, and other products designed according to the needs of customers are included. The treasury area also handles the brokerage of positions, as well as the portfolio of own investments.



■ % of loans
■ % of net income from operating segments

Regulatory framework

The regulatory framework under which Banco Santander Chile operates includes: (i) the General Banking Law, (ii) the Updated Compilation of Rules (UCR) of the Financial Market Commission (FMC), (iii) the Securities Markets Law 18,045 and (iv) the Groups Law 18,046.

The bank's three regulatory entities are: the Financial Market Commission (FMC), the

Financial Analysis Unit, and the Chilean Internal Revenue Service.

During the year 2023, a series of modifications were made to the regulatory framework that had an effect on the bank's activities.

For more details on these, visit the bank's 2023 report, available on the website.

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The bank's three regulatory entities are: the Financial Market Commission (FMC), the

the Financial Analysis Unit, and the Chilean Internal Revenue Service.

The changes in the regulatory frameworks during 2022 that impact and could impact Banco Santander's activity are:

Regulations	Description
Financial Innovation Law	New financial services are created: platforms for crowdfunding, alternative systems of transaction, intermediation of financial instruments, order routing, credit advisory, investment advice and custody of financial instruments. In addition, the basis for creating an "Open Finance" system, which will allow for greater transparency in the use of financial information and improve targeted customer offerings of financial products.
"Fintech"	It regulates the individual and collective contracting of insurance associated with mortgage loans under article 40 of the Insurance Act No. 251. This includes establishing the minimum conditions which must be included in the bidding rules and the information to be provided to the bidders, insured debtors, and the FMC.
NCG N°469 FMC	It regulates and sets out the requirements to be met by the banks for the collection of commissions from customers in the framework of a money loan operation.
NCG N°484 FMC	Article 85 bis of the Tax Code is incorporated into the obliges banks to report annually to the Service of Internal Revenue the balances of products or fundraising, investment or investment instruments or custody, the sum of which has been credited or the balance of which is daily, weekly, or monthly equal to or greater to UF 1,500.
Law 21,453	Modifies the Guarantee Fund for Small and Medium-sized Enterprises (FOGAPE). For Banks this Act expands access to credit in the system to micro-entrepreneurs, with a guarantee of the FOGAPE, also creating the new FOGAPE Chile Apoya, which allows access to new loans with the guarantee and under the conditions of the Fund.

The Bank also operates with an internal regulatory framework based on a series of policies, codes and strategies that establish the criteria and methodologies that guide each of the Bank's procedures.

Regulations	Description
Law 21,389	Creates the National Registry of Alimony Debtors, in order to improve the payment of alimony. This imposes on all Financial Service Providers the duty to consult the Alimony Registry when approving all loan operations of 50 UF or more and withhold up to 50% of the loan (or a lower amount if it covers the alimony debt) in the event that the applicant is in that Registry.
Law 21,484	On "Parental Responsibility and Effective Payment of Alimony Debts" states that the payment of the debt may be made with the funds that the supporter has in their bank or other accounts. The obligation of the Bank shall be to retain the funds.
Exempt Resolution N°534 SERNAC	It regulates good practices in the field of advertising for the due protection of the rights and guarantees of the Consumers in local advertising and activities deployed by influencers.
Compendium of Standard Financial Institutions Central Bank of Chile	New Chapter III.E.1 of the Compendium of Standards for Financial Institutions of the Central Bank of Chile that digitizes and makes the opening time savings accounts easier by eliminating limits on withdrawals and improves communication channels with the customer.
Circular N°2317 FMC	Establishes the obligation for the Bank to have an internal policy on security and management of debtor information (PISMID), which complies with international principles and best practices on processing of personal data. This refers to quality, security, access and limits, and the guidelines set forth in RAN 20-10.
Circular N°2316 FMC	Amends Chapters 18-5 and 20-6 of the Digest Updated Standards for Banks, eliminating the Requirement to have an enforceable title for the report.

Pillar III



This report covers the regulatory requirements detailed in Chapter 21-20 of the UCR of the FMC. The main objective of this report is to promote transparency and disclosure of key information on a financial institution's risk management and capital position. Through Pillar III, banks are required to provide detailed information on their capital, credit risk, market risk, operational risk, liquidity risk and other relevant aspects such as senior management remuneration. With this publication, Santander complies with regulatory standards, thus strengthening the supervision of the financial system and contributing to its stability.

This approach allows the reader to understand how the institution addresses the challenges inherent in its operation and how it ensures stability in changing economic environments.

Banco Santander Chile has developed its Pillar 3 report following all the guidelines and principles dictated by the standard, complying with each of the disclosure requirements and publication deadlines. To achieve this, the Bank has been responsible for establishing mechanisms for validation and control, approval, and publication of the information to be disclosed. This along with a determination of the roles of those responsible for each part of the process. All of this is well detailed in the Bank's "Verification Policy for the Information to be Disclosed in Pillar III", which is reviewed annually and updated based on the best practices in the market.

This report was reviewed by the Disclosure Committee on February 28, 2024, by the ALCO committee and Board of Directors at its February 28, 2024 meeting. The Board certifies that this publication complies with the regulatory requirements of Chapter 21-20 of the UCR, and that it has been prepared in accordance with the "Verification Policy for the Information to be Disclosed in Pillar III" approved by the Board of Directors.

The Bank has not made use of exceptions to the publication of information because it is considered reserved or confidential.



This section discussed general aspects applicable to the Santander Group, it describes the governance of approval and publication of the Pillar III and details the reporting criteria used in the report



Within the Basel framework, 3 pillars can be distinguished:



Pillar I
Minimum Capital Requirements



Pillar II
Supervisory Review



Pillar III
Market Discipline



2 Capital



Capital

This chapter covers the requirements refers to the requirements KM1 - Key Parameters, LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure, LR2 - Leverage ratio common disclosure template, CDC - Capital distribution constraints, CC1 – Composition of Regulatory Capital, and CCA - Main features of regulatory capital instruments and of other Regulatory Capital Instruments.

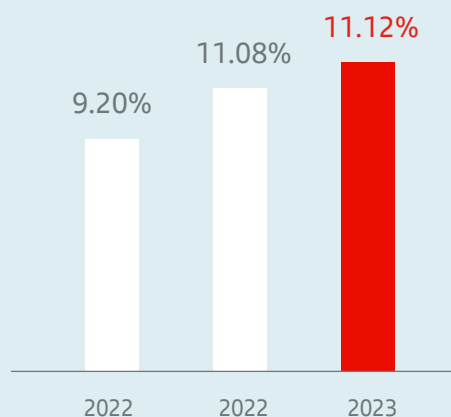
The Bank's capital management and adequacy aims to guarantee solvency and maximize profitability, complying with internal capital objectives, without neglecting regulatory requirements.

Capital management seeks to optimize value creation in the Bank and its business segments. The Bank continuously assesses its risk-return ratios through its core capital, regulatory capital, economic capital and return on capital. With respect to capital adequacy, the Bank conducts its internal process based on FMC standards.

Capital management is based on a Bank Capital Framework, which aims to ensure that the level of capital, structure and composition are adequate at any time considering the Bank's risk profile and under different scenarios, ensuring compliance with both the minimum regulatory requirements, the risk appetite, and the Recovery Plan. Moreover, the Bank ensures that they are in line with the interests of all stakeholders and support the growth strategy defined by the Bank.



CET 1



There has been an increase in the CET1 ratio, despite greater capital demands due to Phase-in requirements each year.

Capital Management & Solvency



Below are the main metrics and the capital and liquidity ratios that reflect the Bank's performance to date and the achievement of its objectives.

KM1 - Key Parameters

Figures in Ch\$mn	4Q2023 Consolidated	3Q2023 Consolidated	2Q2023 Consolidated	1Q2023 Consolidated
Available capital				
Core capital or Common Equity Tier 1 (CET1)	4,397,881	4,275,569	4,247,994	4,015,590
Expected credit loss (ECL) accounting model with full application of standards				
Tier 1 Capital	5,006,601	5,093,927	4,998,893	4,759,663
Tier 1 equity with ECL accounting model with full application of standards				
Regulatory capital	6,978.733	6,840.461	6,792,358	6,526,885
Regulatory capital with ECL accounting model with full application of the rules				
Risk-weighted assets (amounts)				
Total risk-weighted assets (RWAs)	39,552,229	39,899,327	38,781,025	38,386,948
Total risk-weighted assets (before the application of the minimum floor)				
Risk-related capital ratios (percentage of RWAs)				
CET1 coefficient (%)	11.12%	10.72%	10.95%	10.46%
CET1 ratio with ECL accounting model with full application of standards (%)				
CET1 coefficient (%) (coefficient before application of the minimum floor)				
Tier 1 capital ratio (%)	12.66%	12.77%	12.89%	12.40%
Tier 1 capital ratio (%) with ECL accounting model with full application of standards (%)				
Tier 1 capital ratio (%) (coefficient before application of the floor floor)				
Regulatory capital ratio (%)	17.64%	17.14%	17.52%	17.00%
Regulatory capital ratio with ECL accounting model with full application of the rules (%)				
Regulatory capital ratio (%) (coefficient before application of the minimum floor)				

KM1 - Parámetros claves (cont.)

Figures in Ch\$mn	4Q2023 Consolidated	3Q2023 Consolidated	2Q2023 Consolidated	1Q2023 Consolidated
Additional core capital (percentage of RWAs)				
Conservation Buffer Requirement (%)*	1.88%	1.25%	1.25%	1.25%
Counter-cyclic buffer requirement (%)	0.00%	0.00%	0.00%	0.00%
Additional requirements for D-SIB (%)	0.75%	0.38%	0.38%	0.38%
Total Additional Core Capital Requirements (%)	2.63%	1.63%	1.63%	1.63%
row 8 + row 9 + row 10)	6.62%	6.22%	6.45%	5.96%
CET1 available after meeting the bank's minimum capital requirements (%)				
Leverage Ratio**				
Total Exposure Measure of Leverage Ratio (Total Assets)	65,640,466	64,356,360	63,379,427	62,383,147
Leverage Ratio (%)	6.76%	6.76%	6.58%	6.65%
Basel III leverage ratio with ECL accounting model with full application of the rules (%) (including the effects of any applicable temporary exemption of central bank reserves)				
Basel III leverage ratio (%) (excluding the effects of any applicable temporary exemption from central bank reserves)				
Liquidity coverage ratio**				
High-Quality Liquid Assets (ALAC)	6,878,276	6,089,482	6,259,639	6,929,416
Net Outflows	3,730,018	3,210,693	3,561,508	4,097,644
LCR (%)	184.11%	189.69%	176.15%	169.77%
Net Stable Funding Ratio**				
Stable Financing Available (FED)	36,240,109	37,504,223	39,136,686	40,377,813
Stable Funding Required (FER)	35,693,462	35,305,907	35,320,773	35,105,094
NSFR (%) (row 18/row 19)	101.53%	106.23%	110.80%	115.02%

* Banco Santander considers its conservation buffer target of 2.5% to maintain its A solvency rating. As stipulated in Chapter 1-13 of the UCR.

** Average data, as required in UCR 21.20

Going into detail, the bank's leverage ratio, as of December 31, 2023, reaches a value well above what is required, both at a regulatory and internal level, and this is explained by the changes in its components during the period.

The following is a summary of the Bank's accounting assets and a detailed breakdown of the elements that make up the leverage ratio.

LR1 - Comparative Summary of Accounting Assets vs. Leverage Ratio Exposure Measure

Figures in Ch\$mn, Average Data for the Quarter	4Q2023 Consolidated	3Q2023 Consolidated
Total assets in the published financial statements (net of required provisions)	71,186,679	70,323,810
CET1 Adjustments	-96,697	-104,147
Adjustments relating to fiduciary assets recognized on the balance sheet under the current accounting framework, but excluded from the leverage ratio exposure measure		
Exposure to derivative financial instruments (credit equivalent)	-7,963,112	-8,365,905
Adjustments for SFT securities refinancing transactions (i.e. repos and similar secured loans)		
Adjustments for contingent credit exposures	2,645,111	2,564,729
Other adjustments (assets generated by the intermediation of financial instruments in one's own name on behalf of third parties & others)	-131,515	-62,127
Leverage ratio exposure measure (sum of row 2 1 to 7)	65,640,466	64,356,361

*Average information for the quarter



LR2 - Common Leverage Ratio Disclosure Template

Figures in Ch\$mn, Quarter Averages	4Q2023	3Q2023
On-balance sheet exposures	Consolidated	Consolidated
Balance sheet exposures (excluding derivatives)	59,669,696	58,362,809
(Asset amounts deducted to determine core capital and regulatory adjustments)	-96,697	-104,147
Total on-balance sheet exposures (excluding derivatives) (sum of rows 1 and 2)	59,572,999	58,258,662
Exposures to derivatives (Credit equivalents)		
Credit equivalents associated with all derivative transactions (fair value and additional amount)	3,422,356	2,376,103
Amounts added for potential future exposures associated with all derivative transactions		
Gross collateral provided for the deduction of assets from the balance sheet in accordance with the accounting framework		
Deductions from receivables by the margin of variation of cash established in derivatives transactions		
(Exempt ECC tranche for exposures to client-settled trading transactions)		
Adjusted effective notional amount of credit derivatives subscribed		
(Adjusted Effective Notional Offsets and Additional Deductions for Credit Derivatives Subscribed)		
Total exposures to derivatives (row 4)	3,422,356	2,376,103
Securities Financing Transactions (SFT) Exposures		
Gross SFT assets (excluding offsets), after adjustments for accounting transactions for sales		
(Net amount pending payment of cash receivables and cash receivables relating to gross SFT assets)		
Exposure to counterparty credit risk for SFT assets		
Exposures from operations as an Agent		
Total securities financing transactions exposures (sum of rows 12 to 15)		
Other off-balance sheet exposures		
Off-balance sheet exposure measured at its gross notional amount	12,224,968	11,917,772
(Adjustment for conversion to credit equivalents)	-9,579,857	-9,353,044
Off-balance sheet items (sum of rows 17 and 18)	2,645,111	2,564,728
Capital & Total Exposures		
Core Capital	4,360,050	4,269,862
Total exposures (sum of rows 3, 11 and 19)	65,640,466	63,199,493
Leverage Ratio		
Leverage Ratio	6.64%	6.76%

*Average information for the quarter

Regulatory Capital

According to the new General Banking Law (updated through Law 21,130), the minimum capital requirements have increased in terms of quantity and quality. Total regulatory capital remains at 8% of Risk-Weighted Assets (RWAs) including credit, market and operational risk. The minimum Tier 1 capital increased from 4.5% to 6% of RWAs, of which up to 1.5% can be Additional Tier 1 (AT1), either in the form of preferred shares or perpetual bonds, which can be convertible into shares. Tier 2 capital is now set at 2% of RWAs.

In addition, additional capital demands are incorporated through a conservation buffer of 2.5% of RWAs. In addition, the Central Bank of Chile (BCCh), in agreement with the FMC, may establish an additional counter-cyclical buffer of up to 2.5% of RWAs.

Santander Chile, being considered a systemic bank, must have an additional buffer of 1.5% of RWAs. This buffer is applied progressively, with only 50% effective as of December 2023. In addition, the amount of this buffer is calculated each year by the FMC, and depends on factors such as size, local

interconnection, local substitutability, and complexity.

In the following table, it can be observed that Santander Chile has a CET1 capital ratio that covers all the minimum regulatory requirements and, therefore, has no restrictions on the capacity to distribute capital.



CDC - Restrictions on Capital Distribution Capacity

	2023	
Figures in Ch\$m	CET1 capital ratio that would trigger capital distribution capacity constraints (%)	Current CET1 capital ratio (%)
Minimum CET1 capital requirement plus capital buffers (without taking into account CET1 capital used to meet other minimum regulatory capital requirements)	7.13%	11.12%
CET1 plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital requirements)	7.13%	

Below, Banco Santander Chile presents a breakdown of its regulatory capital composition, in line with the calculation methodologies proposed by the regulatory body.

CC1 - Composition of Regulatory Capital

Figures in Ch\$m	Amounts	Based on the balance sheet figures with respect to the level of regulatory consolidation
Capital básico o capital ordinario nivel 1: instrumentos y reservas		(h) of CC2
Directly issued eligible ordinary share capital (and its equivalent for entities other than a non-joint stock company) plus related issue premiums	891,303	(h) of CC2
Undistributed Earnings	23,487	
Other accumulated comprehensive income items (and other reserves)	3,452,369	
Directly issued capital subject to its phase-out from CET1 (only applicable to entities other than a joint-stock company)	-	
Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in CET1 of the non-controlling interest group)	124,735	
Tier 1 core capital prior to regulatory adjustments	4,491,893	
Tier 1 Core Capital After Regulatory Adjustments		
Prudent Valuation Adjustments		
Goodwill (net of related tax liabilities)	-	(a) - (d) of CC2
Other intangibles except mortgage loan operating rights (net of related tax liabilities)	29,265	(b) - (e) of CC2
Deferred tax assets dependent on the bank's future performance, excluding those arising from temporary differences	332	
Valuation reserve for cash flow hedge accounting	18,487	
Insufficient provisions for expected losses	-	
Gains on sales of transactions of securitized operations	-	
Accumulated gains or losses due to changes in the credit risk of financial liabilities measured at fair value	6,539	
Defined Benefit Pension Plan Assets	70	
Investment in own instruments (if not already subtracted from the paid-up capital heading of the published balance sheet)	-	
Cross-shareholdings in equity instruments		
Non-significant investments in the capital of banking, financial and insurance entities not included in the regulatory consolidation perimeter when the bank does not hold more than 10% of the issued share capital (amount above the 10% threshold)	-	

*No se considera dentro de los ajustes regulatorios la deducción por interés no controlador

Figures in Ch\$mn	Amounts	Based on the balance sheet figures with respect to the level of regulatory consolidation
Significant investments in the core capital of banking, financial and insurance institutions not included in the regulatory consolidation perimeter (amount above the 10% threshold)	-	
Regulatory Threshold Adjustment - Mortgage Loan Operating Rights (amount above the 10% threshold)	-	(c) - (f) - threshold 10% of CC2
Regulatory Threshold Adjustment - Deferred Tax Assets for Temporary Differences (amount above the 10% threshold, net of liabilities net of deferred tax liabilities)	-	
Amount above the 15% threshold	1,648	
Of which: Significant investments in the ordinary capital of financial institutions not consolidated in CET1	-	
Of which: Mortgage Loan Operating Rights	-	
Of which: Deferred taxes for temporary differences	1,648	
Specific Local Regulatory Adjustments		
Regulatory adjustments applied to Tier 1 core capital due to insufficient additional Tier 1 capital and Tier 2 capital to cover deductions	-	
Total Regulatory Adjustments to Common Equity Tier 1	56,342	
Common Equity Tier 1 (CET1)	4,397,881	
Additional Tier 1 Capital: Instruments		
Instruments eligible for Additional Tier 1 capital issued directly plus related issue premiums	608,721	(i) of CC2
Of which: classified as own resources in accordance with the relevant accounting rules		
Of which: classified as liabilities in accordance with the relevant accounting rules	608,721	
Directly issued capital instruments subject to their phasing out of additional Tier 1 capital		
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties		
Of which: instruments issued by subsidiaries subject to phase-out		
Additional Tier 1 Capital Prior to Regulatory Adjustments (Row 30)	608,721	
Additional Tier 1 Capital Following Regulatory Adjustments		
Investment in own instruments included in additional Tier 1 capital		
Cross-shareholdings in instruments included in Additional Tier 1 capital		

Figures in Ch\$mn	Amounts	Based on the balance sheet figures with respect to the level of regulatory consolidation
Non-significant investments in the capital of banking, financial and insurance entities not included in the regulatory consolidation perimeter when the bank does not own more than 10% of the issued share capital of the entity (amount above the 10% threshold)	-	
Significant investments in the capital of banking, financial and insurance institutions not included in the scope of regulatory consolidation	-	
Specific Local Regulatory Adjustments		
Regulatory Adjustments Applied to Additional Tier 1 Capital in the Face of Insufficient Tier 2 Capital to Cover Deductions	-	
Total Regulatory Adjustments to Additional Tier 1 Capital	-	
Additional Tier 1 (AT1) Capital	608,721	
Tier 1 capital (T1 = CET1 + AT1)	5,006,601	
Tier 2 Capital: Instruments and Provisions		
Directly issued Tier 2 instruments plus related issue premiums	1,679,132	
Directly issued equity instruments subject to phasing out Tier 2 capital	-	
Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
Of which: instruments issued by subsidiaries subject to phase-out	-	
Provisions	293,000	
Tier 2 capital prior to regulatory adjustments	1,972,132	
Tier 2 capital after regulatory adjustments		
Investments in own instruments included in Tier 2 capital		
Cross-shareholdings in Tier 2 instruments and other TLAC liabilities		
Non-significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities not included in the regulatory consolidation perimeter when the bank does not hold more than 10% of the issued share capital of the entity (amount above the 10% threshold)	-	
Non-significant investments in other TLAC liabilities of banking, financial and insurance entities not included in the scope of regulatory consolidation when the bank does not hold more than 10% of the issued share capital of the entity	-	

Figures in Ch\$mn	Amounts	Based on the balance sheet figures with respect to the level of regulatory consolidation
Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities not included in the regulatory consolidation scope (net of eligible short positions)	-	
Specific Local Regulatory Adjustments		
Total Regulatory Adjustments to Tier 2 Capital	-	
Tier 2 Capital (Q2)	1,972.132	
Regulatory capital (RC = T1 + T2)	6,978,733	
Total risk-weighted assets	39,552,229	
Ratios, capital buffers and systemic charge		
Common Equity Tier 1 (% of RWAs)	11.12%	
Tier 1 capital (% of RWAs)	12.66%	
Regulatory capital (% of RWA)	17.64%	
Conservation buffer and counter-cyclical buffer, plus higher loss absorption requirement for D SIBs (% of RWA)	2.63%	
Of which: conservation buffer	1.88%	
Of which: bank-specific counter-cyclical buffer in accordance with local standard	0.00	
Of which: Highest Loss Absorption Requirement for D-SIBs (HLA) (Minimum Charge)	0.75%	
Common Equity Tier 1 (CET1) (% of RWAs) available after meeting the bank's minimum capital requirements	6.62%	
Local Minimums		
Minimum local CET1 coefficient	5.25%	
Minimum local Tier 1 capital ratio	6.75%	
Minimum local coefficient of regulatory capital	8.75%	
Amounts Below Deduction Thresholds (Before Risk Weighting)		
Non-significant investments in the capital and other TLAC liabilities of other financial institutions	-	
Significant investments in the ordinary capital of financial institutions	-	
Mortgage loan operating rights (net of related tax liabilities)	-	



Figures in Ch\$mn	Amounts	Based on the balance sheet figures with respect to the level of regulatory consolidation
Deferred tax assets arising from temporary differences (net of related tax liabilities)	-	
Ceilings applicable to the inclusion of provisions in Tier 2 capital		
Eligible provisions in Tier 2 capital relating to positions subject to the standard method (before the application of the ceiling)	293,000	
Ceiling on the inclusion of provisions in Tier 2 capital according to the standard method	379,172	
Eligible provisions in Tier 2 capital relating to positions subject to internal methodologies (before the application of the ceiling)	-	
Ceiling on the inclusion of provisions in the capital level in accordance with internal methodologies	-	
Capital instruments subject to phase-out (only applicable between 1 December 2020 and 1 January 2031)		
<i>Current ceiling on CET1 instruments subject to phase-out</i>		
<i>Amount excluded from CET1 due to the ceiling (amount above the ceiling after amortizations and maturities)</i>		
<i>Current ceiling on AT1 instruments subject to phase-out</i>		
<i>Amount excluded from AT1 due to the ceiling (amount above the ceiling after amortizations and maturities)</i>		
<i>Current ceiling on T2 instruments subject to phase-out</i>	-	
<i>Amount excluded from Q2 due to ceiling (amount above ceiling after amortization and maturities)</i>	-	

* The deduction for non-controlling interest is not considered within the regulatory adjustments.

Below is a breakdown of the main instruments that make up the Bank's regulatory capital and their characteristics.

CCA - Main Characteristics of Regulatory Capital Instruments

Issuer	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile
Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier of a private placement)	BSAN CI / BSAC US	15353669	10176024	USTDG10508
Legislation(s) governing the instrument	Chilean Legislation	General Banking Law	General Banking Law	General Banking Law
Means of enforcing compliance with Section 13 of the TLAC Issuance Conditions (Term Sheet) (for other eligible instruments such as TLAC that are governed by foreign law)	-			
Rules during the transition period	CET1	AT1	S2	S2
Post-transition rules	CET1	AT1	S2	S2
Individual/Locally Consolidated/Globally Consolidated	Local Consolidated	Local Consolidated	Local Consolidated	Local Consolidated
Instrument Type	Common Stock	BOND WITH NO FIXED MATURITY	SUBORDINATED BOND	SUBORDINATED BOND
Amount reported in effective equity (monetary figure in millions, as of the most recent disclosure date)	891,303	608,721	-	111,430
Nominal Value of Instrument*	-	561,876	160,536	101,310
Accounting Classification	Heritage	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST
Original Issue Date	-	21-10-2021	15-01-2020	02-05-2008
No Maturity (Perpetual) or Expiry	No expiry	NO EXPIRATION	EXPIRATION DATE	EXPIRATION DATE
Original Expiration Date	No expiry	NO EXPIRATION	21-01-2030	02-05-2033
Early repayment by the issuer subject to prior approval by the Commission	No	Yes	No	No
Optional Early Repayment Date, Contingent Early Repayment Dates, and Amount	n/a	i) 26/10/2026ii) Total amount	Not applicable	Not applicable
Subsequent amortization dates, if applicable	n/a	Any date after the first redemption	Not applicable	Not applicable
Interest/dividends				
Fixed or variable interest/dividend	Floating	FIXED	FIXED	FIXED
Coupon interest rate and any related index	n/a	4.625%	3.792%	4.658%
Existence of a mechanism to curb the dividend	Yes	Yes	No	No
Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Obligatory	Obligatory
Existence of a step-up clause or other incentive to amortize	-			
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	n/a	-	-	-
Whether convertible, full or partial	n/a	-	-	-
If convertible, conversion rate	n/a	-	-	-
Whether convertible, mandatory or optional conversion	-			
If convertible, specify the type of instrument into which it is convertible	n/a	-	-	-
If convertible, specify the issuer of the instrument into which it is converted	n/a	-	-	-
Possibility of depreciation/forfeiture of book value	n/a	Yes		
If book value depreciation/forfeiture is contemplated, depreciation/forfeiture trigger(s)	n/a	Triggers: Default, Interest Cancellation, and Loss Absorption		
If book depreciation/forfeiture is contemplated, full or partial depreciation/forfeiture	-			
If book value depreciation/forfeiture is contemplated, permanent or temporary depreciation/forfeiture	n/a	Permanent		
If the depreciation/expiry of the book value is temporary, description of the mechanism for subsequent revaluation of the book value	n/a	-		
Type of subordination	-			
Position in the subordination hierarchy in the event of liquidation (specify the type of instrument immediately preferred to the instrument in question in the order of priority for the insolvency of the legal entity in question)	-			
Exempt Transitional Characteristics	No	No	No	No
If so, specify the exempting characteristics	n/a	-	-	-
Nominal value of the instrument (USD)	Na	700,000,000	200,000,000	126,214,283

CCA - Main Characteristics of Regulatory Capital Instruments (cont.)

Issuer	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile
Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier of a private placement)	USTDG20908	USTDG30710	USTDG40710	USTDG50411
Legislation(s) governing the instrument	General Banking Law	General Banking Law	General Banking Law	General Banking Law
Means of enforcing compliance with Section 13 of the TLAC Issuance Conditions (Term Sheet) (for other eligible instruments such as TLAC that are governed by foreign law)				
Rules during the transition period	S2	S2	S2	S2
Post-transition rules	S2	S2	S2	S2
Individual/Locally Consolidated/Globally Consolidated	Local Consolidated	Local Consolidated	Local Consolidated	Local Consolidated
Instrument Type	SUBORDINATED BOND	SUBORDINATED BOND	SUBORDINATED BOND	SUBORDINATED BOND
Amount reported in effective equity (monetary figure in millions, as of the most recent disclosure date)	111,430	111,430	111,430	148,573
Nominal Value of Instrument*	101,310	101,310	101,310	135,080
Accounting Classification	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST
Original Issue Date	01-09-2008	01-07-2010	01-07-2010	01-04-2011
No Maturity (Perpetual) or Expiry	EXPIRATION DATE	EXPIRATION DATE	EXPIRATION DATE	EXPIRATION DATE
Original Expiration Date	01-03-2038	01-07-2035	01-07-2040	01-04-2031
Early repayment by the issuer subject to prior approval by the Commission	No	No	No	No
Optional Early Repayment Date, Contingent Early Repayment Dates, and Amount	Not applicable	Not applicable	Not applicable	Not applicable
Subsequent amortization dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
Interest/dividends				
Fixed or variable interest/dividend	FIXED	FIXED	FIXED	FIXED
Coupon interest rate and any related index	4.171%	3.926%	3.777%	3.774%
Existence of a mechanism to curb the dividend	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Obligatory	Obligatory	Obligatory	Obligatory
Existence of a step-up clause or other incentive to amortize				
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	-	-	-	-
Whether convertible, full or partial	-	-	-	-
If convertible, conversion rate	-	-	-	-
Whether convertible, mandatory or optional conversion				
If convertible, specify the type of instrument into which it is convertible	-	-	-	-
If convertible, specify the issuer of the instrument into which it is converted	-	-	-	-
Possibility of depreciation/forfeiture of book value				
If book value depreciation/forfeiture is contemplated, depreciation/forfeiture trigger(s)				
If book depreciation/forfeiture is contemplated, full or partial depreciation/forfeiture				
If book value depreciation/forfeiture is contemplated, permanent or temporary depreciation/forfeiture				
If the depreciation/expiry of the book value is temporary, description of the mechanism for subsequent revaluation of the book value				
Type of subordination				
Position in the subordination hierarchy in the event of liquidation (specify the type of instrument immediately preferred to the instrument in question in the order of priority for the insolvency of the legal entity in question)				
Exempt Transitional Characteristics	No	No	No	No
If so, specify the exempting characteristics	-	-	-	-
Nominal value of the instrument (USD)	126,214,283	126,214,283	126,214,283	168,285,711

CCA - Main Characteristics of Regulatory Capital Instruments (cont.)

Issuer	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile
Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier of a private placement)	USTDH10411	USTDH20914	USTDH20914	USTD-M0301
Legislation(s) governing the instrument	General Banking Law	General Banking Law	General Banking Law	General Banking Law
Means of enforcing compliance with Section 13 of the TLAC Issuance Conditions (Term Sheet) (for other eligible instruments such as TLAC that are governed by foreign law)				
Rules during the transition period	S2	S2	S2	S2
Post-transition rules	S2	S2	S2	S2
Individual/Locally Consolidated/Globally Consolidated	Local Consolidated	Local Consolidated	Local Consolidated	Local Consolidated
Instrument Type	SUBORDINATED BOND	SUBORDINATED BOND	SUBORDINATED BOND	SUBORDINATED BOND
Amount reported in effective equity (monetary figure in millions, as of the most recent disclosure date)	148,573	111,430	111,430	111,491
Nominal Value of Instrument*	135,080	101,310	101,310	168,849
Accounting Classification	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST
Original Issue Date	01-04-2011	01-09-2014	01-09-2014	01-03-2001
No Maturity (Perpetual) or Expiry	EXPIRATION DATE	EXPIRATION DATE	EXPIRATION DATE	EXPIRATION DATE
Original Expiration Date	01-04-2041	01-09-2034	01-09-2034	01-09-2026
Early repayment by the issuer subject to prior approval by the Commission	No	No	No	No
Optional Early Repayment Date, Contingent Early Repayment Dates, and Amount	Not applicable	Not applicable	Not applicable	Not applicable
Subsequent amortization dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
Interest/dividends				
Fixed or variable interest/dividend	FIXED	FIXED	FIXED	FIXED
Coupon interest rate and any related index	3.850%	3.000%	3.000%	4.411%
Existence of a mechanism to curb the dividend	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Obligatory	Obligatory	Obligatory	Obligatory
Existence of a step-up clause or other incentive to amortize				
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	-	-	-	-
Whether convertible, full or partial	-	-	-	-
If convertible, conversion rate	-	-	-	-
Whether convertible, mandatory or optional conversion				
If convertible, specify the type of instrument into which it is convertible	-	-	-	-
If convertible, specify the issuer of the instrument into which it is converted	-	-	-	-
Possibility of depreciation/forfeiture of book value				
If book value depreciation/forfeiture is contemplated, depreciation/forfeiture trigger(s)				
If book depreciation/forfeiture is contemplated, full or partial depreciation/forfeiture				
If book value depreciation/forfeiture is contemplated, permanent or temporary depreciation/forfeiture				
If the depreciation/expiry of the book value is temporary, description of the mechanism for subsequent revaluation of the book value				
Type of subordination				
Position in the subordination hierarchy in the event of liquidation (specify the type of instrument immediately preferred to the instrument in question in the order of priority for the insolvency of the legal entity in question)				
Exempt Transitional Characteristics	No	No	No	No
If so, specify the exempting characteristics	-	-	-	-
Nominal value of the instrument (USD)	168,285,711	126,214,283	126,214,283	210,357,139

CCA - Main Characteristics of Regulatory Capital Instruments (cont.)

Issuer	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile	Banco Santander Chile
Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier of a private placement)	USTDW20320	USTDW70320	USTD-X1107	USTD-Z1207
Legislation(s) governing the instrument	General Banking Law	General Banking Law	General Banking Law	General Banking Law
Means of enforcing compliance with Section 13 of the TLAC Issuance Conditions (Term Sheet) (for other eligible instruments such as TLAC that are governed by foreign law)				
Rules during the transition period	S2	S2	S2	S2
Post-transition rules	S2	S2	S2	S2
Individual/Locally Consolidated/Globally Consolidated	Local Consolidated	Local Consolidated	Local Consolidated	Local Consolidated
Instrument Type	SUBORDINATED BOND	SUBORDINATED BOND	SUBORDINATED BOND	SUBORDINATED BOND
Amount reported in effective equity (monetary figure in millions, as of the most recent disclosure date)	185,717	122,573	74,287	74,287
Nominal Value of Instrument*	168,849	111,441	67,540	67,540
Accounting Classification	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST	LIABILITIES – AMORTIZED COST
Original Issue Date	01-03-2020	10-08-2021	02-11-2007	01-12-2007
No Maturity (Perpetual) or Expiry	EXPIRATION DATE	EXPIRATION DATE	EXPIRATION DATE	EXPIRATION DATE
Original Expiration Date	01-09-2035	01-09-2028	02-11-2032	01-12-2032
Early repayment by the issuer subject to prior approval by the Commission	No	No	No	No
Optional Early Repayment Date, Contingent Early Repayment Dates, and Amount	Not applicable	Not applicable	Not applicable	Not applicable
Subsequent amortization dates, if applicable	Not applicable	Not applicable	Not applicable	Not applicable
Interest/dividends				
Fixed or variable interest/dividend	FIXED	FIXED	FIXED	FIXED
Coupon interest rate and any related index	0.950%	3.515%	4.016%	4.100%
Existence of a mechanism to curb the dividend	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Obligatory	Obligatory	Obligatory	Obligatory
Existence of a step-up clause or other incentive to amortize				
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	-	-	-	-
Whether convertible, full or partial	-	-	-	-
If convertible, conversion rate	-	-	-	-
Whether convertible, mandatory or optional conversion				
If convertible, specify the type of instrument into which it is convertible	-	-	-	-
If convertible, specify the issuer of the instrument into which it is converted	-	-	-	-
Possibility of depreciation/forfeiture of book value				
If book value depreciation/forfeiture is contemplated, depreciation/forfeiture trigger(s)				
If book depreciation/forfeiture is contemplated, full or partial depreciation/forfeiture				
If book value depreciation/forfeiture is contemplated, permanent or temporary depreciation/forfeiture				
If the depreciation/expiry of the book value is temporary, description of the mechanism for subsequent revaluation of the book value				
Type of subordination				
Position in the subordination hierarchy in the event of liquidation (specify the type of instrument immediately preferred to the instrument in question in the order of priority for the insolvency of the legal entity in question)				
Exempt Transitional Characteristics	No	No	No	No
If so, specify the exempting characteristics	-	-	-	-
Nominal value of the instrument (USD)	210,357,139	138,835,712	84,142,856	84,142,856

3

Consolidation Perimeter





This section refers to the requirements LIA - Explanations of differences between accounting and regulatory exposures amounts, CC2 - Reconciliation of Regulatory Capital to the Balance Sheet, LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories, and LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements.

Santander Chile Consolidation

Santander Chile is one of the companies of the Santander Group included in the prudential consolidation perimeter and, therefore, consolidates its Financial Statements, and calculates its solvency ratio based on its activity using the global integration method.

Comparison Between Accounting and Regulatory Perimeter

The accounting balances reported in the Financial Statements (accounting perimeter) may differ from the regulatory balances, generating a gap between the two perimeters.

The following tables detail the comparison of the balance sheet book balances according to the published Financial Statements and the regulatory exposures.



CC2 - Reconciliation of Regulatory Capital to the Balance Sheet

Figures in Ch\$mn	Published Financial Statements	Under the regulatory consolidation perimeter	Reference
Assets	At the end of the period	At the end of the period	
<i>Cash & Bank Deposits</i>	2,723,282		
Transactions with ongoing settlement	812,524		
Financial assets to be traded at fair value through profit or loss	10,217,794		
Financial Derivative Contracts	10,119,486		
Debt Financial Instruments	98,308		
Other	-		
Non-trading financial assets mandatorily measured at fair value through profit or loss	-		
Financial assets designated to fair value through profit or loss	-		
Financial assets at fair value through changes in other comprehensive income	4,641,282		
Debt Financial Instruments	4,536,025		
Other	105,257		
Financial Derivative Contracts for Hedge Accounting	605,529		
Financial assets at amortized cost	47,834,678		
Rights under repurchase agreements and securities lending agreements	-		
Debt Financial Instruments	8,176,895		
Interbank loans	68,326		
Receivables and Accounts Receivable from Customers – Commercial loans	17,401,425		
Receivables and Accounts Receivable to Customers – Residential mortgage loans	16,925,058		
Receivables and Accounts Receivable from Customers – Consumer loans	5,262,974		
Investments in companies	55,284		
Intangible assets	97,551		
Of which: Goodwill	-		(a)
Of which: other intangibles (excluding mortgage loan transaction rights)	97,551		(b)
Of which: mortgage loan operating rights	-		(c)
Fixed asset	198,744		
Assets with leasing rights	153,528		
Current Taxes	146		
Deferred Taxes	428,549		
Other Assets	3,046,607		
Non-current assets and disposal groups for sale	42,390		
Total assets	70,857,886		
Liabilities			
Cash in collection process	775,082		
Financial liabilities to be traded at fair value through profit or loss	9,521,575		
Financial Derivative Contracts	9,521,575		
Other	-		
Financial liabilities designated at fair value through profit or loss	-		
Financial Derivative Contracts for Hedge Accounting	2,466,767		
Of which: DVA	-		

Figures in Ch\$mn	Published Financial Statements	Under the regulatory consolidation perimeter	Reference
Financial liabilities at amortized cost	48,622,170		
Deposits and other demand obligations	13,537,826		
Deposits and other term deposits	16,137,942		
Obligations under repurchase and securities lending agreements	282,584		
Interbank borrowings	10,366,499		
Debt Financial Instruments Issued	8,001,045		
Other Financial Obligations	296,273		
Obligations under Leasing contracts	104,516		
Regulatory Capital Financial Instruments Issued	2,422,659		
Provisions for contingencies	108,781		
Provisions for dividends, interest payments and revaluation of issued regulatory capital financial instruments	154,033		
Special provisions for credit risk	339,334		
Current Taxes	163,878		
Deferred Taxes	3,547		
Of which: Goodwill-related deferred tax liabilities	-		(d)
Of which: deferred tax liabilities related to intangible assets (excluding mortgage loan operating rights)	-		(e)
Of which: deferred tax liabilities related to mortgage loan operating rights	-		(f)
Other liabilities	1,683,650		
Liabilities included in disposable for sale	-		
Total liabilities	66,365,993		
Equity			
Capital	891,303		
Of which: amount eligible as CET1	891,303		(h)
Of which: amount eligible as AT1	-		(i)
Reserves	3,115,239		
Other accrued comprehensive income	-5,242		
Items that won't be reclassified to profit or loss	1,369		
Items that can be reclassified to profit or loss	-6,611		
Retained earnings from prior periods	23,487		
Profit for the period	496,404		
Less: Provisions for dividends, interest payments and reappraisal of issued regulatory capital financial instruments	-154,033		
Equity holders of the bank	4,367,159		
Non-controlling interest	124,735		
Total Equity	4,491,893		

L11 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Figures in Ch\$mn	Book values according to financial statements	Book Values in the Scope of Regulatory Consolidation	2023					
			Item book values:					Not subject to capital requirements or subject to capital deduction
			Subject to credit risk	Subject to counterparty credit risk	Securitizations	Subject to market risk		
Assets								
Cash & Bank Deposits	2.723.282	-	2.160.920	-	-	995.524	-	
Transactions with ongoing settlement	812.524	-	812.524	-	-	372.642	-	
Financial assets to be traded at fair value through profit or loss	10.217.794	-	-	3.446.909	-	10.217.794	-	
Financial Derivative Contracts	10.119.486	-	-	3.446.909	-	10.119.486	-	
Debt Financial Instruments	98.308	-	-	-	-	98.308	-	
Other	-	-	-	-	-	-	-	
Non-trading financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-	-	
Financial assets designated to fair value through profit or loss	-	-	-	-	-	-	-	
Financial assets at fair value through changes in other comprehensive income	4.641.282	-	4.536.025	-	-	1.504.670	-	
Debt Financial Instruments	4.536.025	-	4.536.025	-	-	1.504.670	-	
Other	105.257	-	-	-	-	-	-	
Financial Derivative Contracts for Hedge Accounting	605.529	-	-	-	-	-	-	
Financial assets at amortized cost	47.834.678	-	47.834.678	-	-	3.801.646	-	
Rights under repurchase agreements and securities lending agreements	-	-	-	-	-	-	-	
Debt Financial Instruments	8.176.895	-	8.176.895	-	-	-	-	
Interbank loans	68.326	-	68.326	-	-	68.326	-	
Receivables and Accounts Receivable from Customers – Commercial loans	17.401.425	-	17.401.425	-	-	3.663.144	-	
Receivables and Accounts Receivable to Customers – Residential mortgage loans	16.925.058	-	16.925.058	-	-	-	-	
Receivables and Accounts Receivable from Customers – Consumer loans	5.262.974	-	5.262.974	-	-	70.176	-	
Investments in companies	55.284	-	55.284	-	-	-	-	
Intangible assets	97.551	-	97.551	-	-	-	97.551	

Figures in Ch\$mn	2023							
	Book values according to financial statements	Book Values in the Scope of Regulatory Consolidation	Item book values:					Not subject to capital requirements or subject to capital deduction
			Subject to credit risk	Subject to counterparty credit risk	Securitized	Subject to market risk		
Of which: Goodwill	-	-	-	-	-	-	-	
Of which: other intangibles (excluding mortgage loan transaction rights)	97,551	-	-	-	-	-	97,551	
Of which: mortgage loan operating rights	-	-	-	-	-	-	-	
Fixed asset	198,744	-	198,744	-	-	-	-	
Assets with leasing rights	153,528	-	153,528	-	-	-	-	
Current Taxes	146	-	146	-	-	-	-	
Deferred Taxes	428,549	-	428,549	-	-	-	1,108	
Other Assets	3,046,607	-	1,240,674	-	-	2,216,863	-	
Non-current assets and disposal groups for sale	42,390	-	42,390	-	-	-	-	
Total assets	70,857,886	-	57,518,622	3,446,909	-	8,891,344	98,658	
Liabilities								
Transactions with ongoing settlement	775,082	-	-	-	-	519,922	255,160	
Financial liabilities to be traded at fair value through profit or loss	9,521,575	-	-	-	-	9,521,575	-	
Financial Derivative Contracts	9,521,575	-	-	-	-	9,521,575	-	
Other	-	-	-	-	-	-	-	
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	
Financial Derivative Contracts for Hedge Accounting	2,466,767	-	-	2,466,767	-	-	-	
Financial liabilities at amortized cost	48,622,170	-	-	-	-	12,484,146	36,138,024	
Deposits and other demand obligations	13,537,826	-	-	-	-	2,015,015	11,522,811	
Deposits and other term deposits	16,137,942	-	-	-	-	2,917,921	13,220,021	
Obligations under repurchase and securities lending agreements	282,584	-	-	-	-	39,837	242,747	
Interbank borrowings	10,366,499	-	-	-	-	4,271,414	6,095,086	
Debt Financial Instruments Issued	8,001,045	-	-	-	-	3,239,959	4,761,087	
Other Financial Obligations	296,273	-	-	-	-	-	296,273	
Obligations under Leasing contracts	104,516	-	-	-	-	-	104,516	
Regulatory Capital Financial Instruments Issued	2,422,659	-	-	-	-	783,955	1,638,704	

Figures in Ch\$mn	Book values according to financial statements	Book Values in the Scope of Regulatory Consolidation	2023					Not subject to capital requirements or subject to capital deduction
			Item book values:					
			Subject to credit risk	Subject to counterparty credit risk	Securitizations	Subject to market risk		
Contingency provisions	108,781	-	-	-	-	-	108,781	
Provisions for dividends, interest payments and revaluation of issued regulatory capital financial instruments	154,033	-	-	-	-	5,112	148,921	
Special provisions for credit risk	339,334	-	40,282	-	-	13,191	285,861	
Current Taxes	163,878	-	-	-	-	-	163,878	
Deferred Taxes	3,547	-	-	-	-	-	3,547	
Of which: Goodwill-related deferred tax liabilities	-	-	-	-	-	-	-	
Of which: deferred tax liabilities related to intangible assets (excluding mortgage loan operating rights)	-	-	-	-	-	-	-	
Of which: deferred tax liabilities related to mortgage loan operating rights	-	-	-	-	-	-	-	
Other liabilities	1,683,650	-	-	-	-	1,124,950	558,700	
Liabilities included in disposable for sale	-	-	-	-	-	-	-	
Total liabilities	66,365,993	-	40,282	2.466.767	-	24,452.851	39.406,093	

As can be seen, certain accounting items are susceptible to capital requirements in more than one risk category.

The market risk column refers to the entire trading book and includes foreign currency risk.

In relation to credit and counterparty risk, there are differences in the credit equivalent in both perimeters. These differences derive from the consideration of only the market value (MTM) of the derivative in the accounting perimeter, whereas, in the regulatory field, the MTM is included together with the add-on.

Continuing with the analysis of the bank's scope of consolidation, the following table breaks down the Main Sources of Discrepancy Between Regulatory Exposures and Book Values in Financial Statements, according to various parameters.



L12 - Main Sources of Discrepancy Between Regulatory Exposures and Book Values in Financial Statements

Figures in Ch\$mn	Total	Items subject to:			
		Credit Risk	Securitization	Counterparty credit risk	Market Risk
Amount corresponding to the book value of the asset in the scope of regulatory consolidation (according to form LI1) (net of provisions)	70,759,228	57,518,622	-	3,446,909	8,891,344
Amount corresponding to the book value of the liability in the scope of regulatory consolidation (according to form LI1)	26,959,900	40,282	-	2,466,767	24,452,851
Total Net Amount in the Scope of Regulatory Consolidation (Row 1 – Row 2)	43,799,328	57,478,340	-	980,143	-15,561,506
Amount of off-balance sheet items	2,604,512	2,604,512	-	-	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules, except those in row 2	-	-	-	-	-
Differences due to the consideration of provisions	-	-	-	-	-
Other	-7,278,106	-7,278,106	-	-	-
Amount of exposures for regulatory purposes	39,125,734	52,804,746	-	980,143	-15,561,506



4

Overview of risk management



Business Model & Risk Management

The following section covers the disclosure requirements of the qualitative form OVA - Bank's Method for Risk Management and the quantitative form OV1 – Presentación of RWAs.

Banco Santander Chile's purpose is to help people and businesses thrive. Its mission is to be the best bank, with a focus on responsible action and on achieving and maintaining the loyalty of its customers, shareholders, people and communities, to achieve a relationship of trust that is sustained over time. The values that characterize the culture of the Organization are: Simple, Personal and Fair (SPF), and are materialized through Leadership, Excellence in management, Customer Orientation, Talent, Ethics and Commitment to society. All of this is reflected in the "TEAMS" initiative: Think Customer, Embrace Change, Act Now, Move Together and Speak Up.

The strategic planning process for the implementation of the Bank's business model encompasses the set of activities and processes aimed at translating, in quantitative and qualitative terms, the main objectives for the coming periods defined in the business plans. These objectives should be aligned with the Bank's risk profile, remaining within the limits of the risk appetite and the liquidity, capital and efficiency plans established.

For more information on the Bank's business model and strategic plan, please refer to the "Strategic Approach" chapter of the Bank's 2023 Annual Report, available on Santander's website.

Inherent Risk Profile

Risk is defined as uncertainty about the achievement of business objectives and is managed and controlled through planning, identification, evaluation, decision-making, mitigation, monitoring, and communication.

The identification and evaluation of all risks inherent to the activities carried out by Banco Santander Chile is the fundamental pillar of its control, management and reporting. The main risks described in the risk framework consider the main risk categories in which the Bank has its most significant, current and/or potential exposures.

In this way, the entity, through the Corporate Risk Framework, recognizes nine key risks, all of which are considered "material" risks.

Santander monitors and controls the key risks it has defined through various mechanisms, which are Credit Risk, Market Risk, Liquidity Risk, Structural Risk, Operational Risk; to which are added the transversal risks, such as Model Risk, Financial Crime Risk, Reputational Risk and Strategic Risk. In addition, it monitors climate change as a risk factor that affects, among others, credit risk, market risk and operational risk.



The nine risks are described below:

1. Credit risk: is the risk of financial loss arising from the default or deterioration of the credit quality of a customer or counterparty to whom Banco Santander Chile has provided credit directly or for which it has assumed a contractual obligation.

2. Market risk: this is the risk incurred as a result of the effect of changes in market factors (interest rates, exchange rates, stocks and commodities, among others) may have on profits or capital.

3. Liquidity risk: this is the risk of not having the financial resources to meet obligations when they mature, or only being able to obtain them at a high cost.

4. Structural risk: is the risk of changes in the value or margin generation of assets or liabilities in the bank portfolio as a result of

changes in market factors and balance sheet behavior. This risk also includes Capital Risk (risk that the Bank does not have an adequate amount or quality of capital to meet its internal business objectives, regulatory requirements or market expectations).

5. Operational risk: Defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or external events, including legal risk and conduct risk.

6. Reputational risk: is the risk of a current or potential negative economic impact to the bank due to damage to the perception of the bank by employees, customers, shareholders/investors, and the community at large.

7. Model Risk: This is the risk of loss arising from inaccurate predictions, resulting in a suboptimal decision because of inappropriate model development, implementation, or use.

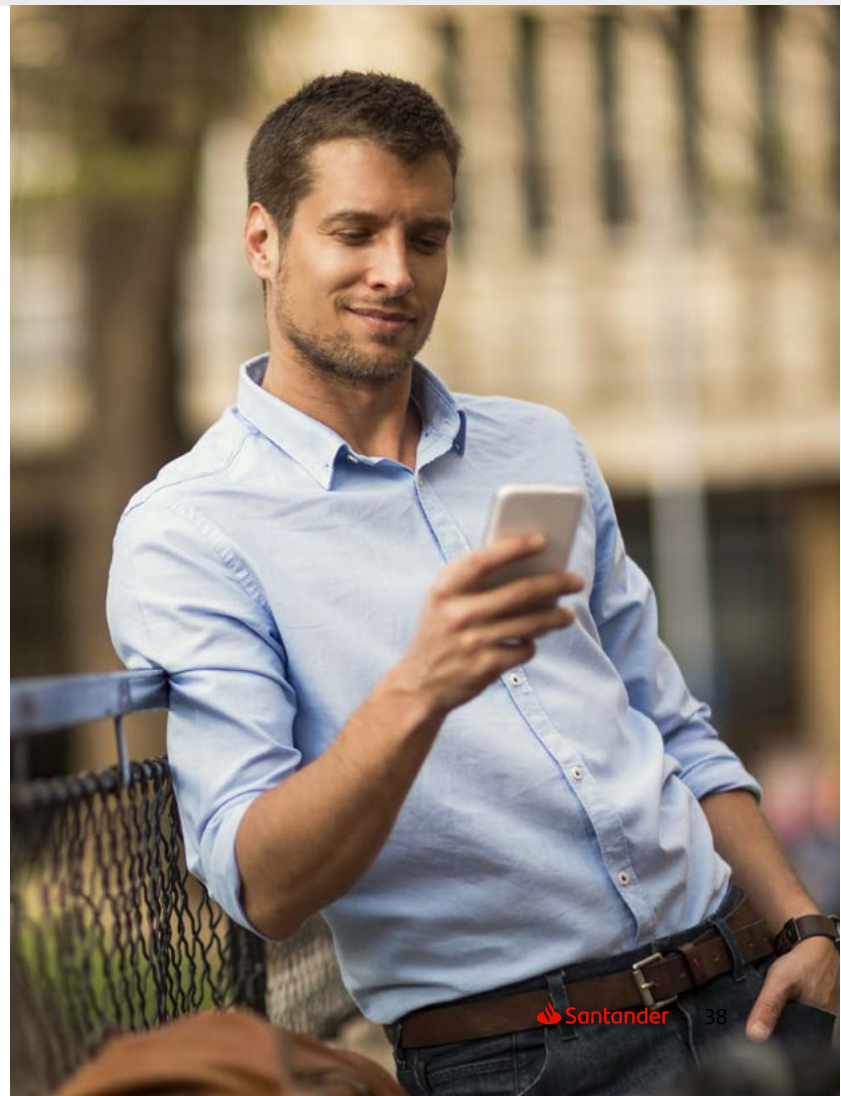
8. Strategic risk: is the risk of loss or damage derived from strategic decisions or their incorrect implementation, which impact the medium and long-term interests of our stakeholders, or from the inability to adapt to changes in the environment.

9. Financial crime risk: this is the risk arising from actions or the use of the group's means, products, and services in activities of a criminal or illegal nature. These activities include, but are not limited to, money laundering, terrorist financing, violation of international sanctions programs, corruption, bribery, and tax evasion.

The last four (reputational risk, model risk, strategic risk and financial crime risk) are considered cross-cutting risks, as they directly or indirectly impact the risks mentioned above.



Banco Santander Chile carries out an identification and evaluation at least once a year of all types of risk to systematically and objectively assess its risk profile, as well as to identify the most significant threats that could jeopardize the business plan or its strategic objectives.



Below are the Bank's RWAs by type of risk in recent quarters and the minimum capital requirement for each risk.

OV1 - Introducing RWAs

	4Q2023	3Q2023	4Q2023
	APR	APR	Minimum Capital Requirements
Figures in Ch\$mn	Consolidated		
Credit risk (excluding counterparty credit risk and securitization exposures)	27,939,354	27,895,229	2,235,148
Standard Method (SM)	27,939,354	27,895,229	2,235,148
Internal Methodologies (IM)			
Of which, in accordance with the Commission's method of attribution,			
Of which, with the Advanced Internal Ratings Based Method (A-IRB)			
Counterparty Credit Risk (CEM)	1,323,023	1,311,640	105,842
Of which, with the Standard Method for Counterparty Credit Risk (SA-CCR)			
Of which, with the Internal Models Method (IMM)			
Of which, other CCRs			
Credit Valuation Adjustments (CVAs)			
Shareholdings using the simple risk-weighting method and the internal modelling method during the five-year transition period			
Investment Funds in the Bank Book - Constituent Approach			
Investment Funds in the Bank Book - Internal Regulation Method			
Investment Fund in the Bank Book - Alternative Method			
Liquidation risk			
Securitization Exposures in the Banking Book			
Of which, with the IRB method of securitization (SEC-IRBA)			
Of which, with the External Ratings-Based Approach for Securitizations (SEC-ERBA), including the Internal Evaluation Method (IAA)			
Of which, with the standard method for securitizations (SEC-SA)			
Market Risk (MES)	4,793,740	5,278,293	383,499
Of which, with the standard method (MES)			
Of which, with methods based on internal models (IMA)			
Operational risk	4,424,739	4,412,394	353,979
Amounts not deducted from principal	1,071,372	1,001,771	85,710
Minimum Floor Adjustment (Aggregate Capital)			
Total (1+6+12+13+14+16+20+23+24+25)	39,552,229	39,899,327	3,164,178

Risk management and control tools

Principles for Risk Management

Risk management is based on what is defined in the "Corporate Risk Framework", and is developed under the following principles:

- All employees are responsible for risk management.
- Involvement of Senior Management.
- Independence of risk management and risk control functions.
- Comprehensive approach to risk management and control.
- Proper information management.

Culture of risk

The culture of risk is of great importance at Banco Santander Chile, and the Board of Directors is responsible for ensuring that it is disseminated through formal mechanisms, to achieve its understanding and application within the institution.

A relevant aspect of risk management and control is related to creating a strong risk culture within the Bank, understanding that risk management does not depend only on one Division, but is the responsibility of all collaborators. The sustainability of the business depends on the Bank's employees being able to manage risk, regardless of whether they are dedicated to customer service or not. Anyone involved in people, systems or processes is responsible for understanding and managing the risks inherent in their daily work. Along these lines, Banco Santander Chile guides its actions according to the five pillars of risk management:



1 **Accountability:** The identification, management and assessment of risks is everyone's responsibility.

2 **Challenge:** We must constantly question whether the way we are managing risks is the most appropriate for the Bank.

3 **Resilience:** We must be able to withstand uncertainty and overcome adverse moments, generating synergies to ensure the sustainability of results.

4 **Customer orientation:** Customers are at the center of risk management, looking for the best for them in the long term.

5 **Simple:** Risk management should be straightforward and easy for everyone to understand.

Risk management and control processes

The key processes for risk management and control are as follows:

- a. Planning:** Planning is the process by which business goals are set. It should include the formulation of the types and levels of risk that the business can and is willing to take to achieve those objectives.
- b. Identification:** Identifying risks is an essential component of effective risk management and control. All employees are responsible for identifying the risks in their field of action.
- c. Assessment:** Once identified, risks must be measured and assessed.
- d. Decision-making and execution:** Decisions are necessary to manage the risk profile of the business, within the limits approved in the planning phase, and to achieve business objectives. Strategic decisions also need to be made to manage material and emerging risks.
- e. Monitoring performance against the plan:** Regularly monitoring the performance of the business and its comparison with approved plans is an essential activity on a day-to-day basis.
- f. Measures to correct deviations from the plan (mitigation):** If the monitoring activity reveals deviations, or likely deviations, in performance beyond the approved alert ranges or levels, mitigation measures should be considered to return performance to acceptable levels.
- g. Information:** Risk reporting processes include the preparation and presentation of relevant and accurate management information. They must support efficient planning, identification, evaluation, decision-making, and risk execution, monitoring, and mitigation. The results of risk management and control activities should be reported to appropriate decision-making forums and committees.

Senior Management Risk Reporting

Risk monitoring is periodically communicated to Senior Management through reports submitted to the various Risk Committees. These reports are:

- a. Comprehensive risk vision:** a report that consolidates the status of the main types of risk (credit, liquidity, market, structural, operational, reputational, etc.) that the Bank, through its "Corporate Risk Framework", has defined to manage.
- b. Risk appetite:** report that monitors compliance with the risk levels that the Board of Directors has defined for the Organization, together with action plans in the case of indicators that exceed the desired level.
- c. Risk profile:** a report that reviews the Bank's risk profile by type of risk, analyzing deviations and identifying emerging risks.
- d. Strategic Risk Report:** a combined tool for monitoring and assessing the strategy and associated risks. It considers the status of ongoing strategic projects, the performance of the business model, the status of the Strategic Risk Appetite metrics, the launch of products presented to the Local Marketing Committee (CLC), and the main emerging risks (Top Risks).
- e. Strategic Business Plan:** Strategic planning for credit segments. That is, for the portfolios of Individuals, SMEs, Santander Consumer, Middle-Market, and CIB.
- f. Sectoral analyses:** specific reports on sectors generating concern.
- g. Socio-environmental risk:** analysis of the stock and flow of exposures in sectors affected by internal risk policies concerning environmental, social and climate change.
- h. Compliance Report:** A report that sets out the status of the compliance function, with a special focus on issues associated with Financial Crime and Terrorist Financing.
- i. Other regulatory reports.**

Risk profile assessment (RPA)

With the aim of creating a more robust risk profile assessment, which is repeatable and systematic, Banco Santander Chile conducts a Risk Profile Assessment (RPA) exercise. This way, the overall risk profile can be assessed, including by risk type. RPA pursues best practices in terms of risk management while ensuring that Santander Chile is a strong and sustainable bank in the long term.

The RPA methodology aims to assess the Bank's risk profile with a scoring system on a scale from 1 to 4, which differentiates risk levels from low to high.

The main components of the risk profile (RPA) are:

- **Risk Performance:** evaluates the Bank's risk exposure and performance, classifying specific metrics by type of risk from low to high risk.
- **Control Environment:** Assesses the Bank's risk control status according to an objective risk management operating model defined by risk type.
- **Top Risk:** identification and evaluation of main potential risks and threats to the existing strategic plan under stress scenarios.

In each strategic planning process, the risk profile that the entity would be achieving, if it were to carry out such a plan, must be analyzed. This assessment is documented and presented to the institution's main decision-making bodies (Risk Control Committee, the Integral Risk Committee, and the Board of Directors), which, in consideration of these results, have the power to adjust strategic planning to a lower or higher level of risk if deemed necessary.

Risk appetite model

Risk appetite is defined as the maximum level and type of risk that the entity is willing to assume, within its risk capacity, in order to achieve its strategic objectives and in the development of its business plan.

The Risk Appetite Framework (RAF) is the systematic set of rules, procedures, metrics, limits, policies and tools with which risk appetite is defined, controlled and integrated into management.

The Risk Appetite Statement (RAS) is the formal, written expression of risk appetite. It includes qualitative statements as well as limits and alerts on defined risk appetite metrics.

The process of preparing the Risk Appetite Statement requires validating the proposal with the Board of Directors, with a minimum annual periodicity.

Metrics, limits, and excesses of risk appetite

Risk appetite metrics measure the risk profile of the institution and should:

- Cover all material risks to which the entity is exposed, in accordance with the provisions of the "Corporate Risk Framework".
- Be established considering the results of risk identification and assessment exercises.
- Be disaggregated and articulated by activity segment or by type of risk as much as possible, so as to relate the risk appetite limits for a metric to its levels in the Strategic Plans and Risk Policies.
- Comply with the provisions of the Framework and the "Corporate Data and Information Management Model", which includes the regulatory requirements on risk data aggregation and the processing of information by the entity.
- In the metrics under stress conditions, they are aligned with the stress exercises used in Strategic Planning, in particular in the P-XX and in the Capital Self-Assessment Exercise (IAPE) and Liquidity Self-Assessment (ILAAP).

The limits on appetite metrics quantitatively express the maximum (ceiling) or minimum (floor) levels that the entity does not wish to exceed. In addition to the qualitative statements, its calibration considers market, regulatory and business performance benchmarks, as well as the reference levels provided by the Group. These are calibrated to ensure alignment and consistency between the Group's appetite and the units.

Alerts enable early action to be taken to prevent non-compliance with limits. When an excess occurs, it is escalated together with its action plan to the bank's senior management as soon as possible, in accordance with the provisions of the "procedure for escalating excess appetite" and the provisions of the specialized governance in each risk area.

Stress Exercises

Stress testing as a management tool is incorporated into the bank's decision-making processes, especially regarding the definition and monitoring of the Bank's risk appetite.

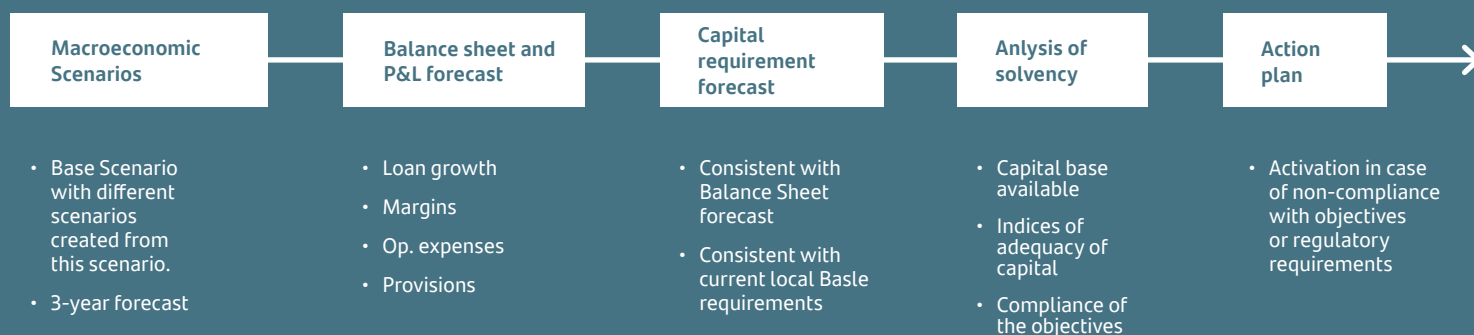
The objective of the capital adequacy and stress testing process which are conducted is twofold. To assess the effects that a disturbance could have on the financial condition of the local banking industry and measure the level of current and future capital adequacy as required in Chapter 21-13 of the UCR.

Based on Banco Santander Chile's initial situation in 2023, estimates are made of its performance in different macroeconomic environments (Santander and FMC base scenarios, internal stress scenarios and scenarios proposed by the FMC). As a result, Banco Santander Chile's capital adequacy ratios are projected for a three-year horizon.

At the governance level, all strategic exercises are subject to a rigorous process of governance, challenge and approval by Senior Management and the Board of Directors.

For the risk models, projections of PDs and LGDs used in the different stress test exercises are used for the projection of both the base and stress scenarios (budget, strategic plan, IAPE and EBA stress test). These models follow corporate standards and principles and are validated and approved by an independent Model Risk Team and Model Committee.

The stress exercises follow certain phases: definition of scenarios, impact of the scenarios on risk factors through econometric models, projection of the financial statements and loss-absorbing capacity, and final opinion on whether the entity is sufficiently robust to absorb the impact of the scenario considered, and, if not, definition of immediate or contingency action plans to solve this situation.



For the execution of the exercise, both the internal base scenario projected for 3 years, and the scenarios provided by the FMC are used. Similarly, there are three internal stress scenarios (Internal Base, Local Internal Stress and Global Internal Stress) and three stress scenarios delivered by the FMC (FMC Base, Risk Scenario 1 and Risk Scenario 2).

A. Internal scenarios

The baseline scenario is defined based on four fundamental macroeconomic variables: GDP, inflation, monetary policy rate and nominal exchange rate.

These variables are projected and used as a basis for the elaboration of the general macroeconomic scenario and reflect the vision that the Research Department has regarding the local and global economy.

The main criteria used to project the fundamental variables of the baseline scenario are described below:

Main forecast criteria

	Short Term	Long-term
GDP	IMACEC (Monthly GDP proxy) time series analysis and expert judgment.	Potential growth, including relevant transitory shocks.
Inflation	Effective price tracking and projection of its determinants (exchange rate, fuel prices, goods with high weighting in CPI, etc.)	Assessment of the activity gap and its evolution and monetary policy assessment.
Monetary Policy Rate (MPR)	Expert judgment based on macro environment and indications from the Central Bank.	Convergence to the neutral rate and in a manner consistent with the forecast of Inflation and economic activity.
Nominal exchange rate	Expert judgment based on fundamental principles and analysis of the real change rate.	Expected depreciation (appreciation) consistent with inflation differentials and assumptions regarding constant real exchange rate.



The forecast of the other variables contemplated in the scenario is based on the evolution of those defined above and on historical information. The main determinants of the secondary variables are detailed below:

- **Unemployment:** GDP and seasonal components.
- **Housing Prices:** GDP, Rates, and Historical Growth.
- **Interbank rates and swaps:** MPR and historical spreads.
- **Sovereign bond yields:** MPR and historical spreads.
- **IPSA stock index:** GDP, inflation, rates, and historical growth.
- **Loans:** GDP, inflation, and historical growth.
- **Deposits:** GDP, inflation, and historical growth.

B. FMC scenarios

The FMC delivers to the local banking industry a baseline scenario and two stress scenarios for the realization of the IAPE 2023 tension exercise.

The baseline scenario and risk scenario 1 contain inflation and GDP projections based on those published in the September 2022 Monetary Policy Report of the Central Bank of Chile. The baseline scenario corresponds to the central forecast, while the stress scenario corresponds to the minimum bound of the 90% confidence interval around the central forecast. On the other hand, risk scenario 2 assumes a greater contraction of output and inflationary persistence, the latter being similar to the 90% higher confidence interval disclosed in the Monetary Policy Report.

For employment growth, the historical elasticity of growth of this variable with respect to GDP growth was considered. In addition to the above, shocks to the value of collateral, the exchange rate, and interest are considered.



Communication & Incentives

All functions that generate, manage and control risk must be aware of the current appetite and its impact on their areas of responsibility.

To do this, the risk appetite control function:

- Establishes plans and actions to make the Organization aware of the defined risk appetite and its governance, which are set out in the risk appetite regulations.
- Establishes the mode and scope of disclosure of risk appetite elements to third parties (regulators, rating agencies, investors, etc.).

Banco Santander Chile ensures that the entire organization incorporates in its culture the objective of maintaining the risk profile within the limits determined by risk appetite. To this end, the Bank's target-setting and compensation system facilitates the inclusion of the Risk Appetite Statement (RAS) compliance targets as factors to be considered in determining the variable part of the remuneration of employees belonging to the functions that generate, manage and control risk.

Relationship between risk appetite framework, strategy and business model

In the entity's strategic planning processes, it must be verified that the forecast risk profile is maintained at the desired level and, in addition, that such planning is within the limits of the current RAS.

The Bank has various strategic planning processes, which include: the three-year plans (P-XX), capital plans (IAPE), liquidity plans (ILAAP), and restructuring and resolution plans (Recovery Plan).

It should be noted that one of the fundamental principles of risk appetite is its alignment with the different management tools. This is an essential strategic element of risk in the definition and execution of the Business and Strategic Plan.

Governance

Responsibilities Model

Santander uses a "three lines of defense" model for the management and control of risks defined in the "Corporate Risk Framework":

Line 1: Assumption of risk

It is made up of the business, business support or other risk-taking functions that have primary responsibility for managing those risks. The first line of defense should support and promote the organization's risk culture. In addition, they have direct responsibility for managing risk appetite metrics.

Line 2: Risk Control and Supervision

It is made up of risk control functions that control risk exposure, monitor and challenge risk levels, and enable a holistic view of risk across the business.

Line 3: Risk Assurance

The third line of defense is internal audit, which provides independent assurance and regularly assesses that policies, methodologies and procedures are adequate and effectively implemented in the management and control of risks.

Although each of the three lines of defense has a separate organizational structure and some degree of independence, they must collaborate whenever necessary to ensure the achievement of business objectives.



Risk Governance

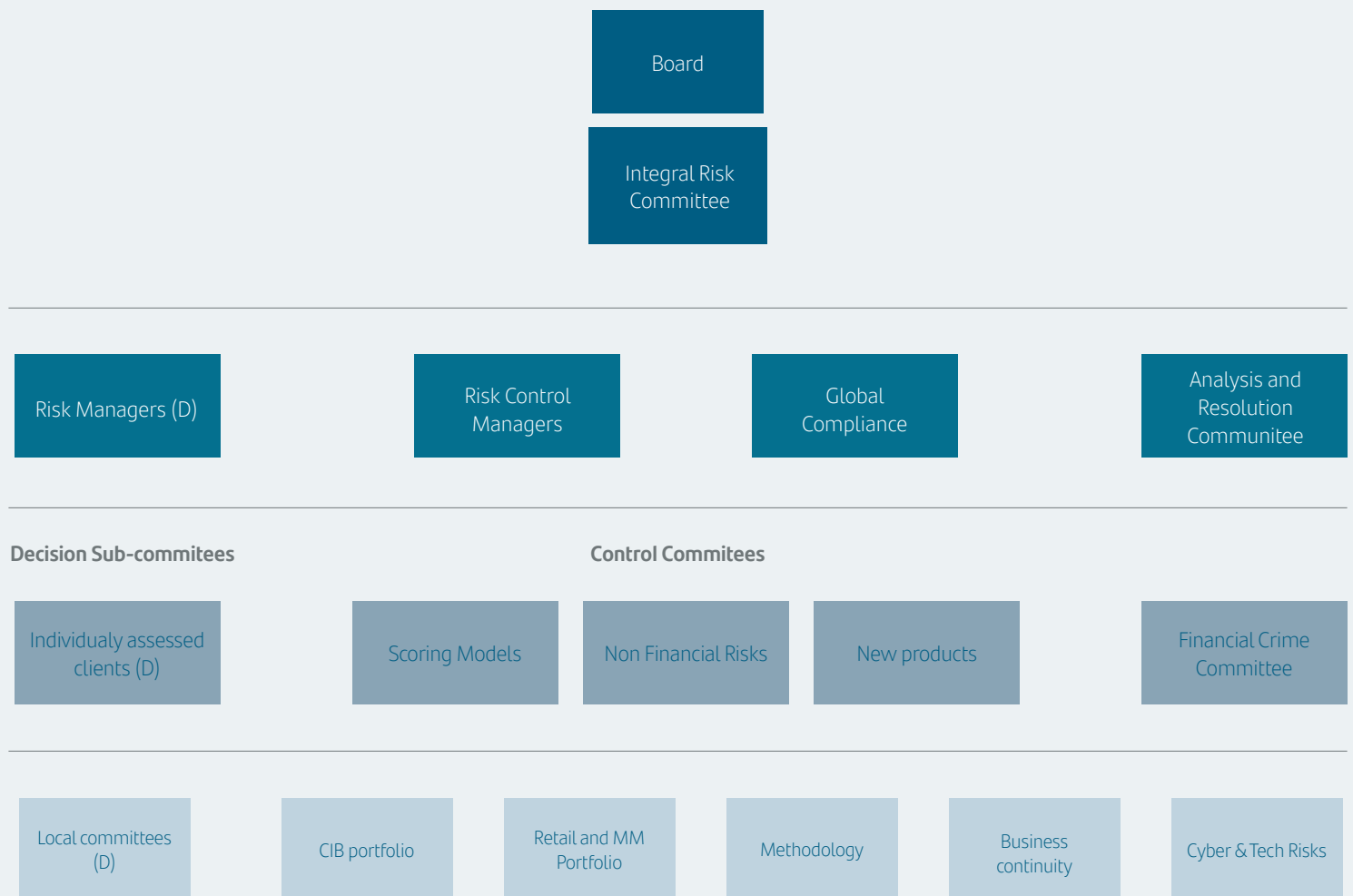
Banco Santander is committed to responsible banking and has a solid corporate governance structure that meets the highest international standards. Thus, it has structured its management around values such as transparency and ethics, in order to promote mechanisms that protect the interests of the company and shareholders, ensuring the creation of value and the efficient use of resources.

Banco Santander's risk governance is characterized by an efficient governance structure that ensures the participation of all relevant areas, promoting clear and effective decision-making, as well as clarity in the assumption of responsibilities.

Below are the organizational structure and members of the Bank's risk governance.



For more information on Banco Santander's corporate governance structure, please visit the "Management of Santander Chile" chapter of the Bank's 2023 annual report, available on Santander's website.



(D) Risks Decision Committee

A. Board of directors

The highest governing body in Santander Chile is the Board of Directors, made up of nine full members, plus two alternates. All of them have been individually elected by the respective Shareholders' Meeting for a period of three years, with the possibility of being re-elected indefinitely for periods of equal duration.

The Board of Directors is ultimately responsible for risk management and control. Key responsibilities include approving the risk appetite and risk framework and promoting a strong risk culture. The Board must be supported by a risk committee of the Board of Directors (Integral Risk Committee), which acts as an independent risk control function.

C. Executive risk committee

This committee is responsible for risk management, in accordance with the powers delegated to it (or its chairman). The committee or its chairman makes decisions and is responsible for managing the entity's risk profile within the risk appetite. It reports to the Board of Directors on its activity on a regular basis. The committee may delegate its powers to other bodies in the exercise of the powers assigned to it.

B. Integral risk committee

The responsibility of this committee is to assist in:

- Advising the Board of Directors on risk appetite and overall strategy, considering the current and foreseeable financial and macroeconomic environment.
- Review risk appetite for recommendation to the Board of Directors.
- Review the adequate management of risks by the management areas, formulating, when appropriate, mitigation actions in accordance with the policies approved by the Board of Directors.
- Review and recommend the risk framework for approval by the Board.
- Study and recommend action on all risk issues escalated by the CRO.
- Supervise and advise the Board of Directors on current risk exposures and future risk strategies.
- Review the effectiveness of risk management systems and internal controls.

D. Risk control committee

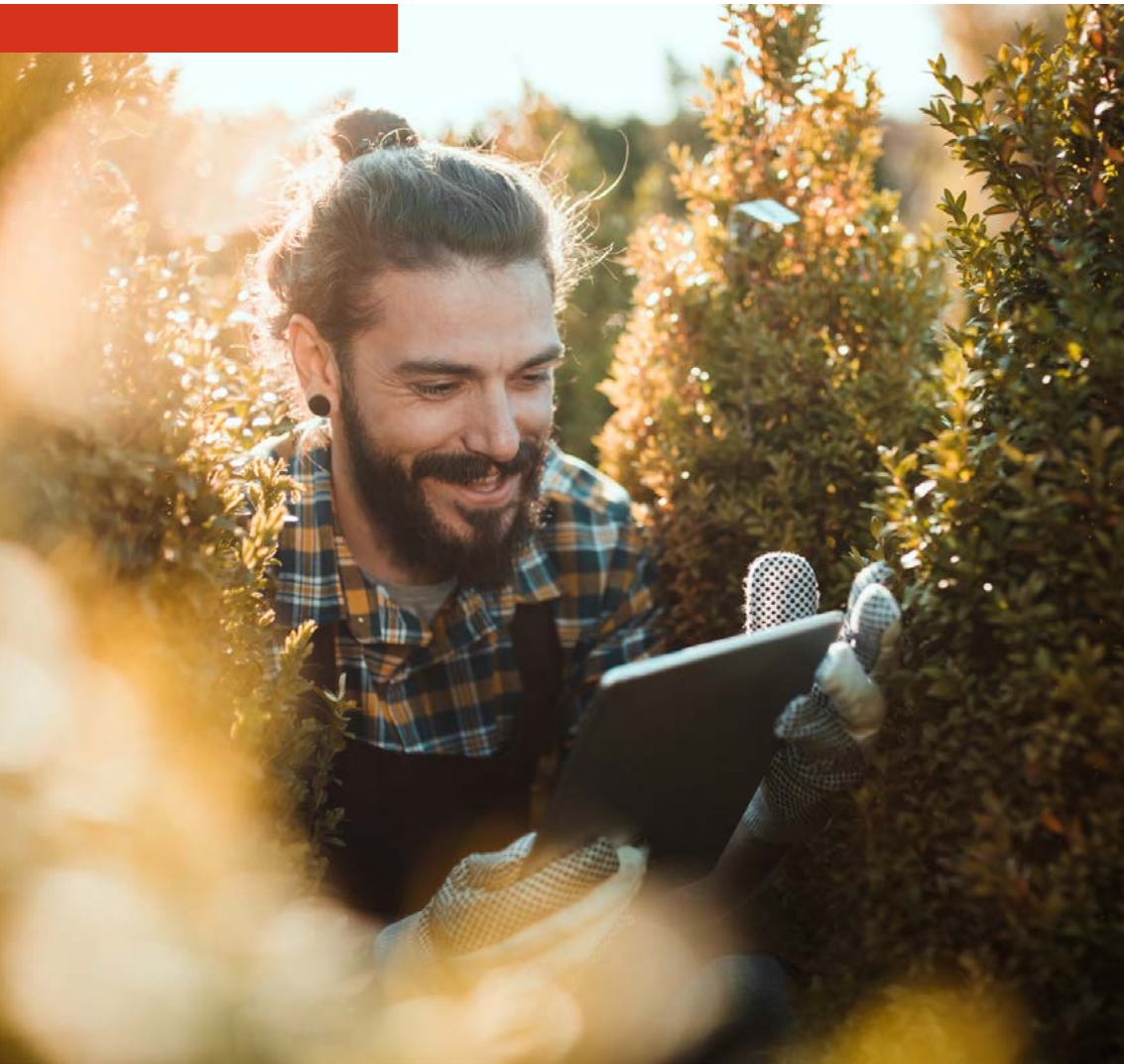
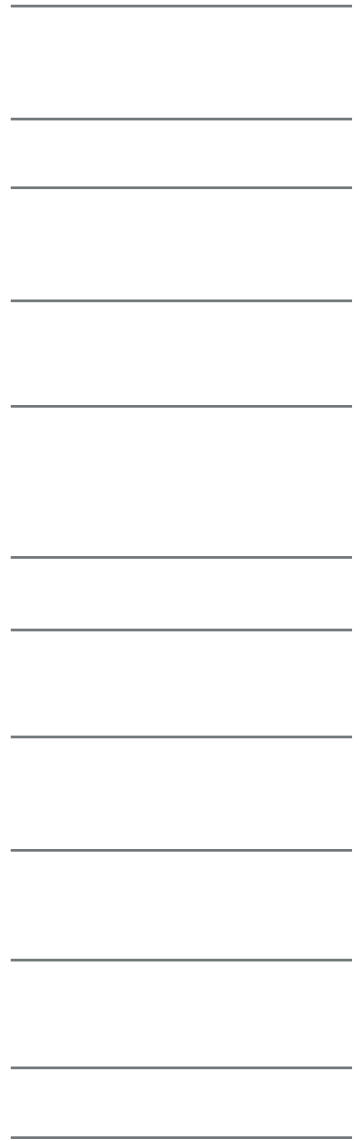
This committee is responsible for risk control; determining whether businesses are managed according to risk appetite and providing a holistic view of all risks. This includes identifying and monitoring both current and emerging risks and their impact on the risk profile. The committee is chaired by the head of the risk function (CRO) and includes various of the bank's executives. The Risk Control Committee reports to the Integral Risk Committee to further support the role or risk control of the Board. The Committee may delegate its powers in whole or in part, as appropriate, to other bodies or persons.



For more information about the Board of Directors, see the Bank's Annual report on page 77, available on the Bank's website.



5 Credit risk



The following section covers the disclosure requirements of CRA forms - General information about credit risk. CRB - Additional disclosures related to credit quality of assets. CRC - Qualitative disclosure requirements related to credit risk mitigation techniques. CRD - Qualitative disclosure on banks' use of external credit ratings under the standardized approach for credit risk. CCRA - Qualitative information on counterparty credit risk. CR1 - Credit Quality of Assets. CR2 - Changes in the stock of defaulted loans and debt securities.

CR3 - Credit risk mitigation techniques: an overview. CR4 - Standardized Approach: Credit risk exposure and Credit Risk Mitigation (CRM) effects. CR5 - Standardized Method: Exposures by asset class and risk weightings. CCR1 - Analysis of Counterparty Credit Risk Exposure by approach. CCR3 - Standardized approach of CCR exposures by regulatory portfolio and risk weightings. CCR5 - Composition of collateral for CCR exposures. CCR8 - Exposures to central counterparties

Credit risk is the risk of financial loss arising from the default or deterioration of the credit quality of a customer or other third party, to whom Santander Chile has directly provided credit or for which it has assumed a contractual obligation.



Credit Risk Management Model

Credit risk is a key type of risk as indicated in the Bank's Corporate Risk Framework.

Santander manages its customers with different risk management models depending on their characteristics and needs. The different risk management models are based on a segmentation criterion aligned with the commercial area and a risk treatment allocation process, thus considering both the customer view and the comprehensive view of the credit risk cycle.

The main objective of the Bank's credit risk management model is to maximize value creation, while mitigating risks since, throughout the process of admission, monitoring, and recovery or collection of credit, there are associated risks that must be minimized.

As a means of imposing a correct management of credit risk and controlling compliance with risk appetite goals, the following policies and models are implemented that detail the tools to be used and methodologies to be followed by the Bank's members: Wholesale Credit Model, Retail Credit Model, Recovery Model, Admission Policy, Assets in Lieu of Payments Policy, Credit Policy, Authority Policy, Management Policy, Refinancing Policy, Follow-up Policy, Management of NPLs and Recovery Policy.

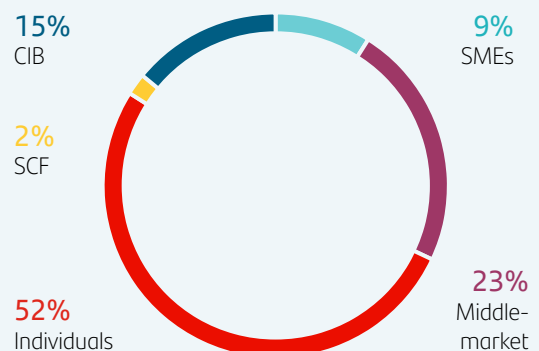
Governance Structure

Santander's Credit Risk Governance seeks to establish a culture of proactive and responsible management, which is integrated at all levels of the Organization, considering all legal and regulatory requirements, as well as the size and complexity of the Bank's operations. This governance structure seeks to promote clear and effective decision-making, as well as clarity in the assumption of responsibilities.

Business segmentation based on credit risk

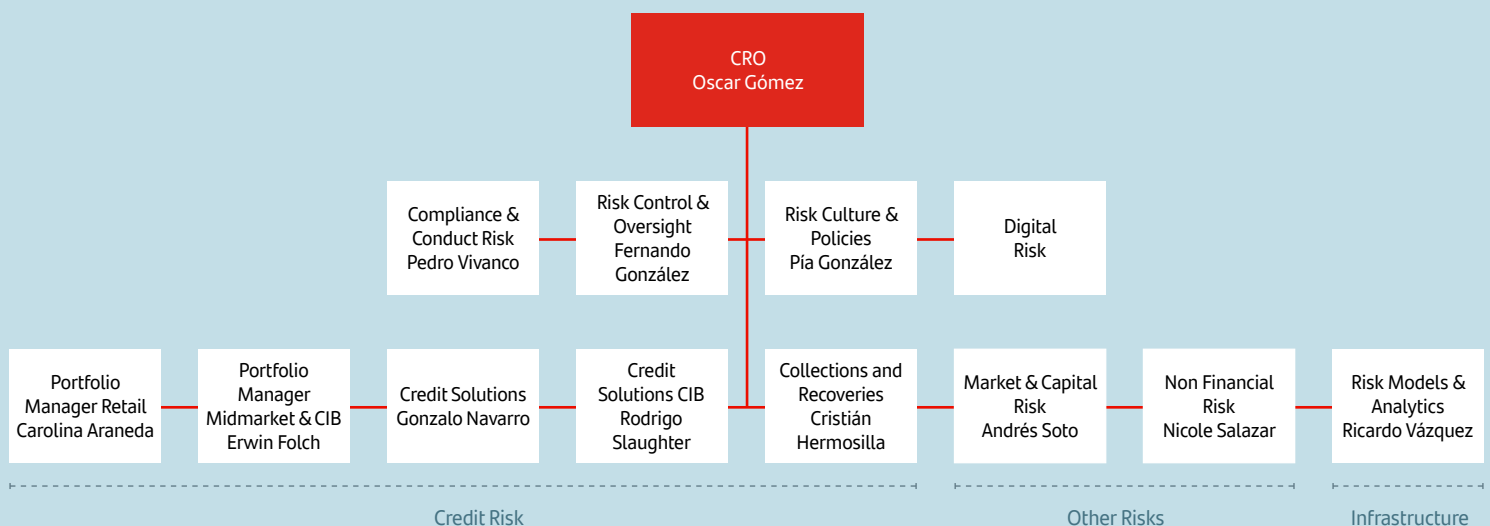
The credit risk function is organized mirroring the Bank's business segments according to the defined types of customers (Individuals, SMEs, Middle-market and Institutional Banking, Corporate and Investment Banking (CIB), and the subsidiary Santander Consumer Finance (SCF) for auto loans. The following table shows the distribution of credit risk, based on loans by business segment. The governance of these segments must promote efficient risk control structures that ensure the participation of all relevant functions.

Credit risk by segment



Credit Risk Organization

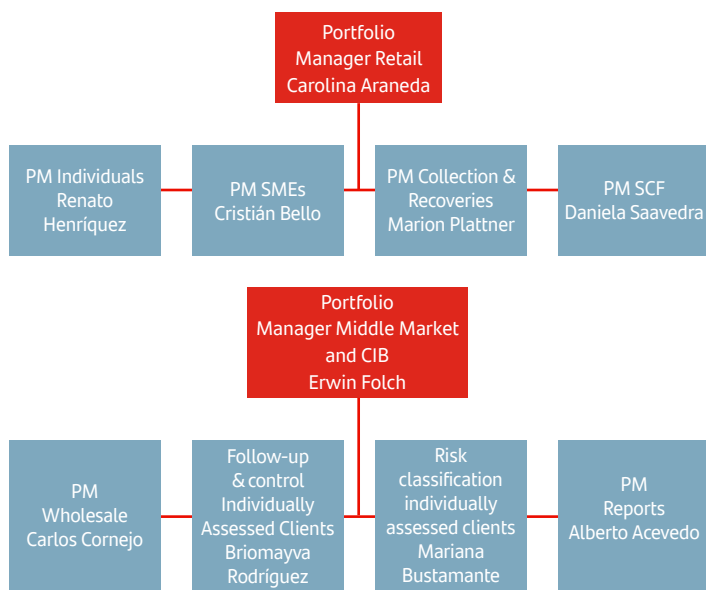
Within the risk organization, the 5 areas or managements responsible for the control and management of credit risk are identified, which cover the complete cycle of this risk, from the definition of policies related to credit risk through risk admission, monitoring, and recoveries.



Portfolios Individual, SME, Santander Consumer, Middle-market and CIB

The Retail Portfolio Manager (Individual, SME and Santander Consumer Portfolios) and the Portfolio Managers of the Middle-market and CIB are responsible for the process of defining policies and strategies throughout the business cycle, with a focus on maximizing profitability and keeping risk within the defined appetite.

Their main functions also include budget planning, portfolio strategy, commercial strategy, portfolio monitoring, budget deviation analysis, corrective measures, coordination of risk management areas, among others.



Portfolio Collection & Recoveries

The Collection & Recoveries portfolio manager belonging to Retail Banking is responsible for the definition and monitoring of local and corporate collection and recovery policies and coordinating these with the recovery areas.

Among this PM's main functions are the development of collection strategies, coordination between areas, supporting new collection initiatives, monitoring and identifying high-risk profiles.

Management, Follow-up and Classification of Individually Assessed Portfolios

The areas of Management, Follow-up and Classification of the portfolio individually assessed oversee the management and evaluation of this credit portfolios in a comprehensive and strategic manner.

Among its most relevant functions in is the design and control of the processes of monitoring customers individually evaluated (not by group profiles), updating information on the credit quality of customers, defining strategies for customers who present a deterioration in their credit quality, among others.

On the other hand, the Classification rating area individually assesses the credit quality of each of the assets that make up its portfolio, ensuring the consistency of the classification assigned to customers with their risk profile and managing the portfolio's provisions.



Portfolio Report

Portfolio Report is the area responsible for the generation of predetermined reports and dashboards that provide aggregated information for the management and monitoring of Credit Solution, the Middle-market, SMEs and CIBs Portfolio Managers. This includes portfolio monitoring, follow-up and classification tools with evolution of indicators and critical business variables.

Credit Solutions & Credit Solutions CIB

The management of Credit Solutions and Credit Solutions in CIB is responsible for managing the admission processes associated with the standardized and individually assessed customer models, in order to ensure that operations comply with the requirements and risk policies defined for each of the segments: Individual, SME, Middle-market (middle-market companies, institutional, real estate), CIB (global relationship perimeter that includes main Chilean economic groups and subsidiaries of multinational groups, financial institutions such as Banks, AFPs, Insurance Companies, Fund Managers, etc.) and the auto lending subsidiary SCF.

For individually assessed clients, the admissions team, together with the commercial area, monitors clients in order to anticipate situations of portfolio deterioration and/or generate an action plan to mitigate risks.

Collections and Recoveries

Finally, the Collections and Recoveries area is responsible for managing and controlling the credit collection processes for the segments of individuals and companies, in order to maximize recoveries, using different channels such as call centers, on-site collectors, branch network, among other resources, whether internal or external. This is performed while always complying with the organization's guidelines and current regulations.

Governance

The governance of credit risk management is administered according to the risk governance model. This implies that there must be a committee structure that fulfills local regulatory and legal requirements, coherent with the size and complexity of each unit, and consistent with the governance policies of the Group.

To manage credit risk, Banco Santander has set up a set of committees for collegiate decision-making, ranging from the approval and delegation of powers, the definition of policies and strategies, the management of models, as well as the resolution of credit operations and their monitoring. The main objective of governance is to ensure that the different areas responsible for risk management are properly represented.

Below are the committees that are directly related to credit risk.

Executive Risk Committee

Highest instance of approval of operations at the country level. Responsible for reviewing proposals relating to operations and business areas that expose the Bank to significant risk, to ensure that they are appropriate and in line with the Bank's approved risk appetite.

Individually Assessed Credit Committee

This Committee decides on all transactions whose amounts and conditions exceed the discretionary powers assigned to the Segment Committees that are within the ceiling assigned to them by the Executive Board.

Segment Committees

The purpose of the existence of the Segment and Zonal Credit Committees is to efficiently decentralize the process of resolving credit operations, with the aim of maintaining a healthy loan portfolio over time.

Risk Control Committee

This committee is responsible for reviewing and controlling Banco Santander's overall risk profile and risk appetite and reporting this to the Integral Risk Committee, which in turn reports these findings to the Board of Directors. This Committee is also responsible for the review and control of the Bank's risk appetite limits and risk policies, as well as the oversight of regulatory and strategic projects related to the risk function. In this instance, the PECs (Commercial Strategic Plans) are approved and followed.





Model Committee

Its main mission is to authorize new models and initiatives to improve current models, to monitor the progress of the projects defined in the model plan and to analyze any other relevant activity related to the construction, monitoring, adjustment, replacement, validation and/or implementations of the Bank's models.

Methodology Committee

Prior instance to the Model Committee.

Portfolio Manager Committee

Prior review of policies associated with credit risk, that may be escalated to the Risk Control Committee, or another instance as defined by the regulatory risk model. Additionally, it is responsible for approving substantial and/or material changes to risk strategies, as well as related support initiatives.

CIB Monitoring Committee

The main objective of this Committee is to review the consistency of the risk classification and the special follow-up situations that materialize through the continuous review processes of the client portfolio (CIB Admission, Management & Follow-up, the Individually Classified Portfolio), both locally and globally.

ESG Operations Panel

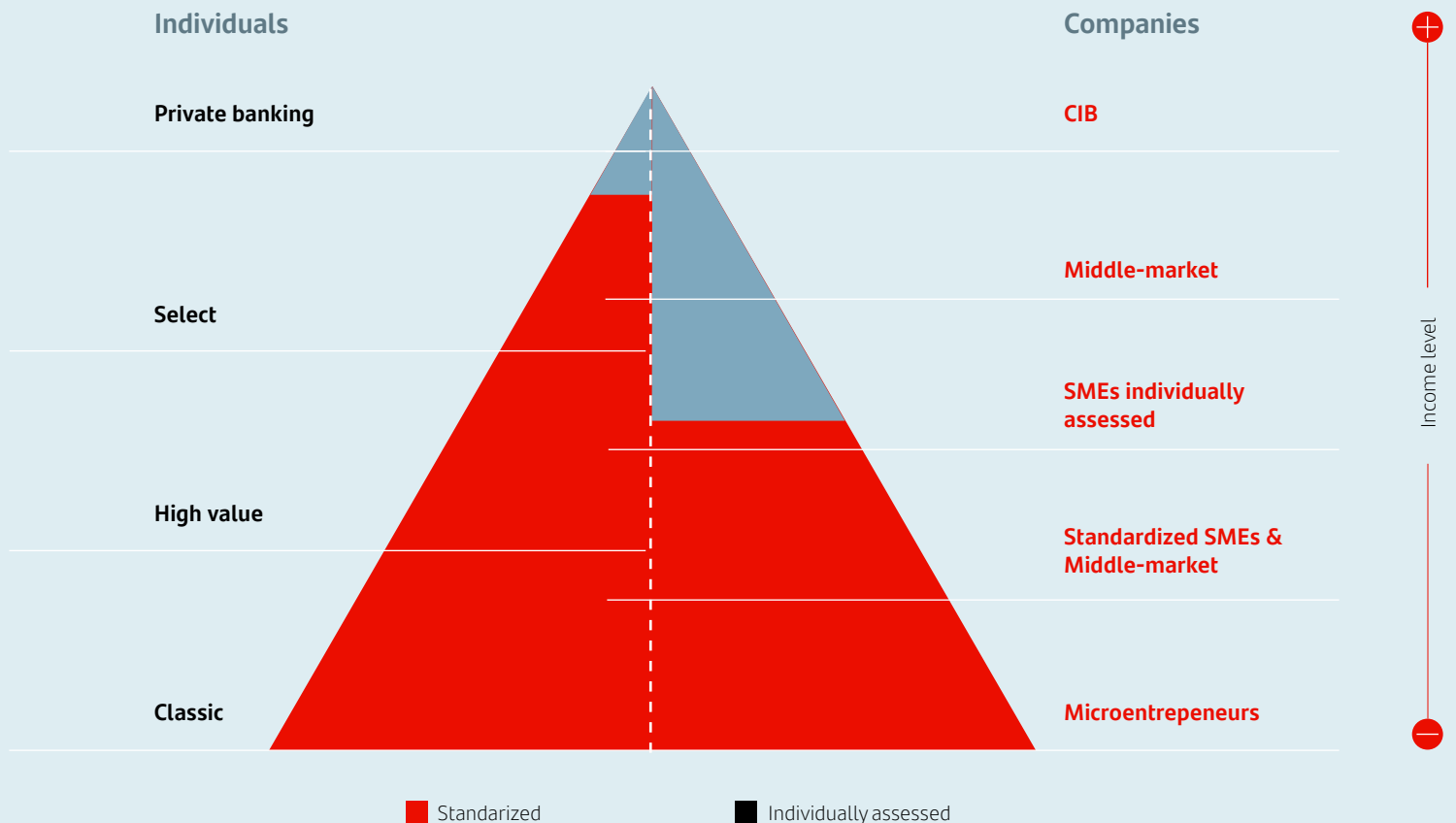
Instance of detecting ESG (Green or Social) financing opportunities for the Middle-market, SME, Individuals and SCF segments. Here it is reviewed that ESG financing complies with the parameters of the Framework of Sustainable Finance Classification System defined at the Group level.

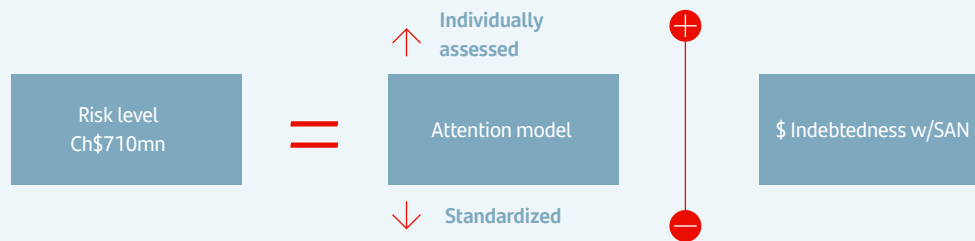
In addition to the governance of Risk Committees, Banco Santander Chile has a governance framework for the approval of documents corresponding to the risk function, which defines the type of documents that can be approved by a certain committee body.

Credit Risk Management Process

The credit risk management process is divided into 3 macro processes: Admission, Follow-up and Recovery.

In addition, there are two models of service, based mainly on customer segmentation, according to the customer's level of income or sales, and if they are either Individually Assessed Clients or Standardized.





Standardized

Clients which generally have a risk limit inferior to Ch\$710mn

These clients are evaluated through standardized credit scoring models that apply credit policies, minimum approval standards, a score, and a credit decision

Evaluated through a specialized platform known as “Garra SME” or “Garra Individuals”

Standardized admissions area with a specific credit analyst assigned to each customer

Individually Assessed

Clients which generally have a risk limit above Ch\$710mn

These clients are individually assessed by a dual partnership between Commercial/Risk Areas. These clients have a designated relationship manager and a designated credit analyst.

The admissions tool is called “Garra Companies”, where the credit application is available, as well as the client’s individual rating and their financial statements. For clients in the CIB segment, the Group tools Aqua Plus, Nilo Plus and Mercurio are used. The NEO Risk tool permits to complete the risk management of the individually assessed clients in terms of follow-up procedures.

Admission

Standardized Clients

For standardized customers, the analysis of the customer and the approval decision are applied to credit applications generated in all customer onboarding channels, which are resolved according to the Bank’s powers and attributions scheme and are structured according to the following decision-making areas:

- Minimum Acceptance Criteria determines whether the application can be evaluated.
- Application of statistical scoring models.
- Secondary rules, additional conditions, or requirements, which provide a higher level of discrimination in the decision.

Once the above points have been applied, there are three possible outcomes:

- I. **Automatic approval:** Customers who comply with the mandatory analysis in full.

- II. **Grey area:** customers who, due to lack of information or insufficiency of it, the system cannot discriminate to make a credit decision (approved or denied) and must be evaluated under expert criteria by a risk analyst.

- III. **Automatic rejection:** Customers who do not meet the defined minimum risk profile.

The assigned limit translates into the maximum level of risk that we are willing to assume with the client, taking into account, among others, their ability to repay and the contractual conditions such as price, term, loan amount and collateral.

For standardized clients, the assignment of limits contemplates a large part of the process in an automated way, with an analyst intervening when the information is not sufficient or there is additional information that cannot be processed in the automatic evaluation.

Individually Assessed Clients

Under this service model, the client has an assigned risk analyst and commercial manager, who form a commercial/risk management partnership.

For individually assessed clients, the decision strategy is mainly based on the application of expert criteria by the analyst, who, based on information about the client (field visit, financial information, qualitative information, etc.), prepares the client’s internal rating, evaluates the commercial proposal together with the relationship manager, who develops the business plan and evaluates the client’s profitability. This partnership then proposes to the corresponding Committee the limit of the operation under evaluation.

It is the corresponding Credit Committee, based on their level of attributions, that will make a final decision, either by approving, modifying or denying the loan application.

Regarding the setting of the loan limit, for customers that are individually assessed, the evaluation process is done on a case-by-case basis, considering aspects such as the client’s internal rating, risk ceiling with the economic group to which the client belongs, credit profile and the preparation of a business plan and its profitability.



Follow-up

Standardized Clients

Through the analysis of vintage performance, there are standardized anticipatory management alert models, which allows anticipating the possible deterioration of customers even when they are not non-performing, but signs of deterioration are detected.

Individually Assessed Customers

The process of monitoring individually assessed customers is a continuous process, of permanent observation, which allows for the early detection of the deterioration of the credit quality of the portfolio and supports timely decision-making, with the participation of the different areas of the Bank responsible for credit risk management.

Portfolio-level tracking

In the case of the follow-up process, in addition to the follow-up of customers, whether they are standardized or individually assessed, a particular portfolio can also be tracked. This consists of analyzing portfolios from a global perspective to examine the sources of greatest risk. The Portfolio Manager team for each of the segments is primarily responsible for portfolio monitoring.

Different criteria are used to monitor the portfolio, such as concentrations (term, risk per client, geographical, sector, among others) or volatility, and the level of risk and its consistency with risk appetite are analyzed. Alert mechanisms also allow the analysis of the portfolio using defined indicators (market indicators, rating agencies (CIB), management limits or other relevant information).

In the event of a significant worsening of these indicators, an alert is activated. Portfolio analysis makes it possible to identify high-risk clusters to carry out preventive management in the event of a possible deterioration of the portfolio and to establish limits on concentration and expected loss in them.

Recovery

Recovery management is defined as the activity of regularizing and recovering outstanding balances in the shortest possible time and cost, providing the most appropriate solution to the customer's situation. The aim is to maximize recoveries and minimize delinquency through preventive and corrective actions, implementing appropriate strategies according to the type of customer.

Recovery management is subject to policies and a control environment defined by the risk function as a business activity, aligned with supervisory requirements.

The first step in the recovery process is to identify the best recovery strategy to apply to each client based on their characteristics and problems. The management strategy must include three key elements: Customer Segmentation, Recovery Channels, and Levers or Forms of Recovery.

Customer Segmentation

The days overdue are used to sort the client portfolio and they are classified according to the most overdue operation that the client has. Currently, the portfolio in arrears is divided as follows:

Irregular portfolio (IRRP)	Clients with loans overdue between 1 and 89 days (3m approx.)
Non-performing (NPLs)	Clients with loans overdue more than 89 days (3m approx.) including the performing portion of the loan
Charge - offs	Overdue loans: Consumer: 6 month Commercial w/o collateral: 24 months Commercial w/ collateral: 36 months Residential mortgage: 48 months
SCG wCharge - offs	

Additionally, profiling criteria are used to be able to segment according to the probability of contention in each of the cycles defined above, with the goal of identify customers with a higher and lower probability of collection to allocate efforts based on the probabilities that a customer will pay.

Management Channels

There are several management channels, which can be both internal and external:

- **Commercial channel (manager, branch network):** maintains contact with the customer to find out the reasons for non-compliance and in the early stages of non-payment intervenes in the recovery process.
- **The risk function** keeps information on the customer's credit quality and rating up to date and identifies red flags that allow changes in customers' credit quality to be anticipated.
- **Recovery managers:** these are the specialists in the recovery function and are responsible for defining the recovery strategy and ensuring its correct execution.
- **Telephone collection centers (internal and external):** telephone contact with the customer from the first day of default, according to the defined strategies.
- **Door-to-door collectors:** an internal team or external agency whose main activity is to visit clients as collectors in the field.
- **External recovery companies or agencies:** these are companies that combine both telephone and door-to-door procedures for the collection of debts assigned to them.
- **Lawyers or law firms:** these are outsourced lawyers or law firms that permit judicial and extrajudicial complementary activity.
- **Digital channels:** Apps, web portals, ATMs, or other channels that use Big Data, virtual assistants, payment platforms, voice recognition, geolocation, analytics, etc.

Forms of Recovery

The following levers are defined to achieve the short, medium, and long-term recovery objectives of the different portfolios:

- **Cash collection:** The first collection option. The regularization of a debt through collection implies the total or partial cancellation of the debt.
- **Modify:** These are those transactions in which, as a result of current or foreseeable financial difficulties of the client, in order to meet its payment obligations with the Group under the contractual terms in force, it is necessary to modify, cancel and/or formalize a new transaction with conditions that the client assumes.
- **Forgiveness:** A last resort recovery strategy, consisting of an agreement between the entity and the client, whereby the client is exempted from part of the payment of the amounts due for interests, and/or for principal. It can be in exchange for the cancellation of the rest of the debt, thus providing a definitive solution or as a term agreement, offering the customer a reorganization of their payments with the entity in such a way as to allow or encourage them to comply with their payment commitments.
- **Assets in lieu of payment:** Cancellation, in whole or in part, of the debtor's obligation to the entity through the delivery of certain assets or rights other than those owed, as a result of a bilateral agreement with the Bank. It is a strategy that will be considered when the customer has a very deteriorated or no payment capacity.
- **Portfolio/credit sales:** these are transactions through which certain receivables or loans are assigned or transferred to a third party (buyer).
- **Direct Sale of Vehicles (Santander Consumer Finance):** is the out-of-court act in which a customer agrees to be aided in selling a vehicle to a dealership. The sale value implies the total or partial cancellation of a debtor's obligation.
- **Legal Adjudication:** is the act consisting of the cancellation, in whole or in part, of the debtor's obligation to the entity through the delivery of certain assets or rights other than those owed, as a result of a court ruling.



General Mitigation Tools

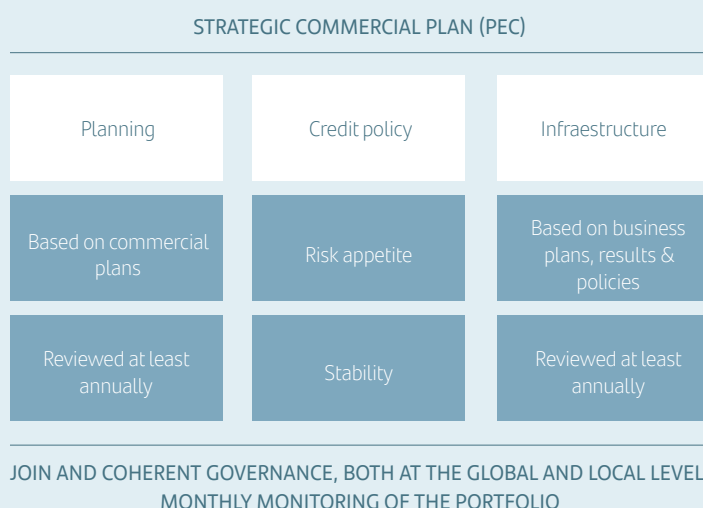
Next, the main instruments and tools used for credit risk management will be presented.

Strategic Commercial Plan (PEC)

Strategic Commercial Planning is a set of activities and processes designed to achieve the annual objectives of the commercial banking businesses, always within the limits defined in risk appetite and established credit policies and limits. It integrates the Business Plan, the Credit Policy and the Infrastructure Plan, and its use is regulated in the Strategic Commercial Planning Model. In addition, the PEC is the fundamental instrument for monitoring and controlling portfolios.

Broadly speaking, the PEC contains the following structure:

The integration of the PECs provides an up-to-date view of the quality of credit portfolios at all times, makes it possible to measure credit risk and carry out internal controls, and allows for periodic monitoring of the planned strategies. It also aids in anticipating deviations from the plan and to identify significant changes in risk and the potential impact this could have, as well as the application of corrective actions.



Limit Manager & Alert Engine

The limit manager is a tool that allows the risk function to keep track of those clients who have been assigned a limit and verify that the approval of a loan operation fits within those limits.

On the other hand, the alert engine allows for the automatic generation of warnings (early, anticipatory and proactive) by combining the use of analytical models and expert judgment.

Decision/valuation model

A tool that allows the Bank to define and implement valuation and decision models automatically. This platform uses workflows that support the admissions and follow-up processes throughout the whole risk lifecycle.

This makes it possible to register requests, have all the information for the analysis of the risk assessment and the ability to pay, track the status of procedures, simulate results, carry out intermediate calculations, among other applications.

Client rating is used as an instrument for assessing or rating customers' credit. There is a different rating model for each segment.

Management Information Systems

A tool that allows for the generation of reports on customer segmentation, portfolio monitoring, scenario analysis, risk process management (pre-sales, admission, customer monitoring, recoveries), decision model management, and reports for Senior Management. It also helps to identify the impact caused by clients that change segments or go to collection/recovery. Furthermore, this tool stores all the information about customers (history, rejected requests, forced approvals with reasoning, among others). In addition, it ensures compliance with Risk Data Aggregation (RDA) and Risk Reporting Framework (RRF).

Classification of Transactions Based on Credit Risk

The following are the criteria followed by Banco Santander Chile for the correct classification of transactions with customers according to the credit risk to which it is exposed. This classification is based on two regulations that complement each other:

Accounting criteria:

considering the International Financial Reporting Standard (IFRS 9), which is used for internal management, reporting and accounting purposes.

Prudential criteria:

in accordance with Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as well as the EBA Guidelines on the application of the definition of Default.

The accounting and prudential classification criteria are regulated through the Bank's Credit Risk Classification Policy. The classification is carried out by the Credit Risk teams, which are responsible for the classification for accounting and prudential purposes. The Group's Credit Risk Division is responsible for establishing the general guidelines and ensuring compliance with the criteria.

The classification consists of categorizing the credit transactions according to its credit risk, or the customer's credit risk, taking as a reference the applicable regulations, using the information available on both, and the criteria defined by the Group for the assessment of their solvency.

General Criteria Applicable to the Prudential Area

For prudential purposes, the institution should consider the following general criteria:

- a. The classification as default or non-default must be done at the product level or at the customer level depending on its nature:
 - In retail banking exposure, it is generally applied at the product level.
 - In non-retail exposures it should be performed at the customer level. Consistency of default identification among Group entities must be ensured.
- b. When a transaction or a debtor is identified as in default or in a probationary period, for prudential purposes, the following should be considered:
 - For IRB purposes, the exposure will be classified as defaulted.
 - For the standard method, the exposure will be classified in the category of defaulted exposures.
- c. The specifications regarding the use of external data contained in the EBA Guidelines on the application of the default definition only apply when external information is used directly for the purpose of parameter estimation.

Specific Criteria

Phase 1 / No-Default

Includes all transactions that do not qualify for classification in other categories.

Phase 2 Risk / No-Default

This category includes all transactions that, without meeting the criteria to be classified individually as Phase 3 Risk / Default or Non-Performing Risk, present significant increases in credit risk, since initial recognition.

Operations in which there are amounts with more than 30 consecutive days past due will be classified as Phase 2 / Non-Default Risk. The institution may consider a longer period only if it justifies that there has not been a significant increase in credit risk for the affected transactions.

In general, non-renegotiated operations that are in a situation of prudential default or within the trial period, and therefore in default, will be classified in Phase 2 Risk, if not they remain as a Phase 3 Risk. The entity may refute this criterion, and classify these operations as Phase 1 Risk, when there is sufficient, up-to-date, contrasted, and

reliable information that allows it to be considered as an operation that no longer shows signs of a significant increase in risk.

To assess whether there has been a significant increase in credit risk since initial recognition, the institution uses the change in the risk of default occurring over the expected life of the financial instrument. This increase is not assessed according to the change in the amount of the expected credit losses, and therefore, any existing guarantees are not considered as potential loss mitigator. In summary, the current risk of default occurring should be compared with the risk on the date of initial recognition.

Notwithstanding the previous point, the following is a list of indicators that may be relevant to assess changes in the credit risk of operations:

- Adverse changes in financial condition.
- Significant drops in turnover or, more generally, recurring cash flows.
- Significant squeeze on operating margins.
- Significant adverse changes in the cost of credit risk after initial recognition.
- Other changes in the credit risk of the transaction, which would lead to significantly different conditions if the transaction were to be originated again.
- An actual or expected downgrade of the transaction's internal credit rating.
- Actual or expected significant fall in the price or downgrade of the external credit rating.
- Adverse changes in the economy or market conditions.
- Slowdown in business or unfavorable trends in the client's operations.
- Significant increase in volatility in the economic or market environment.
- In the case of transactions with collateral, there is a significant deterioration in the relationship between the value of the transactions and the value of the collateral, due to the unfavorable evolution of the value of the collateral.
- Significant increases in the credit risk of other transactions of the same holder.
- Other external factors impacting credit risk.

Unless there are other reasons to classify them as Phase 2 Risk / No-Default, operations classified in this category may be reclassified to Phase 1 Risk / Non-Default if the causes that led to their classification as Phase 2 Risk / No-Default dissipate. As a general principle, when there is a favorable evolution of credit risk, the criteria to be followed for the reclassification from Phase 2 Risk / No-Default to Phase 1 Risk / Non-Default should be consistent with those that determined the opposite reclassification when an unfavorable evolution occurred.



Phase 3 Risk / Default Due to Holder's Delinquency

This category includes, but is not limited to, transactions in which the debtor is considered unlikely to fully meet its credit obligations without enforcement of the collateral, regardless of whether there are amounts exceeding 90 days overdue.

On the other hand, for accounting purposes, the renegotiations of non-performing operations (pre-renegotiation) will only be considered Phase 3 Risk if the pre-renegotiated operation was already classified as Phase 3.

A transaction will be classified as Phase 3 Risk / Default for reasons other than delinquency when an event, or several events combined, have occurred with a negative impact on the estimated future cash flows of the transaction. For this purpose, the following indicators will be considered, among others:

- a. Negative equity or losses in the holder's equity by at least 50% during the last financial year.
- b. Continued losses or significant decrease in the owner's turnover or, in general, in the recurring cash flows.
- c. Widespread non-performance or insufficient cash flows to service debts.
- d. Significantly inadequate economic or financial structure, or the holder's inability to obtain additional financing.
- e. The existence of a credit rating, internal or external, that demonstrates a situation of non-payment.
- f. Existence of a significant number of overdue commitments of the holder to public bodies or employees.
- g. Existence of significant delays in payments to other creditors in an external credit bureau.
- h. Crisis in the sector in which the counterparty operates, combined with a weak position of the counterparty in that sector.
- i. Information that a third party has petitioned that the debtor be declared bankrupt, or an equivalent form of debtor protection.
- j. Breach of the clauses (covenants) of the contract.

Also, all the debts of a client with an outstanding transaction classified as Phase 3 Risk / Default due to non-performing loans will be classified as Phase 3 Risk / Default for reasons other than non-performing loans. The carry-over effect will be applied if it is concluded that there are reasonable doubts about its total repayment (principal and interest). For prudential purposes, when the entity decides to drag other retail transactions to Phase 3, the transactions that are included in this calculation will also be included in this category.

When transactions of entities related to the holder fall into the category of Phase 3 / Default Risk, including both entities in the same group and those with which there is a relationship of economic or financial dependence, the entity must analyze the holder's operations and also classify them as Phase 3 / Default risk, if after further research it is concluded that there are reasonable doubts of their full repayment.

For accounting purposes, transactions classified in this category (including those purchased or originated with credit impairment) may be reclassified to other categories (in the case of transactions purchased or originated with credit impairment only to the Phase 2 / No-Default Risk category) if, as a result of further analysis, reasonable doubts about their full repayment by the holder under the terms contractually agreed upon disappear and there are no amounts with more than 90 consecutive days overdue on the date of reclassification.

In the case of Santander Chile, a review of the behavior of retail customers who have been in Phase 3 / Default continuously or for an extended period is carried out annually.

During the year, the stock of non-compliant transactions modified, as can be observed in the following table:



CR2 - Changes in the stock of loans and non-derivative financial instruments in the banking book in default

Figures in Ch\$mn	
Loans and non-derivative financial instruments in the banking book in default at the end of the previous reporting period	1,863,184
Assets that went into default since the end of the previous period	575,003
Assets that have been released from default since the end of the previous period	-147,454
Amounts charged-off since the end of the previous period	-226,543
Other Changes	
Loans and non-derivative financial instruments of the banking book in default at the end of the reporting period	2,064,190

* Non-performing exposures include off-balance sheet (contingent) items

Highly Probable Risk of Charge-Off

This category includes debt instruments, whether maturing or not, for which, after an individualized analysis, their recovery is considered remote due to a notorious or irrecoverable deterioration in the solvency of the transaction or the holder. Classification in this category will entail the full cancellation of the gross carrying amount of the transaction and its total derecognition of the assets.

Outstanding debt classified as Phase 3 / Default from customers with partially failed operations may be normalized when a significant improvement in the customer's creditworthiness is observed. A plan must be established to ensure that the ability to pay has been restored. In case of recovery of the non-performing amounts, without prejudice to other additional considerations, the rest of the debt must return to the original situation, if it was carried forward to Phase 3 / Default.

Debt instruments will continue to be classified and reported as non-performing loans until all of the entity's rights are extinguished (by statute of limitations, by forgiveness or for other reasons) or until they are recovered. They may only be reactivated when required to do so by legal requirements. Where this could occur, they will be reactivated in the entity's assets, being classified in the risk category in Phase 3 / Default. However, the management of these contracts must be maintained as if they were still in default, ensuring the traceability of the origin and maintaining the appropriate coverage for such classification.

Transactions classified as non-performing loans will result in the recognition of income in the profit and loss account only when the entity receives cash payments, allotments of collateral or receives collateral in payment.



Provision Estimation

The calculation of provisions for credit risk due to insolvency consists of estimating the potential credit losses that could be observed in a financial instrument due to differences between the future cash flows according to the original contract versus the cash flows that are expected to be received.



The estimation of provisions should be based on a comprehensive and holistic view of all credit risk factors related to them. In this sense, without prejudice to the approach used in the calculation, Santander Chile considers all the components necessary for the analysis.

Estimates of provisions for credit risk due to insolvency should be quantitatively based. In the case of estimates made without a sufficient quantitative basis, the prudence applied to such estimates should be reinforced, based on justified assumptions.

Santander Chile recognizes a provision for credit risk due to insolvency for each financial instrument. Such provision shall be equal to the expected credit loss, defined as the average of credit losses weighted by the risk of default occurring.

In estimating expected credit losses, Santander Chile calculates the difference between all contractual cash flows to be recovered in accordance with the contract and all expected cash flows discounted at the original effective interest rate. As a rule, expected losses should reflect:

- 1 An amount obtained through an unbiased calculation and based on the evaluation of a range of possible outcomes.
- 2 The time value of money.
- 3 Reasonable and material information available as of the date of presentation about past events, current conditions and forecasts of future economic conditions.

Distribution of exposures

The tables below explain the distribution of Banco Santander Chile's exposures. These exposures were segmented by economic sector, maturity, product type, and those exposures in the process of being renegotiated or refinanced.

Credit Quality by Geographic Area

Amounts in millions Ch\$	Gross exposure	Of which:		Specific provisions	Charge-offs
		In default	Impaired		
Exhibitions by country					
Chile	43,378,359	2,052,999	2,255,689	1,144,791	-
Great Britain	168,786	-	-	34	-
France	195,358	-	-	39	-
Germany	115,644	-	-	29	-
Spain	99,118	1	1,151	563	-
Singapore	116,953	6	6	125	-
United States	59,898	-	-	60	-
Italy	49,972	-	-	39	-
Other Countries	337,504	142	142	649	-
Total	44,521,592	2,053,148	2,256,988	1,146,329	-



Table REQ1,2: Credit Quality by Economic Sector

Amounts in millions of Ch\$	Gross exposure	Of which:		Specific provisions	Charge-offs
		In default	Impaired		
Agriculture and livestock	637,164	77,145	85,994	31,436	-
Fruit-growing	654,429	94,287	116,915	37,527	-
Forestry	145,299	22,328	23,202	9,579	-
Fishing	315,372	8,302	10,099	11,360	-
Mining	485,157	8,221	8,575	5,211	-
Oil & Natural Gas	3,825	190	190	115	-
Product Manufacturing Industry	-	-	-	-	-
Food, beverages and tobacco	352,830	18,727	30,694	12,701	-
Textile, leather and footwear	83,399	8,010	8,521	4,752	-
Woods & Furniture	97,724	7,166	7,734	2,358	-
Cellulose, Paper & Printing	100,354	6,672	6,820	3,514	-
Chemicals and petroleum products	136,952	1,351	1,351	2,366	-
Metallic, non-metallic, machinery, or other	689,941	43,071	49,765	29,453	-
Electricity, gas and water	1,229,527	5,078	14,726	8,411	-
Housing Construction	310,718	27,511	29,775	16,446	-
Non-residential construction (office, civil works)	912,236	56,161	61,013	37,140	-
Wholesale	1,908,972	168,474	182,662	118,399	-
Retail, Restaurants & Hotels	1,680,033	89,748	96,245	63,246	-
Transport & Storage	842,919	46,257	67,874	32,555	-
Telecommunications	508,359	6,073	10,097	7,395	-
Financial services	3,107,279	684	1,020	6,513	-
Real Estate Services	2,642,191	161,101	207,581	50,005	-
Other services	27,709,553	1,196,528	1,236,072	655,803	-
Total	44,554,233	2,053,085	2,256,925	1,146,285	-

Table REQ2: Calidad Crediticia por vencimiento residual

Amounts in millions of Ch\$	Total Gross Exposure	Renegotiated Exposures Of which:	
		In default	Not in default
A la vista	42,204,107	603,941	789,222
1 a 29 días	757,294	180,072	186,753
30 a 59 días	449,319	189,048	196,613
60 a 89 días	122,508	59,020	63,333
>= 90 días	112,021	112,021	112,021
Total	43,645,249	1,144,102	1,347,942

Table REQ3: Age of delinquent exposures

Amounts in millions of Ch\$	Total Gross Exposure	Residual expiry of NPLs				
		Of which: non-performing	1 a 29 días	30 a 59 días	60 a 89 días	mayor a 90 días
Interbank loans	-	-	-	-	-	-
Commercial loans	-	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Contingent loans	2,403,535	2,387,674	11,468	329	80	1,446
Total	2,403,535	2,387,674	11,468	329	80	1,446

Table REQ4: Credit Quality of Restructured or Refinanced Exposures

Amounts in millions of Ch\$	Renegotiated Exposures	Of which:	
		In default	Not in default
Interbank loans	-	-	-
Commercial loans	-	-	-
Residential mortgage loans	-	-	-
Consumer loans	-	-	-
Contingent loans	522	521	-
Total	522	521	-

Credit Loss Management

Expected Credit Losses

In 12 months

If, on each reporting date, the credit risk of a financial instrument has not increased significantly since its initial recognition, Santander Chile will measure the provisions for credit risk due to insolvencies as an amount equal to the expected credit losses derived from possible defaults in the next 12 months.

During the Life of the Instrument

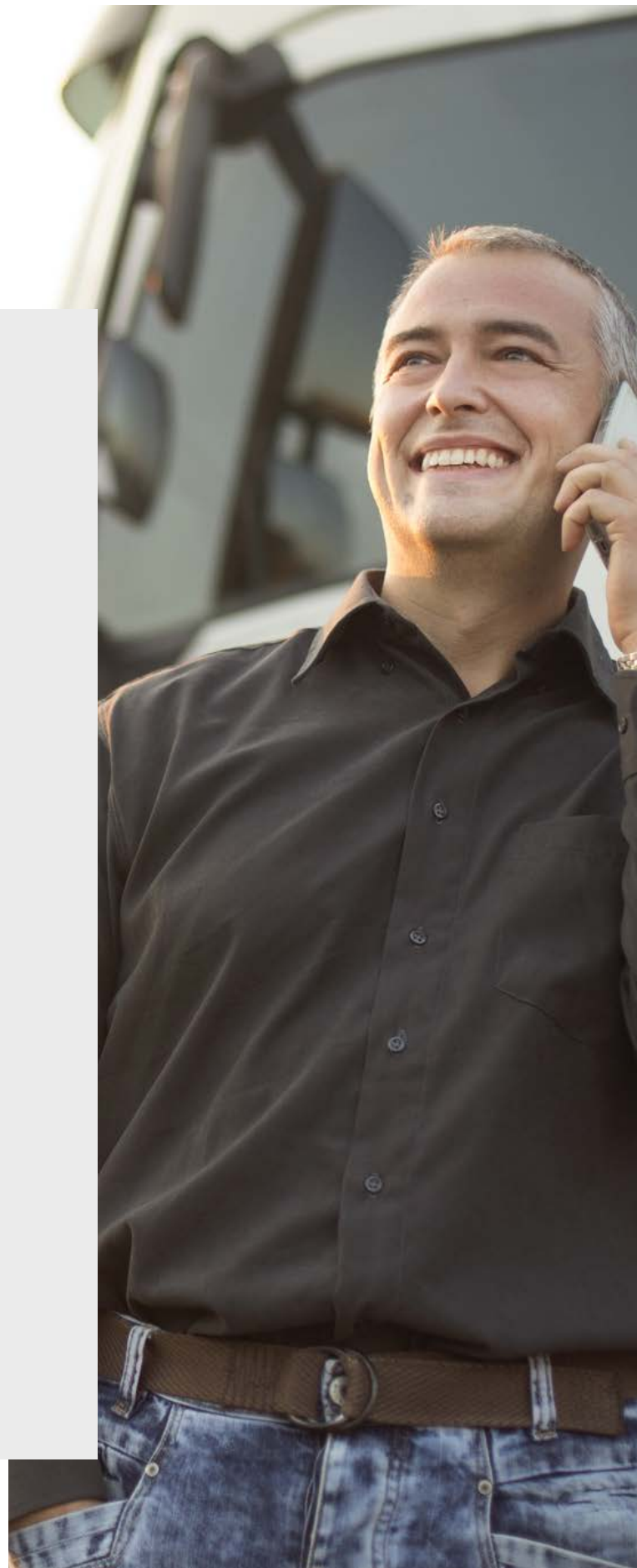
Santander Chile will calculate provisions for credit risk due to insolvency in an amount equal to the expected credit losses over the life of the financial instrument when one of the following circumstances occurs:

- The credit risk of the financial instrument has increased significantly since the initial recognition.
- When the financial instrument is already considered impaired at the reporting date.
- A financial instrument has been originated or acquired with credit impairment.

Individualized Estimates

For calculating provisions for credit risks in cases of insolvency in financial instruments, Santander Chile may make individualized estimates of anticipated losses in those instruments considered significant.

These provisions, under an individualized approach, will be equal to the difference between the gross carrying amount of the transaction and the discounted estimated cash flows using the original effective interest rate of the transaction. When Santander Chile obtains up-to-date and reliable information on the creditworthiness and payment capacity of holders or guarantors, it will be able to estimate recurring cash flows and make individualized cash flow estimates.



Collective Estimates

Santander Chile will estimate expected credit losses collectively or standardized for a group of debtors in cases where they are not estimated individually. As a rule, estimates should be based on each institution's historical experience of observed credit losses.

In this regard, where possible, historical experience will be adjusted based on observable data, to reflect the effect of current conditions and their forecasts on future conditions that did not affect the historical reference period. In addition, the effect of past conditions that do not currently exist should be eliminated and possible differences in the composition and quality of Santander Chile's current portfolio with respect to the historical reference period should be incorporated.

Santander Chile has internal models to determine capital requirements and models used in the estimation of provisions for credit risk due to insolvency in which conceptual differences between these models may exist.

Credit quality of exposures

The carrying amount of the Bank's estimated exposures and their associated provisions are presented below.

CR1 - Asset Credit Quality

Figures in Ch\$m	Gross Book Value		Provisions / Impaired	Associated provisions		Accounting Provisions for Credit Losses (Expected credit loss)	Net Worth (a+b-d)
	Exposures in default	Non-Default Exposures		Specific provisions	Additional provisions		
1	Loans in the banking book	2,090,000	38,721,887	1,154,103	293.000		39,657,783
2	Financial Instruments in the banking book		12,818,177				12,818,177
2.1	Other assets on balance		7,558,603				7,558,603
3	Off-balance sheet exposures	19,921	12,182,650	40,282			12,162,289
4	Total	2,109,920	71,281,317	1,194,385	293.000		72,196,852



Credit Risk Recovery Management

Recovery Management is conceived as an essential part of the business and consists of maximizing debt collection in the shortest possible time.



Customer Vision

As it is a business activity, the management focus is on the customer, so recovery strategies are defined in the context of the relationship with them. Thus, customer management is prioritized in a comprehensive way, in all phases of the cycle and consolidating all their debt positions, as opposed to a product approach. Management is carried out from the identification of early signs of deterioration, considering both the current situation and the prospects of the client. In response to this customer vision, there will be differentiated management models for the different types of clients, distinguishing between mass collection management and personalized collection management.

Integrated Recovery Circuit

The recovery process has two distinct phases: (i) a first phase of early default in which management is carried out in a combined fashion between different areas of the Bank (recoveries, commercial network, risks, IT, and operations); and (ii) a second phase that starts once a client enters into the from the customer's entry into phase 3 of default in which the collections process is directly managed by the Collection & Recoveries area for all Retail segments. The individually assessed segment is governed by the Customer Tracking Policy (SCAN), and those customers who are defined as specialized are under the direct management of the Collection & Recoveries area.

This recovery management process will be integrated throughout the credit management cycle, where each of the activities will be subject to risk identification, decision, measurement, evaluation, monitoring and control procedures. Likewise, each of them will guarantee that it complies with the following elements: reliability and availability of sources of information, adequacy and quality of infrastructure and tools, as well as sufficiency of resources under the premise of ensuring an adequate cost-benefit balance.

Customer Segmentation

To facilitate the Recovery Management of clients and/or portfolios, to improve its effectiveness, and to ensure adequate control and monitoring, it is necessary that such management is properly segmented by the attributes that distinguish it. Based on this segmentation, differentiated management circuits, methodologies and strategies will be established for the different segments that are defined.

With the segmentation carried out, the best recovery strategy to be applied to each customer is identified based on their characteristics and problems.

Appropriate Management Metrics

The assessment of the risks assumed must be based on a process of quantification or measurement of the risks. The entity will identify, define, and understand homogeneous, aggregate and appropriate metrics for recovery management and for the monitoring of objectives.

The metrics must take into consideration all the relevant components and dimensions of risk and the different aspects of the recovery process and, in addition, guarantee adequate monitoring of productivity and efficiency in the different aspects of the recovery process. This includes the impact recoveries have on risk parameters (expected loss, capital, among others).

Management Levers

To achieve the short- and medium-term objectives of the different portfolios, the following (mutually compatible) management levers will be applied:

- a. **Cash collection:** this should always be the first collection option. The regularization of debt through cash collection implies the total or partial cancellation of the debt.
- b. **Renegotiations:** modification of debt conditions for customers with financial difficulties, whether current or foreseeable, that could prevent the fulfillment of their payment obligations.
- c. **Judicial and extrajudicial management:** Legal recourse is a tool within recovery management, which should not replace in any case the core importance of the contact with the client, in which the manager, as representative of the Bank, supervises and decides if legal actions must be enforced. Legal proceedings are always performed in conjunction with non-legal recovery management mechanisms.
- d. **Portfolio write-downs, Assets received in lieu of payments and Sales:** Last resort management levers, in which their usefulness is fundamental to maximize recovery with clients in the highest risk profile with whom the Bank seeks to extinguish the relationship. These levers are also used when defining accelerated reduction strategies in deteriorated portfolios or a relevant legacy deteriorated portfolio.

In the definition of the recovery strategy, the expected recovery using the different levers must be considered, as well as the risk parameters that define the expected loss of the loan.

Operational Plan

Once the objectives have been defined, the recovery function defines the strategies and resources needed to meet these objectives, which are part of the Operational Plan. It should include in detail the strategies and levers to be used for each of the sub-portfolios, customer segments, channels, etc. It is important to analyze the internal and external factors that may hinder the effective implementation of the strategy and provide feedback.

The Operational Plan shall include at least:

- I. Management Map and Capacity Plan.
- II. Recovery Strategies.
- III. Models.
- IV. Infrastructure and Tools.

The Strategy will be integrated into processes at all levels of the Organization, including the strategic and operational levels.



Credit Risk Reduction Techniques

Banco Santander Chile has a Collateral and Guarantee Policy that defines the eligibility criteria for collateral associated with credit transactions with customers, as well as the precautions and guidelines to be followed during the management process, i.e., from their analysis to their execution or termination.

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Collateral management encompasses different phases of the credit risk management cycle (admission, monitoring and recoveries), and for each of these phases the corresponding governance defined at the local level is followed.

The Bank has received collateral and other credit enhancements to mitigate its exposure to credit risk, consisting mainly of mortgage, monetary, equity, personal guarantees, leased, assets, assets acquired under a repurchase agreement, securities lending and credit derivatives.

Collateral is classified into the following types:

- a. **Personal guarantees:** These are those that give the creditor the right to pursue the fulfillment of the secured obligation over an additional asset to that of the principal debtor.
- b. **Security rights:** These are specific guarantees created over assets (movable or immovable) or rights. These are rights that ensure the creditor fulfills the principal obligation by direct link to an asset. As a result of this special link, in the event of non-compliance with the secured obligation, the creditor may realize the economic value of the asset through a regulated procedure and be collected with preference in collection over the rest of the creditors. Security rights can be further divided into:
 - I. Real estate collateral: Instrumented as first real estate mortgages. Real estate can be buildings and elements of finished buildings (housing, offices, commercial premises, multipurpose warehouses, non-multipurpose warehouses, and hotels), urban and ordered

developable land, and other real estate (buildings under construction, developments in progress, etc.).

- II. Pledged guarantees on financial instruments (monetary deposits, debt securities, etc.).
- III. Other security interests, such as second and successive mortgages, among others.

In addition, there are other risk mitigation structures that cannot be classified as collateral. These are legally enforceable operations that tend to provide a certain degree of confidence that the creditor will meet his obligations with the Bank:

- a. **Reservation of title:** The right through which ownership of an asset is conferred to the financier until the client complies with their financial obligation.
- b. **Prohibition of disposal:** An agreement by which the owner of an asset undertakes not to dispose of it, in any way, under penalties that may be established by the applicable regulations or that have been agreed in the contract in which this agreement is inserted.
- c. **Repurchase agreement:** An agreement incorporated into the contract of sale by which the seller reserves the right to recover the transferred property.
- d. **Comfort Letter:** A letter issued by the shareholders of a company, through which the commitment to maintain a shareholding or to financially support the debtor is signed, in the event that the debtor faces payment problems.
- e. **Covenants:** Clauses of the contract in which the credit transaction is formalized, the breach of which determines the early termination of the obligation because it implies for the creditor a deterioration of their business and the loss of confidence in the customer's ability to meet its payment obligations on time.



Collateral Management

The collateral management process is based on the following phases:

Collateral Acceptance

It includes the processes of application, valuation, and approval of the collateral:

- Request for collateral: The commercial areas (first line of defense) are responsible for obtaining potential collateral in relation to proposed operations. To do this, the data that allows the unequivocal identification of the guarantee and the necessary elements for its valuation are obtained.
- Valuation of the collateral: The risk area defines the requirements to be met to value collateral, the minimum requirements to be met by the independent experts in order to obtain internal approval, and to establish the approval procedures accordingly, etc.
- Approval of the collateral: The powers corresponding to the admission and authorization of collateral are part of the process of authorization of operations, as ancillary elements of these.

Formalization of the collateral

The risk function is responsible for verifying strict compliance with the conditions that may arise before formalization. The operations function must check this point in its processes and verify that the guarantees are properly registered in the systems.

Collateral Lock

The risk function is responsible for limiting or blocking the availability of collateral, with greater emphasis on those collateral that may be subject to fraud.

Maintenance of Collateral

The risk function is responsible for monitoring the evolution of the collateral and respecting the agreed procedure to notify the loss of value of the collateral and the need to replace it to maintain the agreed level of coverage.

Modification of collateral

If, at the request of the entity or the client, it is possible to modify the collateral. If this request is raised, it is treated as a new guarantee, and must have the authorization of the Committee with powers to do so.

Enforcement of the collateral

This process is carried out in accordance with the recovery model, and it is the responsibility of the Commercial Area and the Operations Area, as appropriate, to provide all the necessary documentation to carry out the execution process.



Recognition of credit risk reduction

The procedures used for the valuation of collateral are in accordance with the best market practices, which involve the use of appraisals in real estate collateral, market price in stock market securities, value of shares in an investment fund, etc. All security rights received are properly instrumented and registered in the appropriate registry and are approved by the legal divisions of the Bank.

The valuation of guarantees is always carried out using objective elements that permit the guarantee to be economically quantified, under appropriate parameters depending on the type of guarantee:

- The valuation of collateral (mortgages or pledges) reflects the net cash flow that would be obtained from the sale of the assets or debt or equity instruments, net of estimated expenses, in the event of a default by the debtor. The value of the security right is the market value or mortgage value appropriately reduced to reflect the results of the security value monitoring and to take into account any pre-emptive rights in the property.

- For mortgages and pledges on assets, the Bank has valuations that account for the relationship between the prices that would be obtained in an eventual liquidation and their appraisal or adjudication values. In any case, the valuations of mortgages and other assets received are based on appraisals carried out by independent professionals. While maintenance and transaction expenses are based on historical information of at least 3 years. The Bank has the necessary policies in place for the revaluation of collateral.
- Financial guarantees, measured at adjusted fair value, are only discounted from credit risk exposures when they have been created for the sole purpose of ensuring compliance with the claims in question. Adjusted fair value is obtained by applying the interest rate and currency volatility discount factors established by the FMC and subtracting settlement costs.

The value of collateral may undergo significant changes during the term of credit operations.

Netting

In the Consolidated Statements of Financial Position, Banco Santander Chile applies the principle of netting for financial assets and liabilities when certain conditions are met. These conditions include having at the present time the legally enforceable right to offset the amounts recognized, and it is intended to settle for the net amount, or to realize the asset and settle the liability, simultaneously.

As of December 31, 2023 and 2022, the Bank has not offset financial assets and liabilities.

Presentation of the bank's mitigation techniques

The following table provides a summary of the values associated with the Bank's exposures and their respective mitigation techniques.

CR3 - CR Mitigation Techniques (CRM): Overview

Figures in Ch\$m	Non-Guaranteed Exposures	Guaranteed Exposures	Exposures secured by endorsement	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Loans	37,550,835	2,106,948	2,106,321	627	
2 Non-derivative financial instruments	12,818,177				
3 Total	50,369,012	2,106,948	2,106,321	627	
4 Of which, in a situation of non-compliance	1,270,942	67,353	67,353	-	

Standard Method

For the calculation of regulatory capital according to the standard method, Banco Santander Chile uses the external rating agencies designated as eligible by the FMC. For the capital calculation as of December 31, 2023, the agencies used were Standard & Poor's (S&P), Fitch Rating, Moody's Investors Service and Dominion Bond Rating Service (DBRS). These agencies assign ratings according to the credit quality of the assets, following the rules established in Chapter 21-6 of the RAN.



Category	Standard & Poor's (S&P)	Fitch Rating	Moody's Investors Service	Dominion Bond Rating Service (DBRS)
AAA	AAA	AAA	Aaa	AAA
AA+	AA+	AA+	Aa1	AA
AA	AA	AA	Aa2	AA
AA-	AA-	AA-	Aa3	AA
A+	A+	A+	A1	A
A	A	A	A2	A
A-	A-	A-	A3	A
BBB+	BBB+	BBB+	Baa1	BBB
BBB	BBB	BBB	Baa2	BBB
BBB-	BBB-	BBB-	Baa3	BBB
BB+	BB+	BB+	Ba1	BB
BB	BB	BB	Ba2	BB
BB-	BB-	BB-	Ba3	BB
B+	B+	B+	B1	B
B	B	B	B2	B
B-	B-	B-	B3	B
CCC+	CCC+	CCC+	Caa1	CCC
CCC	CCC	CCC	Caa2	CC
CCC-	CCC-	CCC-	Caa3	C
CC	CC	CC	C	D
D	D	C, DD	C	D

For specific short-term exposures, interbank exposures, with Credit Unions supervised by the FMC or corporate exposures, a credit risk weighting (CRW) is assigned using the following table:

Category	Standard & Poor's (S&P)	Fitch Rating	Moody's Investors Service	Dominion Bond Rating Service (DBRS)	PRC
N-1+/N-1	A-1+/A-1	F1+/F1	P-1	R-1 (1)	20%
N-2	A-2	F2	P-2	R-2 (2)	50%
N-3	A-3	F3	P-3	R-3	100%
Otros	N, C y D	B, C y D	NP	R-4, R-5 y D	150%

Nota: (1) Includes R-1 (high), R-1 (middle) y R-1 (low)
(2) Includes R-2 (high), R-2 (middle) y R-2 (low)

If there are several external qualifications associated with different categories, the rule states that the lower-level classification must be used.

For exposures with sovereigns and central banks, public sector entities, international institutions or multilateral development banks, the CRW must be assigned according to the international external classification and, if one is not available, a weighting of 100% is assigned.

For exposures generated by the holding of covered and mortgage bonds, the CRW must be assigned considering the external rating of the issue or, if it does not have it, the CRW associated with the issuer of the instrument will be used in a subsidiary manner.

For exposures to companies where the counterparty has at least one external rating, and this is at least BBB, it will be assigned a CRW of 65%.

Exposures under the standard method

Below are the net exposures of provisions and value adjustments, once credit risk reduction techniques have been applied and under the standard method.

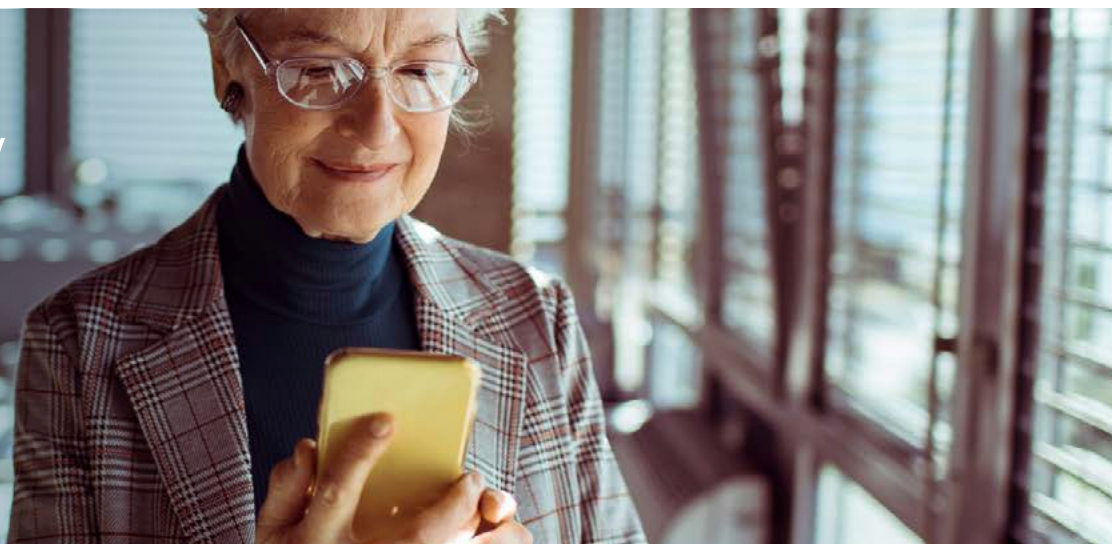
CR4 - Standard Method: CR Exposure and CRM Effects

Figures in Ch\$mn		Pre-CRM Exposures		Exposure after CRM		CRWA and CRWA Density	
		Balance Sheet Amount	Off-balance sheet amount	Balance Sheet Amount	Off-balance sheet amount	CRWA	Density of CRWAs
Asset Classes							
1	Sovereigns and Central Banks	13,128,919	-	13,128,919	-	174	0.00%
2	Public Sector Entities	44,090	262,553	44,090	215,928	90,796	34.92%
3	International Institutions and Multilateral Development Banks	32,245	10,271	32,245	2,046	34,291	100.00%
4	Banks and Credit Unions supervised by the FMC	1,577,708	88,942	1,577,708	25,662	333,517	20.80%
Of which, securities firms and other financial institutions							
5	Covered and Mortgage Bonds	-	-	-	-	-	0.00%
6	Companies	7,103,072	3,747,476	7,103,072	1,463,760	6,706,868	78.29%
Of which, securities firms and other financial institutions							
	Specialty Loans	475,806	69,054	475,806	58,568	505,783	94.65%
7	Subordinated debt, equity and other equity instruments	-	-	-	-	-	0.00%
8	Retail	7,051,569	6,936,776	7,051,569	704,840	5,931,749	76.48%
9	Real Estate	23,154,513	1,065,974	23,154,513	167,923	10,885,722	46.67%
	Of which, residential real estate	19,744,928	875,881	19,744,928	91,441	7,835,655	39.50%
	Of which, commercial real estate	3,368,147	188,186	3,368,147	75,685	3,008,107	87.35%
Of which, CRE in general							
	Of which, land acquisition, development, and construction	41,439	1,907	41,439	797	41,960	99.35%
10	Investment Funds						0.00%
11	In default	1,338,295	6,784	1,338,295	6,784	1,728,530	128.51%
12	Highest Risk Categories	-	-	-	-	-	0.00%
13	Ongoing Funds Transfer	39,214	-	39,214	-	-	0.00%
14	Other Assets	3,936,979	35,514	3,936,979	16,772	2,227,707	56.34%
15	Total	57,406,604	12,154,290	57,406,604	2,603,713	27,939,354	46.56%

CR5 - Standard Method: CR Exposure and CRM Effects

Figures in Ch\$mn											Total amount of CR exposures (after CRM)
CR weighting→											
Types of Counterparties ↓ ↓	0%	10%	20%	35%	50%	75%	100%	150%	Other		
1 Sovereigns and Central Banks	13,128,050	-	869	-	-	-	-	-	-	-	13,128,919
2 Public Sector Entities	-	-	210,400	-	1,804	-	47,814	-	-	-	260,018
3 International Institutions and Multilateral Development Banks	-	-	-	-	-	-	34,291	-	-	-	34,291
4 Banks and Credit Unions supervised by the FMC	-	-	1,543,435	-	34,248	-	-	-	-	25,687	1,603,370
5 Covered and Mortgage Bonds	-	-	-	-	-	-	-	-	-	-	-
6 Companies	528,100	-	628	-	292	-	3,866,477	-	4,171,334	-	8,566,832
Specialty Loans	-	-	-	-	-	-	93,216	-	441,158	-	534,374
7 Subordinated debt, equity and other equity instruments	-	-	-	-	-	-	-	-	-	-	-
8 Retail	984,134	-	-	-	-	2,721,035	3,768,547	-	282,692	-	7,756,409
9 Real Estate	108,503	-	2,605,904	413,219	3,040,167	390,339	56,190	46,899	16,661,214	-	23,322,436
Of which, residential real estate	13,152	-	2,605,904	413,219	3,040,167	388,285	9,672	39	13,365,930	-	19,836,369
Of which, commercial real estate	95,075	-	-	-	-	2,054	4,558	46,860	3,295,284	-	3,443,831
Of which, land acquisition, development, and construction	276	-	-	-	-	-	41,960	-	-	-	42,236
10 Investment Funds	-	-	-	-	-	-	-	-	-	-	-
11 In default	67,353	-	-	-	-	-	376,116	901,610	-	-	1,345,078
12 Highest Risk Categories	-	-	-	-	-	-	-	-	-	-	-
13 Ongoing Funds Transfer	39,214	-	-	-	-	-	-	-	-	-	39,214
14 Other Assets	1,228,624	-	85,466	-	-	-	2,209,877	-	429,783	-	3,953,750
15 Total	16,083,978	-	4,446,703	413,219	3,076,511	3,111,374	10,359,313	948,509	21,570,710	-	60,010,317

Counterparty credit risk



Counterparty credit risk is defined as the risk that could arise from a total or partial breach of financial obligations to the institution. It is a credit risk of a bilateral nature because it can affect both parties of a transaction since it is conditioned by the behavior of the markets, which are volatile, it is uncertain nature.

Banco Santander Chile manages its counterparties with different credit management models depending on their characteristics. The different credit risk management models consider a criterion of commercial segmentation and risk treatment, thus taking into account both our view on the counterparty and the comprehensive view of the credit risk cycle.

Counterparty credit risk exposures include financial instruments, repurchase transactions, securities or commodity lending, deferred settlement transactions and margin replacement loan transactions.

Below is a breakdown of the Bank's current counterparty credit risk exposures.

CCR1 - Analysis of Counterparty Credit Risk Exposure

Figures in Ch\$mn	Sum of Positive Fair Values	Associated Notional	Additional Amounts	Credit equivalent, before CRM	Credit equivalent, after CRM	CRWA, after CRM
Exposure with a bilateral counterparty	1,134,885	1,309,099	3,258,702	4,393,587	3,160,458	1,312,084
Exposure with CCP	240,276	235,292	281,468	521,744	286,452	5,729
Simple Approach to Credit Risk Mitigation (for Secured Financial Transactions (SFT))						
Comprehensive Approach to Credit Risk Mitigation (for SFT)						
VaR for SFT						
Total						1,317,813

CCR3 - Standard Approach for CCR Exposures by Counterparty Type and Risk Weights

Figures in Ch\$mn									
PRC→	0%	10%	20%	50%	75%	100%	150%	Otras	Total Exposure to CCR
Counterparty Type↓									
1 Sovereigns and Central Banks			4,948						4,948
2 Public Sector Entities			9,751	10,514					20,265
3 International Institutions or Multilateral Development Banks									-
4 Banks and Credit Unions supervised by the FMC			959,711	612,827				817,113	2,389,652
5 Securities companies									
6 Companies						138,386		542,492	680,878
7 Retail									-
8 Other Assets									-
9 Total	-	-	974,410	623,342	-	138,386	-	1,359,605	3,095,742

Collateral Agreements and Guarantees

To reduce credit exposure in its financial derivatives operations, the Bank has entered into bilateral collateral agreements with its counterparties, in which it establishes the terms and conditions under which they operate. Collateral (received/delivered) operates when the net fair value of the financial instruments held exceeds the thresholds defined in the respective contracts.

Financial derivative transactions are secured by collateral agreements, which are deposited or transferred by one third party in favor of the other. These can be in cash or financial instruments and reduce the counterparty's credit risk. These guarantees are monitored periodically, usually daily. Based on this, the net balance per counterparty is determined and based on the agreed parameters, it is defined whether a guarantee should be delivered or collected.

The composition of the Bank's derivative collateral is presented in the table below.



CCR5 - Collateral Composition for CRC Exposures

Figures in Ch\$m	Collateral used in derivative transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral delivered		Fair value of collateral received	Fair value of collateral delivered
	Segregated	Non-segregated	Segregated	Non-segregated		
1 Cash - national currency	-		-			
2 Cash - Other currencies	1,119,548		1,867,478			
3 Debt securities issued by the Chilean State or by the BCCh	1,623					
4 Other Sovereign Debt	356,775		-			
5 Investment Grade Corporate Debt Securities						
6 Other Corporate Debt Securities						
7 Shares						
8 Other collateral	18,172		-			
9 Total	1,496,118		1,867,478			

Wrong-Way Risk

Adverse correlation risk exists when the potential exposure of a transaction with a counterparty is highly and positively (adversely) correlated with the credit quality of that counterparty. Therefore, as the credit quality of the counterparty deteriorates, its value increases.

Santander Group has defined the criteria for identifying those transactions subject to specific adverse correlation risk, identifying them based on the legal relationship between the counterparty and the issuer of the underlying. In addition, a methodological model has been defined to measure the risk of general adverse correlation. Banco Santander Chile follows these criteria and the model defined by the Group.

Local areas are responsible for identifying all operations subject to specific Wrong Way Risk (WWR), as well as correctly allocating them in the systems. Meanwhile, the corporate function periodically monitors client portfolios to supervise and control the overall WWR, reviewing the behavior of the operations identified as such in the Bank's admission and/or risk systems.

Regarding the correlation between the guarantee and the guarantor, since the majority of cash is received as collateral, there is practically no risk of adverse effects due to the existence of a specific correlation. The adverse effects that may occur due to correlations in the collateral that are not effective are not significant because the issuance of the same counterparty and its subsidiaries are excluded in the collateral eligibility policies.

Credit rating downgrade

Given the possibility of a downgrade of the Bank's credit rating, and the possible effect it would have on an increase in the collateral to be provided, it is estimated that the impact of the collateral that Santander Chile would have to provide would be small. This is because, currently, only a small percentage of collateral contracts are conditioned by our rating.

Credit Value Adjustment (CVA)

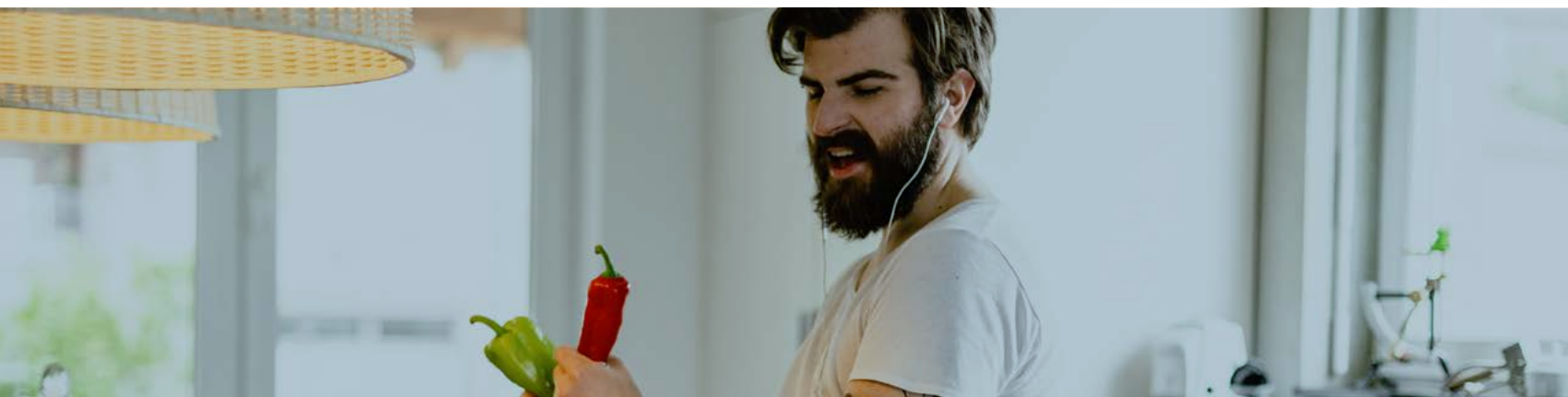
The purpose of the calculation of the Credit Value Adjustment (CVA) is to estimate a provision for counterparty risk with derivative transactions.

For the construction of the default probability curves, credit risk parameters of the different counterparties are assigned. For this, market data, CDS quotes, bond issues, etc., are taken into account.

Central Counterparts

The clearing of transactions through central counterparties is part of Banco Santander's regular market activities. As a member of the clearing houses with which it operates, it contributes to the risk management framework of the clearing houses through the payment of contributions to the default fund as well as daily margin calls.

The risk with this type of counterparty is managed within the credit management framework.



CCR8 - Exposures to central counterparties

Figures in Ch\$mn	Exposure after CRM	CRWA
Exposure to licensed CCPs (total)	546,915	10,938
Exposures from transactions to authorized CCPs (excluding initial margins and contributions to the guarantee fund) of which:	519,679	10,394
(i) OTC Derivatives	519,679	10,394
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions		
(iv) Sets of derivatives for which cross-product netting has been approved	519,679	10,394
Segregated Initial Margin	32,269	
Non-segregated initial margin	-	-
Contributions disbursed to the guarantee fund	27,236	545
Undisbursed contributions to the guarantee fund	-	-
Exposures to unauthorized CCPs (total)		-
Exposures from transactions to unauthorized CCPs (excluding initial margins and contributions to the guarantee fund) of which:	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions		
(iv) Sets of derivatives for which inter-product netting has been approved	-	-
Segregated Initial Margin	-	
Non-segregated initial margin	-	-
Contributions disbursed to the guarantee fund	-	-
Undisbursed contributions to the guarantee fund	-	-



6

Market Risk



The following section covers the disclosure requirements of qualitative templates MRA – General qualitative disclosure requirements related to market risk, MRBB – Market risk of the banking book Management Objectives and Policies, MR1 – Market Risk with the Standard Method and MRBB1 – Quantitative Information of market risk of the banking book.

Market risk is defined as the risk incurred because of the effect that changes in market factors may have on results or capital.

There are four major risk factors that affect market prices:

• **Interest Rate Risk:**

La exposición a pérdidas ocasionadas
Exposure to losses caused by adverse changes in market interest rates that affect the value of financial instruments, contracts, and other transactions recorded on the balance sheet.

• **Inflation rate risk:**

Exposure to losses caused by adverse changes in the inflation adjustable units or inflation indices defined in local currency in which instruments, contracts, and other transactions recorded on the balance sheet are expressed.

• **Exchange rate risk:**

This is the sensitivity to losses caused by adverse changes in the value of the exchange rates of foreign currencies, including gold, in which financial instruments, contracts and other transactions recorded on the balance sheet are expressed.

• **Price risk:**

It is generated by the volatility of the rates or prices of assets or liabilities. This gives rise to the prepayment risk that arises when, based on price movements, holders can alter their future cash flows, which can cause imbalances in the balance sheet level that pose additional challenges in market risk management.



MR1 - Market Risk with the Standard Method (MR1)

Figures in Ch\$mn	MRRWA 4Q23 Consolidated
Interest rate risk (general and specific)	4,640,036
Stock Quote Risk (General and Specific)	-
Foreign Currency Risk	114,120
Commodity risk	-
Options – simplified method	-
Options – delta-plus method	39,584
Options – Scenario Method	-
Securizations	
Total	4,793,740

Market Risk can affect both the trading book and the banking book (investment portfolio, non-trading):

- **Trading Book:**

Market risk is defined as the risk incurred as a result of the possibility of changes in market factors affecting the value of positions in trading books.

- **Balance sheet management (banking book):**

structural risk is defined as that caused by the management of the different items on the balance sheet. This risk includes both the losses due to price changes affecting the available-for-sale and HTM portfolios (banking book), as well as the losses arising from the management of the Bank's assets and liabilities measured at amortized cost. Specifically, structural risk measures the probability of incurring losses in the different balance sheet lots, resulting from changes in the levels of different market variables, especially interest rates.

The most important policies that regulate market risk management are the **Market Risk Policy** and the **Fair Value Policy**.

Market Risk Model

The purpose of the Bank's market risk model is to establish the principles to be followed in the admission, control, consolidation, and reporting of Market Risk. This together with the functional and governance aspects, the main associated processes and the instruments that allow its proper development and implementation.

This Model develops the local framework for activities related to Market Risk, and establishes minimum standard lines of action, while consolidating basic management fundamentals.

The admission, control, consolidation, and reporting of Market Risk are associated with a series of principles that aim to contemplate and safeguard the guidelines established in the corporate risk framework.

Governance and organizational structure

Processes & Responsibilities

The measurement and control of market risk is the responsibility of the Market Risk Department, which is part of the Executive Vice Presidency of Risk Solutions.

The limits are approved by the various committees in charge, which is mainly the responsibility of the Asset and Liability Committee (ALCO).

The main market risks are also reviewed by the Integral Risk Committee. The areas of Financial Management and Capital Management, as part of the Finance Executive Vice Presidency, fulfill a series of functions in the management and control of market risk, which are supervised and controlled by the ALCO and the Risk Management.

The Treasury is the area responsible for managing the Bank's trading portfolios and ensuring that they remain within the loss limits determined, calculated and estimated by the Market Risk Department.

For more details on the roles of the different areas in the market risk management process, please visit the annual report on page 460, available on the Bank's website.

Governing bodies

A. Committee/Risk Control Committee

The responsibilities of these bodies, related to market risk, are: (i) to monitor market risk limits included in the risk appetite metrics of Market Risk and those market risk management metrics considered essential to be monitored, and (ii) to anticipate unwanted behavior of this type of risk in the portfolios.

B. Executive Risk Committee (ERC)

This Committee is responsible for:

- Ratify limits approved locally and agreed upon at the Group level.
- Approve any strategy for the internal transfer of risks between the investment portfolios and trading portfolios in units other than those initially approved in the Group with authority to transfer between these portfolios.

C. Market, Structural, Liquidity and Capital Risks Forum

The responsibilities of this Forum are:

- Control of global market risk measures, ensuring that it is carried out under the global limits approved by the Executive Risk Committee.
- Analyze and review monthly reports on static and dynamic metrics on the status of the portfolios and valuation adjustments.
- Track internal market risk models.
- Analyze and review quarterly reports on the evolution of Level 3 instruments, prudent valuation adjustments and risk appetite.

- Ratify stress test scenarios in their definition and periodic reviews.
- Approve technical market risk standards and validate local modifications to these.

D. Risk Proposal Forum

The responsibilities of this Forum are:

- Ratify the proposals for the establishment or modification of limits approved locally, in agreement with the authorities delegated by the ERC.
- Escalate to the ERC those decisions where there are discrepancies among the members, a unanimous decision cannot be reached, or those that the Forum deems appropriate.
- It will also include any other powers delegated by the ERC.

E. Local Forums

One of the forums managed at the local level is the Internal Model Regulation Forum (IMRF), where all topics related to initiatives, projects and figures related to the Internal Model (IMA) for the consumption of regulatory capital by Market Risk are presented monthly. Additionally, at the Local Risk Factor and Fair Value Meeting (LRF&FVM) issues related to the increase, deregistration or modification of Market Risk Factors are presented, as well as issues related to Fair Value and its alignment of criteria with the local Accounting Department.

Management and mitigation tools

Instruments

The main instruments used for the market risk function are as follows:

a. Technical Standards

Documentation that complements the regulatory documents and establishes the technical criteria to be applied in the processes of admission, control, consolidation, and reporting of market risk. These are common standards for all the Group's units that ensure the homogeneity and comparability of their results.

b. Management Results Calculation Engine

An instrument that obtains the daily and accumulated information of results produced, understood as variations in the value of the instruments. This generates the losses and gains (P&L) that could be generated in the business in each period.

c. Risk Information Application

An instrument that records relevant information on market risk measures at the local level, and at the Group level allows the consolidation of this information. Its use provides the reports for management, for senior management and for other recipients, both internal and external.

d. Market Risk Factors Repository

Corporate tool that contains all the Group's market risk factors, whether they have an open position or not, reflecting all the attributes and characteristics defined for them, including the roles played by each of the units that use these risk factors. The existence of this tool guarantees homogenization of market risk factors in all units, as well as the order and consistency in the processes of capturing, developing and using them.

Management Processes

The Bank's main market risk management and control processes include the following:

a. Market Risk Admission

The admission of Market Risk includes the establishment of risk limits, as well as the approval of new products and one-off operations. These processes are developed in the procedure for the admission of limits and new products.

The limits, terms, products and underlying that can be traded are specified in the lists of authorized products and limits.

b. Setting and Modifying Limits

The process of setting limits comprises the annual establishment of limits and their review throughout the year, as follows:





- **Establishment of market risk limits in the trading book:** The limits are established annually considering the business budgets and the risk appetite established by the entity's highest management body. The business function prepares the limit proposals together with the local market risk function, which are reviewed with CIB's global market risk function. Once this process is complete, the CIB market risk function condenses the proposals with the Group market risk function. Locally approved limit proposals are then submitted to the Risk Proposal Forum (RPF) and the ERC.
- **Establishment of market risk limits in the banking book:** The admission of market risk in the banking book includes the establishment of risk limits, as well as the approval of new products and specific operations and shares the processes described in the previous point with the following particularities:
 - Financial management is the function that manages most of the positions with market risk in the banking book and is responsible for making proposals for limits and new products. In all other cases, it will be the business unit responsible for the portfolio that must propose limits and products.

→ In principle, the market and structural risk functions (local and Group) will be responsible for reviewing the proposed limits and new products, maturities and underlying securities for the portfolios of the banking book. For specific portfolios the Group may assign this responsibility to another risk unit.

- **Modification of limits:** Limits that have been previously approved may be modified, either by proposals received from the business functions, or because it has been required by the Board of Directors or through the own initiative of the market risk department. These modifications are analyzed by the CIB market risk admission team (in the case of limits that apply to trading books) and by the Group's structural risk function (in the case of limits that apply to the banking book) and will be approved following the established governance.

c. Approval of New Products, Terms, Underlying Securities and One-Off Transactions

The process of approval and validation of new products, terms, underlying securities and one-off transactions is coordinated by the compliance function through the

marketing forums (local and corporate, for new products). This also involves the corporate process for the approval of new wholesale banking products called the Fast Track process, which applies in the case of new terms and one-off transactions.

d. Market Data & Independent Price Verification

The local market risk functions carry out the daily process of market data, which encompasses its capture, calculation, validation, certification, and dissemination. This constitutes the basis for the processing of market data while ensuring effectiveness and quality. In addition, at least monthly, the independent price verification process ensures the independence and accuracy of all model inputs. The market data used for the valuation of financial instruments measured at fair value and for the calculation of management results is also the responsibility of local market risk functions.

e. Control of Market Risk in the Trading Book

Market risk control encompasses the calculation and analysis of risk metrics, the control of exceeded limits, the control of the models used by this area, as well as the generation of management results.

These processes are developed in the procedures of:

- Market risk control.
- Calculation and analysis of VaR and P&L of the trading portfolio and back-testing.
- Determination of valuation adjustments.
- Calculation of valuation adjustments (XVA).

f. Market Risk Control in the Banking Book Portfolio

The measurement, analysis and control of market risk in the banking book is necessary to ensure that the level of these risks is in line with the pre-approved limits and the Group's risk appetite.

This process has the following main tasks:

- **Measurement:** Market risk in the banking book is measured autonomously by unit and on a consolidated basis and, therefore, aggregated internal metrics are calculated. Among the main metrics measured are: (i) the results of the portfolios at fair value, (ii) the sensitivity analysis, and (iii) the results in stress scenarios.

- **Control and Monitoring:** The local market and structural risk function is primarily responsible for controlling and monitoring the market risk metrics in the banking book, and for sending this information to the Group to permit its supervisory work.

The control of the risks to which the unit is exposed is carried out based on a structure of limits and risk appetite defined for those metrics used to measure risk.

- **Analysis:** The market and structural risk function, both at the local and Group level, periodically carries out a quantitative and qualitative assessment of the values of the metrics defined under all their dimensions.

g. Definition and Analysis of Market Stress Tests

The Group's corporate market risk area periodically identifies and defines a series of stress scenarios, based on monitoring the effectiveness of the scenarios in place, current market circumstances (carried out by CIB), and regulatory requirements.

The scenarios designed and approved by the Group in the Market Risk Control Forum are applied by the local market risk function. These are approved in the

relevant local forums and adapted to each unit's reality. Once these stress tests are executed, the risk measures calculated; and the results analyzed by the local market risk function (monthly, with some exceptions), these will be reported to the CIB market risk function. There they will be analyzed, and a consolidated stress test report will be published.

h. Interest rate risk management

This encompasses the active management of interest rate risk, with the aim of cushioning the impact of changes in rates on the margin and the economic value of the balance sheet. To this end, the balance sheet sensitivity profile is managed, evaluated, and monitored via the Net Interest Margin (NIM) and Market Value of Equity (MVE) sensitivities against increases of 100 basis points in the yield curves.

This management of the duration profile makes it possible to minimize the risk associated with fluctuations in interest rates and ensure stable net interest income. In addition, a constant assessment of the risks associated with the interest rate market is carried out, in order to be able to make informed and appropriate decisions that maximize the Bank's profitability and minimize risks.



The scenarios applied are those dictated in the instruction set out in the UCR. The specific magnitude applied in the different scenarios are shown in the following table:

	Basket 1	Basket 2	Ch\$	Indexed units
Parallel	200	400	300	200
Short	300	500	400	250
Long	150	300	200	150



Baskets 1 and 2 correspond to those defined in the rule established by the FMC, on the determination of assets weighted by market risk.

Then, considering such shocks, rate curves should be determined for each scenario for a given time band, currency, and prescribed scenarios, according to the following adjustments:

- **Parallel shift (scenario 1 and 2):**

consists of a constant parallel upward or downward shift in all time bands.

- **Slope shift (scenarios 3 and 4):**

These involve steepening (scenario 3) or flattening (scenario 4) of the slope of the interest rate curve, in which both long-term and short-term rates shift.

- **Short-term rate shock (scenarios 5 and 6):**

The rise in rates is greater for shorter maturities, and lower for longer maturities. For short-term rate cuts, the reverse effect is proposed.

- i. Strategic mismatch management between assets and liabilities denominated in UFs**

The management of inflation risk on the Bank's balance sheet is carried out through the management of the UF gap, which involves defining the desired level of exposure to inflation risk. This is subject to both internal and regulatory limits. Inflation risk management is subject to an internal limit set at 30% of interest-earning assets. This strategy allows the Bank to adequately control inflation risk and maintain a healthy inflation exposure on the balance sheet, helping to ensure a stable and healthy financial position.

- j. Investment Portfolio Management**

The ALCO's management of the investment portfolio is one of the main functions of the Financial Management unit. The ALCO portfolio is composed of high-quality sovereign bonds classified as HQLA. This portfolio has a counter-cyclical focus that aims to hedge structural risks and support margins when the rest of the Bank's business suffers adverse movements.

- k. Foreign Currency Position Management**

This management is carried out to eliminate the risk of exposure to fluctuations in the exchange rate. Active management of the foreign currency position allows the Bank to ensure adequate profitability.

- l. Transfer Pricing (TP)**

The transfer price system is a mechanism that helps to manage risks, since it isolates them from the Business Areas and centralizes them in the Financial Management area, which is the Unit in charge of their management.

Therefore, the main function of the unit is to put a price on the exchanges of funds between the Business Areas and the Corporate Center. That price is the true opportunity cost of funds raised or placed with clients and must consider the cost of all associated risks.

Risk Measurement and Information Systems



Mark-to-Market Methodology

Positions in trading books (long or short, on-balance sheet or off-balance sheet) are valued at mark-to-market prices for the purposes of calculating risks and determining economic results. Although legal and regulatory requirements do not require the preparation of profit and loss figures based on market price valuations, these are carried out daily so that the established measures of market risks can be tested and verified.

The market and structural risk function determines the prices used in the market valuation of positions daily. Periodically, this area reviews the market price information and the input information to the models, to detect possible losses of relevance and to take the appropriate corrective actions.

It is important to note that adjustments are made to the valuation, thus giving rise to the concept of fair value for a correct measurement of market risks. Fair value is the price that a financial instrument would obtain at a given time in a voluntary transaction between well-informed and independent counterparties.

It is necessary to make a distinction between models for valuation and models for price construction, since in some cases it is necessary to use a valuation model whose main inputs are directly observable in the market, or in others it is necessary to use another model that allows the construction of the input required by the valuation model.

Whatever the case when the models incorporate some type of assumption or their complexity warrants it, it is the global methodology area that oversees their certification, prior to their official use. The aim is to mitigate the risk of modelling that could lead to valuation errors or mismanagement of the different risks (sensitivities).

Market Risk Calculation and Analysis

To measure and assess market risk, the local market risk function calculates and analyzes two types of measures:

- Static measures to quantify market risk at a given point in time, allowing for a detailed nature of the risk at that time. Static measures include:
 - Positions: Such as exchange rate, equities, fixed income, interest rate.
 - Sensitivities: Fixed income-interest rate and options (delta, gamma, vega, theta and rho).
 - Value-at-risk measures (VaR, Stressed VaR, VaE).
 - Valuation adjustments (XVA, FVA and AVA).
- Dynamic measures make it possible to estimate the evolution of Market Risk over time. Dynamic measures include simulations and stress tests.

Credit Risk Self-Assessment

Banco Santander Chile, as part of its RPA (Risk Profile Assessment) self-assessment exercise, assesses, among other things, the ability to manage risks in accordance with a Target Operating Model (TOM), as well as through additional control assessments that may be available. This assessment is carried out through the control environment pillar, where qualitative aspects related to corporate governance, risk management and control, and the internal audit perspective are measured.

Operational Management Model for Interest Rate Risk of Structural Balance Sheet Positions (IRRSBSP)

This operating model sets out the basic elements, key processes, lines of authority and their attributions for the management of the interest rate risk of the structural balance sheet position (hereinafter referred to as "IRRSBSP").

The "ALM Corporate Framework" establishes, describes and assigns high-level responsibilities for the key components of the ALM Process. This includes the definition of its boundaries, methodologies, metrics, information needs, management, monitoring and control, reporting.

To analyze and properly manage the Bank's balance sheet, the "ALM Technical Criteria" are used, which consist of a definition of criteria, information and assumptions used in the ALM Process, as well as a definition of the field of application, perimeter and development of models and methodologies. This does not include criteria that must be set out in the Bank's policies but is limited to technical criteria necessary for the implementation of those policies.

a. ALM Technical Criteria

In particular with respect to the IRRSBSP, ALM's technical criteria include balance sheet segmentation and aggregation, metrics, maturities, references to interest rate curves, stress test parameters, aggregation of exposures in different currencies, portfolio transaction treatments, deposits without a defined maturity, explicit and implicit optionality, non-interest rate sensitive instruments (including principal and reserves), etc.

b. IRRSBSP Metrics

The metrics provide Financial Management with an overview of the IRRSBSP, which when calculated under different scenarios, allows for the monitoring of the risk of potential losses and defining objectives for the management of that risk. In this manner, ensuring compliance with the established risk limits and appetites. For the management of the IRRSBSP, the Financial Management Department must use at least the following "IRRSBSP Metrics":

- Sensitivity of the Net Interest Margin (NIM).
- Sensitivity of the Economic Value of Equity (EVE).
- Inflation gap.
- Balance Sheet duration

c. ΔEVE and ΔNII

The Bank applies the guidelines established by the FMC in Annex 1 of Chapter 21-13 of the UCR, which determines that the measurement of exposure to market risks in the banking book must consider both the impact on the capacity to generate interest and short-term net readjustments (ΔNII), and the impact on the economic value of the financial institution (ΔEVE) as a result of adverse movements in interest rates.

In the case of the ΔEVE measure, a static balance sheet is considered, while for the ΔNII measure, a constant balance is considered. These considerations are implicitly reflected in the formulas established for the determination of both measures.

Below is a table containing the variables considered for the shift in rates scenarios applied during the period and the results obtained.

d. Repricing

In this section, the average repricing period, and the maximum repricing period according to the type of customer are presented.

	Medium term	Deadline
Total	2,8Y	10

RMLB1 - Quantitative information about RMLB

Figures in Ch\$mn	ΔEVE	ΔNII
Rate Shift Scenario / Period	2023	2023
Parallel upward	631,564	207,234
Parallel downward	197,052	-
Slope steepness	438,080	-
Slope flattening	117,100	-
Short-term rate hike	546,490	-
Short-term rate drop	16,486	-
Maximum	631,564	207,234
Period		2023
Tier 1 Capital		5,006,601
Net interest margins and adjustments		1,121,438



7

Operational risk



The following section covers the requirements ORA - General qualitative information on a bank's operational risk framework, OR1 - Historical Losses, OR2 - Business Indication (BI) and Subcomponents, and OR3 - Minimum Required Operational Risk Requirements

Banco Santander Chile defines operational risk as the risk of suffering losses due to defects or failures in processes, employees, internal systems, or due to external events. It covers risk categories such as operational incidents, cloud computing, cybersecurity, business continuity, outsourcing of strategic and non-strategic services.

Operational Risk Management Model

Banco Santander Chile has an operational risk management and control model that aims to define the necessary elements for the proper management and control of operational risk and compliance with advanced regulatory standards and best practices with respect to operational risk management. The operational risk management and control model is based on a continuous process to identify, assess, and mitigate sources of risk, regardless of whether they have materialized or not, ensuring that risk management priorities are properly established.

The operational risk management and control model is based on three independent lines of defense: the risk owner, control and oversight, and independent review, with well-defined roles and responsibilities. In addition, a cycle with 5 stages is established for its management and the participation of Senior Administration is promoted. The integration of key information tools that meet the requirements of an advanced operational risk management system is also present. Likewise, a reporting system is maintained to facilitate appropriate decision-making and monitoring of this risk.

Operational risk management must contemplate and safeguard the principles established in the corporate risk framework. In addition, the following principles should be considered: (i) comprehensive management and control of the operational risk cycle, (ii) identification and assessment of operational risk, (iii) extensive use of mitigation techniques, (iv) recurrence of operational risk management and

control, (v) consideration of operational risk in decision-making, (vi) common tools, nomenclatures, and metrics, (vii) adaptation of the different categories of operational risk.

Overall, operational risk indicators have remained stable and below the system average. As of December 31, 2023, operating loss decreased by 19.0% compared to the same period last year, mainly explained by lower business continuity losses and lower fraud.



Operating Losses:	Dec-23	Dec-22	Dec-23/Dec-22
Fraud	2,759	6,410	(57.0%)
Labor	5,611	6,704	(16.3%)
Customers & Products	761	116	556.0%
Fixed asset	255	221	15.4%
Business Continuity/Systems	164	979	(83.2%)
Processing	4,418	2,815	56.9%
Total	13,968	17,245	(19.0%)

Regarding historical operating losses, the values as shown in the following table:

ORI - Historical Losses

Figures in Ch\$mn	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	10-year average
Total Amount of Operating Losses Net of Recoveries	13.966	17.702	13.427	15.987	13.679	6.132	5.817	12.150	-	-	9.879
Total number of operational risk losses	9.095	8.619	8.164	8.193	7.399	6.349	7.487	7.976	-	-	6.328
Total amount of operational risk losses excluded	-	-	-	-	-	-	-	-	-	-	-
Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
Total amount of operating losses net of recoveries and net of excluded losses	-	-	-	-	-	-	-	-	-	-	-
Total amount of operating losses net of recoveries (excluding exclusions)	-	-	-	-	-	-	-	-	-	-	-
Total number of operational risk losses	-	-	-	-	-	-	-	-	-	-	-
Total amount of operational risk losses excluded	-	-	-	-	-	-	-	-	-	-	-
Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
Total amount of operating losses net of recoveries and net of excluded losses	-	-	-	-	-	-	-	-	-	-	-
Operational Risk Capital Calculation Details											
Are losses used to calculate ILM (yes/no)?	Si	Si	Si	Si	Si	Si	Si	Si	Si	Si	Si
If row 11 answered in the negative, is the exclusion of internal loss data due to non-compliance with the minimum criteria for loss data (yes/no)?	-	-	-	-	-	-	-	-	-	-	-
Loss event threshold: €20,000 or €100,000 for the calculation of operational risk capital, as applicable	-	-	-	-	-	-	-	-	-	-	-

From a point of view of the most relevant risks, digital transformation is revolutionizing the way banks operate, presenting new business opportunities, but at the same time accompanied by a wide range of emerging risks, such as technological risks, cyber-risks and an increasing dependence on suppliers, which increases exposures to events that may affect the provision of services to customers. Santander Chile, through

internal operational risk management tools and other external sources of information, implements and monitors mitigation measures related to these sources of risk.



For more information, please refer to the Risk Management and Information chapter of the 2022 Annual Report.

Governance and organizational structure



Processes & Responsibilities

The management and control of operational risk comprises the following stages

a. Strategic planning and estimation of operational risk losses

Allows for the definition of the operational risk objective profile. Based on the appetite and tolerance to operational risk, strategies are identified to stay within the established limits. The first lines of defense are responsible for drawing up the plans in their area of action and the second line of defense monitors their compliance.

b. Identification and evaluation:

Its objective is to determine the risks and factors likely to cause operational risk and thus estimate their possible impact, whether quantitative and/or qualitative. The first lines of defense are responsible for identifying and assessing operational risks in their area of action.

c. Follow-up and monitoring:

The purpose of this is the recurrent analysis of the available information on the type and levels of risk assumed in the development of the Bank's activities, through an internal and/or external alert system and a protocol for escalating relevant incidents. Both frontline and second-line operational risk coordinators have an appropriate alert system based on the tools available.

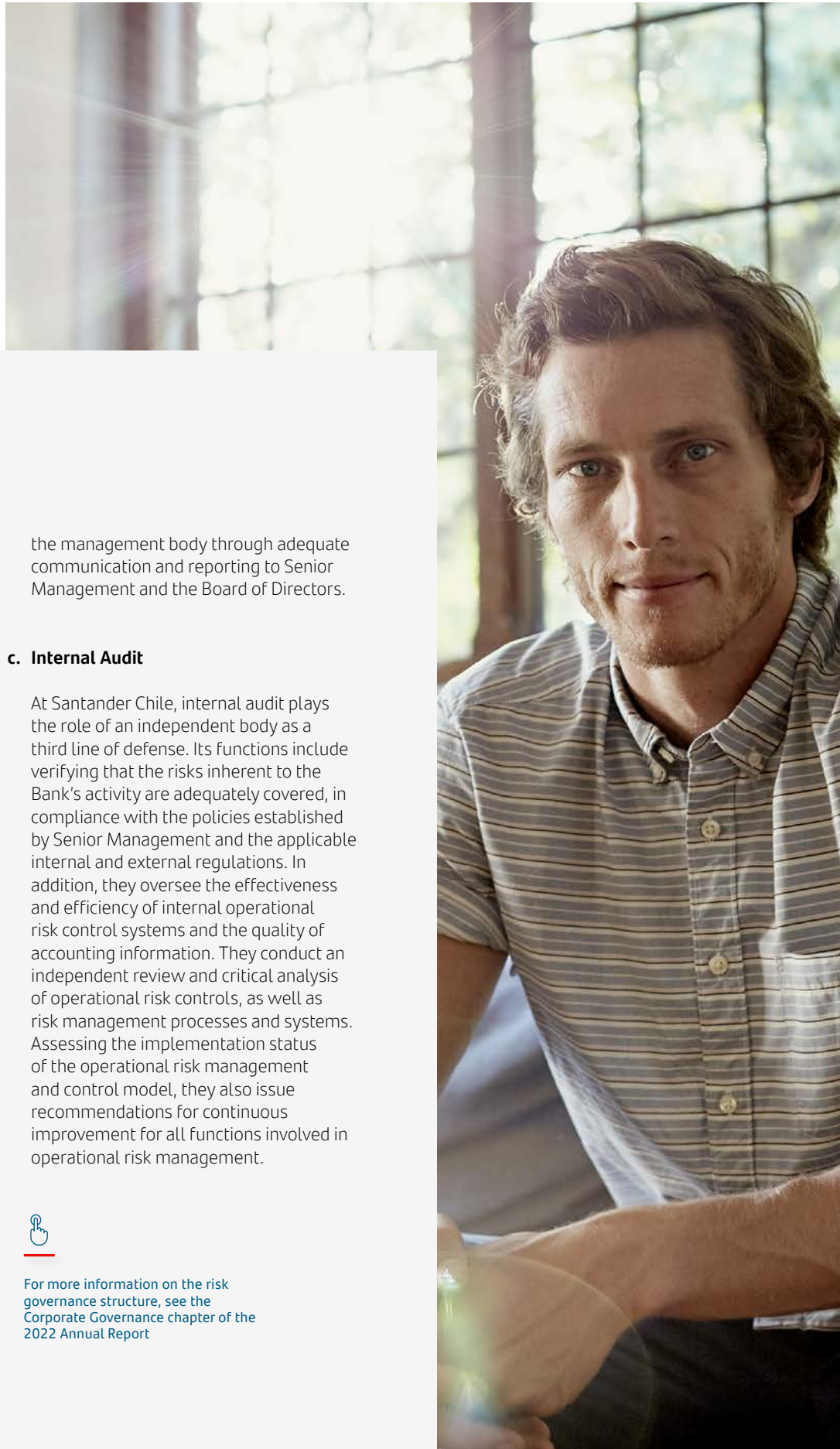
d. Mitigation:

Focuses on monitoring the main sources of operational risk and defining and implementing measures aimed at reducing exposure to such risk to the desired level. Once the risk has been assessed, it is essential to identify mitigating actions that prevent it from materializing, and when appropriate, to execute corrective actions that minimize the economic impact of materialized risks. In the implementation of mitigation

measures, control areas are particularly relevant. Operational risk managers and coordinators are responsible for the ongoing monitoring of action plans.

e. Information:

This encompasses the generation, dissemination and making available of the necessary information to relevant decision-makers. The information processes will be carried out in accordance with the standards and criteria established in each case. The second line of defense is responsible for providing the required information to customers, shareholders, groups, regulators, and the public.



Governing bodies

To comply with regulatory requirements, and in line with the best practices of the banking sector, Santander Chile has defined an organizational model structured in three lines of defense:

a. First Line of Defense

It encompasses all business units and support functions. The first line is, therefore, responsible for the operational risk generated in its scope, and its main function within the operational risk management and control model is to identify, evaluate, monitor, mitigate and communicate risk.

b. Second Line of Defense

It is represented by the Operational Risk Control Function (ORCF) within the risk division, which fulfills several key functions. His role encompasses the design, maintenance and development of the operational risk management and control model, fostering a culture of risk throughout the institution. In addition, it is responsible for supervising the implementation of the operational risk regulatory framework, ensuring compliance with the minimum requirements for adequate planning and estimation of losses. ORCF guarantees a global perspective of all relevant risks for

the management body through adequate communication and reporting to Senior Management and the Board of Directors.

c. Internal Audit

At Santander Chile, internal audit plays the role of an independent body as a third line of defense. Its functions include verifying that the risks inherent to the Bank's activity are adequately covered, in compliance with the policies established by Senior Management and the applicable internal and external regulations. In addition, they oversee the effectiveness and efficiency of internal operational risk control systems and the quality of accounting information. They conduct an independent review and critical analysis of operational risk controls, as well as risk management processes and systems. Assessing the implementation status of the operational risk management and control model, they also issue recommendations for continuous improvement for all functions involved in operational risk management.



For more information on the risk governance structure, see the Corporate Governance chapter of the 2022 Annual Report

Mitigation Scoping and Tools



Information

With respect to the process of consolidating and reporting operational risk information, it is the business and support functions that manage and communicate their operational risks with the support of the operational risk area. The ORCF aggregates and reports information from all business units and support areas in the established forums.

Subsequently, the ORCF submits to the Non-Financial Risks Committee the information prepared on the evolution of the operational risk profile and elevates the consolidated information to the Integral Risk Committee. Finally, every six months, the ORCF reports the status of operational risk aspects to the Board of Directors.

Mitigation

Mitigation is one of the basic elements of the operational risk management and control model. Mitigation consists of the reduction or elimination of exposures to a risk affecting the Organization or to an emerging or potential risk that has been identified and assessed.

Due to the relevance and specialization of some risks, it is necessary to develop certain mitigation and/or transfer tools, such as:

a. Crisis management and continuity plans:

Santander Chile guarantees the existence of crisis management procedures and business continuity plans that ensure the development of key functions in the event of disasters or events that may suspend or interrupt business activities.

b. Fraud management:

the relevance of internal and external fraud in the world of operational risks implies the need to pay special attention to them, the mitigation and control of which is regulated in the fraud management and control policy.

c. Technological systems and infrastructure:

the automation of processes can incur risks that must be addressed through the management of technological and cyber risks and the establishment of specific plans (e.g., plans for cyber risk, access control and functional segregation, technological obsolescence, or IT incident management)

d. Risk management and supervision with third parties and suppliers:

Santander Chile has a set of rules that regulate the relationship with third parties and suppliers and are aimed at mitigating the associated risks.



For more information on mitigation tools, please refer to the Risk Management and Reporting chapter of the 2022 Annual Report.

Capital Requirements for Operational Risk

In calculating the capital requirements for operational risk, Banco Santander Chile follows the standard method established by the regulator in Chapter 21-8 of the UCR. This method incorporates two key elements: the Business Indicator (BIC) and the Internal Loss Multiplier (ILM). The operational risk charge is determined by multiplying these two indicators:

$$\text{ORC} = \text{BIC} * \text{ILM}$$

The BIC is calculated from the Business Ratio (BR), which is a function of the Bank's net financial income or gross margin. For its determination, information from the Bank's Balance Sheet and Income Statement is used to generate an interest component, a financial component, and a services component.

Below is the detail of each of the components of the BIC:

OR2 - Business Indicator (BI) and Subcomponents

BI and its components	2023
Interest, Leasing and Dividend Component (ILDC)	
Interest Income (II)	3,888,997
Interest Expense (IE)	3,118,420
Interest-earning assets (IEAs)	55,253,085
Dividend Income (DI)	359
Services Component (SC)	
Fee income (FI)	769,950
Commission Expense (CE)	233,311
Other Operating Income (OOI)	52,699
Other Operating Expenses (OOE)	214,285
Financial Component (FC)	
Net Income for Trading Book (TB)	82,289
Net Income for the Banking Book (BB)	1,082,801
Business Indicator (BI)	3,186,315
Business Indicator Component (BIC)	450,355
Gross BI of excluded divested activities	3,186,315
Reduction of the BI due to exclusion of divested activities	-

This process is supported by a system of management and control tools detailed below:

a. Internal Events Databases:

compiles internal operational incidents that occur at the Bank, capturing operational risk events with financial and non-financial impact.

b. External events database:

allows a detailed and structured analysis of the relevant events that have occurred in the sector, a comparison of the loss profile, and the adequate preparation of self-assessment exercises and scenario analysis.

c. Scenario analysis:

identifies events with a very low probability of occurrence that could generate significant losses for the Bank, as well as establishing appropriate mitigation measures.

d. Self-assessment of risks and operational controls

consists of an assessment of the activities of different operations and the quantification of their main risks and vulnerabilities.

e. Internal Audit, External Audit, and Regulators:

Provide relevant independent information on inherent and residual risk and identify areas for improvement in controls and processes..

f. Capital model:

a model that includes the Bank's risk profile, based mainly on information collected in internal loss databases, external data and scenarios. The main application of the model is to determine the economic capital consumed by operational risk and the estimation of expected and stressed losses..

g. Other specific instruments

include the evaluation of new products and services, the management of business continuity plans, the review and updating of the perimeter and quality review processes of the operational risk program.



For more information on the operational risk measurement system, please refer to the Risk Management and Information chapter of the 2022 Annual Report.

The minimum capital requirement for operational risk obtained using the standard method is presented in the following table:

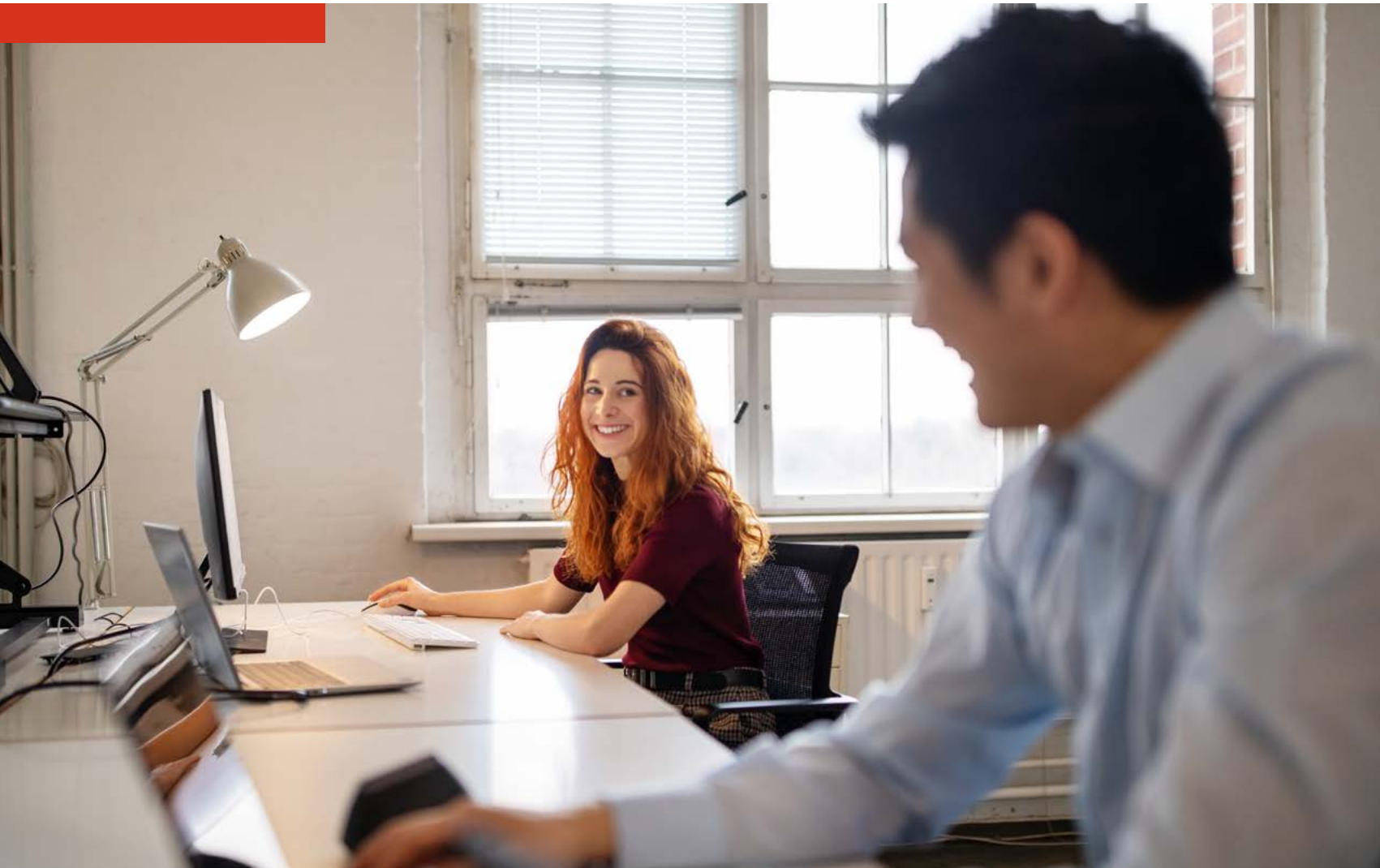
OR3 - Minimum Capital Requirement for Operational Risk

Figures in Ch\$mn	2023
Business Indicator Component (BIC)	450,355
Internal Operating Loss Multiplier (ILM)	0.786
Operational Risk Charge (ORC)	353,979
OPRWA	4,424,739



8

Liquidity risk



The following section covers the disclosure requirements of the qualitative form LIQA – Liquidity Risk Management, LIQ1 – Liquidity Coverage Ratio (LCR), LIQ2 – Net Stable Funding Ratio (NSFR) and ENC – Asset Encumbrance

Liquidity risk is defined as the risk that Banco Santander Chile does not have the liquid financial resources necessary to meet its obligations when due or can only obtain them at a high cost.

Liquidity risk management model

Liquidity management is one of Banco Santander's main pillars for developing its business model, based on a solid funding and liquidity structure, and a model of autonomous subsidiaries.

The purpose of the Liquidity Risk Model is to define the principles to be followed in the control and monitoring of liquidity risk together with the functional and governance aspects, the main associated processes and the instruments that allow their adequate control and monitoring.

In this way, it seeks to ensure compliance with the Bank's Liquidity Management Policy (LMP) and current regulations to avoid default, higher financing costs, and inefficiency in the use and distribution of financial resources.

Within the principles for liquidity management, the Bank identifies as fundamental pillars of its management: (i) financial autonomy, (ii) homogeneity of management criteria, (iii) control and monitoring, (iv) the application of a holistic approach to risk, (v) the establishment and adaptability of limits, (vi) compliance with regulations, and (vii) the implementation of a robust and adequate system to perform, process and record operations according to their complexity.

Funding strategy

The Bank's recurring financing process and financial holdings are carried out by maintaining a diversified base of financing sources with low dependence on institutional clients and always maintaining an adequate profile in terms of volumes, terms, and costs. This seeks to minimize the risk of illiquidity and ensure adequate availability of funds at all times.

In practice, Financial Management obtains financing from correspondent banks, debt instruments, commercial paper and wholesale term deposits. Although most obligations to banks and debt instruments mature in more than a year, customer and wholesale deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. The short-term nature of these deposits increases the Bank's liquidity risk, and therefore the Bank actively manages this risk through continuous monitoring of market trends and price management.



Governance and organizational structure

Processes & Responsibilities

The Financial Management area manages liquidity risk using a portfolio of liquid assets to ensure that the Bank always maintains sufficient liquidity to cover short-term fluctuations and long-term funding, complying with internal regulatory liquidity requirements.

The Financial Management Division receives information from all business units on the liquidity profile of their financial assets and liabilities, as well as the breakdown of other projected cash flows derived from future businesses. Based on that information, the area maintains a portfolio of short-term liquid assets.

The liquidity needs of the business units are met through short-term transfers from

Financial Management to cover short-term fluctuations and long-term financing to address all structural liquidity needs.

In terms of the processes of measuring liquidity risk and controlling limits, the local Financial Management function is responsible for proposing limits to the local Liquidity Risk function, based on the Group's reference limits. By establishing the annual limits and monitoring them monthly by the Risk Department and the Executive Risk Committee, it is ensured that the balance sheet management carried out by the business functions is appropriate and complies with the risk appetite desired by the Board of Directors.



For more details on the main management processes and their respective areas of responsibility, please review the Bank's 2022 report on page 197, available on the Bank's website.

Governing bodies

a. Board

In relation to liquidity risk control and monitoring, the Board is responsible for approving or, if applicable, validating the modifications of the global liquidity risk limits within the risk appetite approved by this same entity. It also validates the liquidity risk limits of the local units, approves any modification or inclusion of authorized products and underlying securities, performs a of the review of breaches in the limits and risk alerts, and approves the action plans to correct these excesses.

b. ALCO Committee

The ALCO is responsible for supervising and controlling the Bank's liquidity risk profile. It also evaluates and monitors the Bank's liquidity metrics and early warning indicators, alerting them to the possibility that they are not in line with the approved limits and risk appetite established by the highest body of the unit. Finally, the ALCO proposes management actions and decisions to get them back on track.

It is also responsible for formulating internal limit proposals and validating documents such as the ILAAP.

c. ALCO Technical Committee

It carries out the technical review of the Bank's risk profile and evaluates the results of liquidity metrics and early warning indicators, alerting of the possibility that they are not in line with the alert levels, approved limits and risk appetite established by the unit's highest body. It then proposes management actions and decisions to bring them to approved levels.

In addition, they are responsible for approving technical documentation and early warning indicators related to liquidity risk.

d. Integral Risk Committee

This committee is responsible for the review and control of risk appetite limits, participating in different liquidity risk management processes, such as the development of the liquidity document diagram, tracking metrics, regulatory enforcement and other monitoring activities.



Mitigation tools

Instruments

The main instruments used for the control and monitoring of liquidity risk are the following:

a. Significant Currency

For the calculation and reporting of internal liquidity metrics, a currency is considered significant when the asset or liability positions in that currency exceed, on average, during the immediately preceding six months, 5% of the total assets or liabilities of the Bank. Regardless of this criterion, the aggregate of assets and liabilities denominated in currencies not considered significant must always be less than 10% of the total assets or liabilities of the unit.

Finally, for the calculation and reporting of local liquidity regulatory metrics, the criterion of significant currency will be the one established by the local regulator and/or supervisor.

b. Liquidity Perimeters

The liquidity risk management perimeter is the one used by the Group's units for the calculation and reporting of internal, corporate, and local liquidity metrics. This perimeter is determined by the Group's Corporate Accounting Unit.

For the calculation and reporting of local regulatory liquidity metrics, the criteria of the local regulator will define the regulatory perimeter.

c. Liquidity Policy Diagram

The liquidity regulatory diagram is composed of the internal documents (model, policies, and procedures) that regulate the proper management, measurement, and control of liquidity risk.

d. Early Warning Indicators

Indicators that allow management to identify liquidity stress situations in advance, including possible intraday stress situations, or potential weaknesses in the Bank's funding and liquidity structure.

e. Risk Appetite and Limit Structure

Liquidity risk limits refer to those minimum thresholds defined with the aim of controlling and managing the liquidity risk to which the unit is exposed.

The unit's liquidity risk appetite is expressed through limits on the most relevant internal and regulatory metrics. The maximum level of risk that the Bank is willing to take before breaching its risk appetite is expressed through management limits on the metrics for which that appetite has been defined. In

addition, to allow effective control of the different types of liquidity risk factors to which the Bank is exposed, management limits are also defined on other metrics for which there is no defined risk appetite limit.

The establishment of liquidity risk limits is a dynamic process that responds to the level of risk appetite established by the Group. This process is part of the annual limit plan, which is promoted by the Group Board, and involves all the units that make it up.

The local Financial Management function is responsible for proposing limits to the local Liquidity Risk function, based on the Group's reference limits.

The control of liquidity risk by means of the limit structure corresponds to a process composed of:

- **Measurement:** The measurement of liquidity risk is carried out through the calculation of metrics, regulatory and internal, which cover all factors likely to generate liquidity risk. The local liquidity risk function is responsible for the calculation of local, regulatory, and internal liquidity metrics, in accordance with the instructions and criteria established by the local regulator and by the local unit.

- **Analysis:** The local liquidity risk function periodically carries out a quantitative and qualitative assessment of the defined metrics, as well as their components, based on the analysis of volumes, trends, reasonableness, contrasts with the evolution of macroeconomic variables and historical evolution of the data.
- **Reporting:** The local liquidity risk function reports the value of the calculated metrics, their compliance with the established limits and a quantitative and qualitative analysis that allows the Bank's senior management to assess the risk profile and make decisions, accordingly.

f. ILAAP Document

The ILAAP document is prepared once a year, at the request of the local and European supervisor, and describes the processes that the institution carries out when identifying, measuring, managing, and monitoring liquidity levels to ensure adequate funding sources and liquidity needs.

g. Behavioral Models

Typically, the measurement of liquidity risk is based on the use of historical data. This data is also used to gauge the limits of regulatory and internal metrics, and the severity of standard stress scenarios.

Supplementing this, the Bank uses different types of models, especially behavioral models.



Metric

The metrics used by the Bank are grouped into 3 categories:

a. Regulatory Metrics

- **HQLA:** Corresponds to the Bank's High Quality Liquid Assets (HQLA). The composition and volume of the Bank's liquid assets are presented in the table below.

Figures in Ch\$m	December 2023	
	Cash Flow	Weighted Flow
Liquid Assets - Level 1	3,510,961	8,041,746
Liquid Assets - Level 2	6,240	5,304
Liquid Assets - Other	2,610,831	0
Total	6,128,033	8,047,050

- **Liquidity Coverage Ratio (LCR):** This metric aims to promote the short-term resilience of banks' liquidity risk profile, ensuring that they have sufficient ALLACs to withstand a significant stress (idiosyncratic and market) scenario for 30 calendar days.

* Average information for the quarter
[INCLUDE ANALYSIS OF VARIABILITY BETWEEN PERIODS.]

The following table breaks down the components for the calculation of CSF.

LIQ1 - Liquidity Coverage Ratio (LCR)

Figures in Ch\$mn, Average Data for the Quarter	4Q2023		3Q2023	
	Total Unweighted Value (Average)	Weighted Total Value (Average)	Total Unweighted Value (Average)	Weighted Total Value (Average)
High-Quality Liquid Assets (HQLA)	Consolidated		Consolidated	
HQLA	6,879,200	6,878,276	6,090,479	6,089,482
Outflows				
Deposits, demand obligations and other term deposits to individuals and SMEs (retail deposits), of which:	17,916,256	1,202,802	18,240,678	1,225,520
Covered 100% by deposit insurance or guarantee (stable deposits)	11,776,467	588,823	11,970,956	598,548
Not covered or partially covered by deposit or guarantee insurance (less stable deposits)	6,139,790	613,979	6,269,721	626,972
Deposits, demand obligations and other term deposits from wholesale clients not covered or partially covered by deposit or guarantee insurance (unsecured wholesale financing), of which:	3,086,225	2,549,512	2,214,877	1,845,221
For operational purposes (operational depots)	-	-	-	-
Non-operational (non-operational deposits)	2,867,444	2,330,731	2,066,497	1,696,841
Unsecured debt	218,781	218,781	148,380	148,380
Deposits, demand obligations and other term deposits from wholesale customers not covered or partially covered by deposit or guarantee insurance (unsecured wholesale financing), of which:	419,407	83,881	256,129	51,226
Additional requirements, of which:	12,657,453	3,236,812	12,440,342	3,017,195
Outflows from derivative instruments, other additional liquidity, and collateral requirements	2,579,092	2,571,971	2,298,600	2,291,478
Expenses related to the loss of financing in debt instruments	-	-	-	-
Credit and liquidity facilities (lines delivered)	10,078,361	664,842	10,141,742	725,716
Other contractual financing obligations	2,461,904	1,842,560	3,182,870	2,303,651
Other contingent funding obligations	2,423,339	235,224	2,267,817	224,191
Total outflows		9,150,793		8,667,002
Revenue Streams				
Secured credit (loans, repos)	3,671,616	1,104,268	3,462,032	1,001,256
Income from fully current-to-pay positions (cash and cash equivalent, non-derivative financial investments)	2,074,976	2,066,739	2,316,949	2,301,534
Other income (derivatives and other assets)	3,815,542	2,249,768	3,487,270	2,153,519
Total Revenue		5,420,775		5,456,309
		Adjusted total		Adjusted total
Total HQLA		6,878,276		6,089,482
Net Expenditures		3,730,018		3,210,693
LCR (%)		184.11%		189.69%

*Average information for the quarter

- **Net Stable Funding Ratio (NSFR):** The NSFR is a metric used for the measurement of long-term liquidity risk. This metric compares the amount of stable funding available to the amount of stable funding required.

The following table breaks down the components for the NSFR calculation.

LIQ2 - Razón de financiamiento estable neta (NSFR)

Figures in Ch\$mn, Average Data for the Quarter	Unweighted value due to contractual maturity				Weighted Value
	No expiry (band 1)	< 6 months (bands 2, 3 and 4)	6 months to 1 year (band 5)	≥ 1 year (band 6 and 7)	
Available Stable Funding (ASF)					
Capital:	3,798,093	-		2,478,783	5,899,871
Regulatory Capital	3,798,093	-	-	2,478,783	5,899,871
Other Equity Instruments	-	-	-	-	-
Deposits, demand obligations and other term deposits to individuals and SMEs (retail deposits), of which:	11,692,853	9,095,710	336,163	60,777	18,951,318
Covered 100% by deposit insurance or guarantee (stable deposits)	11,692,853	83,614	-	-	10,598,820
Not covered or partially covered by deposit or guarantee insurance (less stable deposits)	-	9,012,096	336,163	60,777	8,352,499
Deposits, demand bonds and other term deposits from wholesale clients, of which:	1,467,514	6,754,108	3,551,917	517,899	3,105,276
For operational purposes (operational depots)	-	-	-	-	-
Non-operational and other wholesale funding	1,467,514	6,754,108	3,551,917	517,899	3,105,276
Liabilities with matching interdependent assets	791,606	-	-	-	-
Other liabilities, of which:	1,050,862	5,643,602	4,872,152	7,741,710	8,283,644
Derivative liabilities for NSFR purposes	-	744,853	988,324	630,544	-
All other liabilities and equity not included in the above categories	1,050,862	4,898,749	3,883,828	7,111,167	8,283,644
TOTAL ASF	-	-	-	-	36,240,109
Required Stable Funding (RSF)	-	-	-	-	-
Total High Quality Liquid Assets (ALAC) for NSFR Purposes	-	-	-	-	388,493
Deposits held at other financial institutions for operational purposes	8,236	1,183,165	-	-	185,973
Loans and securities performing:	1,461,999	8,296,375	4,674,874	35,506,298	29,170,192
Performing loans to financial institutions secured by Level 1 HQLA	225,576	5,683,623	2,801,046	9,654,804	10,918,896

LIQ2 - Razón de financiamiento estable neta (NSFR) (cont.)

Figures in Ch\$mn, Average Data for the Quarter	Unweighted value due to contractual maturity				Weighted Value
	No expiry (band 1)	< 6 months (bands 2, 3 and 4)	6 months to 1 year (band 5)	≥ 1 year (band 6 and 7)	
Available Stable Funding (ASF)					
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,236,423	1,521,706	1,114,658	3,230,656	4,457,389
Performing loans to financial corporate clients, loans to retail customers and small businesses, and loans to sovereigns, central banks, and PES, of which :	-	-	-	-	1,219,413
With a risk weight less than or equal to 35% according to the BII Standard Approach for the treatment of credit risk	-	-	-	-	-
Residential mortgage loans, of which:	-	1,091,047	759,171	22,620,837	12,574,493
With a risk weight less than or equal to 35% according to the BII Standard Approach for the treatment of credit risk	-	-	-	-	-
Securities that are not in default and are not eligible as HQLA, including securities traded on securities exchanges	-	-	-	-	-
Assets with matching interdependent liabilities	-	-	-	-	-
Other assets:	6,449,632	12,369,260	656,276	4,668,875	6,719,068
Physically traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties	-	-	-	-	-
NSFR derivative assets	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	827,700	474,789	3,158,670	4,461,158
All other assets not included in above categories	6,449,632	11,541,560	181,488	1,510,206	2,257,910
Off-balance sheet items	-	-	-	-	-770,265
TOTAL RSF	-	-	-	-	35,693,462
NSFR (%)					102%

- **Additional Liquidity Monitoring Metrics (ALMM):** This is a regulatory report that in turn includes 6 reports that measure a series of risks, such as concentration or mismatch, not covered by other metrics such as LCR or NSFR.

- **Asset Encumbrance (AE):** This metric measures the proportion of total assets encumbered, and therefore not available for financing, to the total assets of the Bank.

- **Intraday Liquidity Risk Metrics (ILRM):** Seven metrics defined by the Basel Committee on Banking Supervision that serve to measure intraday liquidity risk.



b. Local Regulatory Metrics

- **Consolidated Term Mismatch (C46):** Measures and controls the liquidity position through the difference between cash flow outflows and inflows at the consolidated level, inside and outside the country, for terms of 30 days and 90 days in foreign currency.
- **Concentration Indices (C47):** Monitoring of liabilities to ensure a diversified financing matrix, in terms of terms, instruments and counterparties, in accordance with the business profile and risk tolerance.
- **Liquidity Ratios (C49):** Seeks to strengthen the liquidity framework by introducing minimum short- and long-term standards. It consists of a local version of the LCR and NSFR.

c. Internal Metrics

- **Minimum Liquidity Buffer:** The minimum liquidity buffer represents the liquidity needed to be able to meet the most severe liquidity needs in the time horizon set as the limit among all the stress scenarios considered. In addition, the necessary liquidity must comply with a liquidity quality ratio.
- **Minimum Intraday Liquidity Buffer:** The minimum buffer represents the necessary intraday liquidity available to meet payment obligations during the day in normal and stressful situations.
- **Standard Stress Scenarios:** These are liquidity horizons where the liquidity buffer valued in stress situations is compared with liquidity outflows caused by the same stress situation. There are four standard scenarios, idiosyncratic, local market, global market, and combined.
- **Intraday Stress Scenarios:** The intraday liquidity buffer is pitted against unexpected liquidity consumption due to delays in expected collections during the day.
- **Wholesale Liquidity Metric:** This is a liquidity horizon where the liquidity buffer is compared against liquidity outflows caused by the non-renewal of wholesale funding. This metric aims to measure the short-term liquidity risk of the Bank, as well as the risk of wholesale funding concentration.
- **Structural Asset Encumbrance:** This metric measures the proportion of total structural assets encumbered and, therefore, not available for long-term financing, against the Bank's total assets.
- **Additional Liquidity Indicators:** These complement the regulatory and internal metrics and serve to measure other liquidity risk factors that have not been covered by them: concentration of liability counterparties, concentration of maturities by term¹, concentration of wholesale funding, or concentration of level 1 assets.

¹ To review the table with the items on and off the balance sheet broken down by maturity, review note 45 of the financial statements available on the Bank's website.

Below is a table summarizing the main concentration metrics used by the Bank to assess the diversification of funding sources and financing instruments.

Concentration Metrics

Scope	Metric	Value
Concentration of financing by counterparty type	Balance of retail counterparties over Total Liabilities with third parties (%)	38%
	Balance of financial wholesale counterparties over total liabilities with third parties (%)	50%
	Balance of non-financial wholesale counterparties over total liabilities with third parties (%)	12%
Concentration of financing by type of fundraising instruments	% Deposits on total liabilities with third parties	44%
	% of bonds, letters of credit, repos, and interbank loans over total liabilities with third parties (%)	27%
	% other funding instruments	29%



Stress Testing

The local Liquidity Risk function is responsible for identifying the liquidity risk factors to which the institution is exposed and for analyzing and identifying the most relevant "Top Risk" events that may trigger the materialization of these factors. Based on this analysis, the local risk function proposes and documents the different liquidity stress tests, including intraday liquidity stress tests.

This analysis is carried out periodically to look for areas for improvement, identify new risk factors, discuss the validity of the stress tests and the methodology used, incorporate the comments and recommendations of the competent authorities and the Group, and measure the adequacy of the existing documentation.

Standard scenarios are based on severe and extreme events, exceptional, but plausible that are highly relevant to the institution. It also takes into account the Bank's business and financing model, its activities and structure, its size, its interconnection with other entities or with the financial system in general and, in particular, any vulnerable or weak points of the entity that have been identified.

- **Idiosyncratic scenario:** The one that considers events that would only have serious negative repercussions for the entity. Under this scenario, Banco Santander finds itself in an internal crisis due to mismanagement or reputational risk events. Rating agencies can reflect this distrust by lowering the long-term credit rating by 3 notches. This situation causes a general distrust of the markets and customers towards the bank.
- **Local market scenario:** The one that considers events with serious negative repercussions for the financial system or the economy where the Bank is located. This situation leads to an increase in sovereign debt, and the risk premium reaches maximum levels, reflecting the distrust of investors and the population towards the local financial market. At the same time, this deterioration of the financial system leads to an increase in deposit outflows. In this context, rating agencies could reflect this lack of confidence by reducing the long-term credit rating by 2 notches.
- **Global market scenario:** The one that considers events with serious negative repercussions for the global financial system. Under a scenario of global systemic crisis, there is a deterioration of the world economy, mainly in the United States and Europe, infecting the main emerging countries (BRIC). These

economies have increased unemployment, deteriorating GDPs, generalized deficits, and currency devaluations. There are also generalized declines in the main world stock markets, causing distrust in the main global institutions. The financial system is infected by the economic environment, mismanagement is causing insolvencies in financial institutions around the world. Central banks are trying to revive activity and provide liquidity to the system.

- **Combined scenario:** A combination of more severe idiosyncratic and market events (local and global) occurring simultaneously and interactively.

Once the parameters have been agreed, after their validation by the Group's Liquidity Risk and Financial Management areas, the local Liquidity Risk area is responsible for the calculation, monitoring and reporting of the results of the liquidity stress test set.

Encumbered Assets

With regard to the management of encumbered liquid assets, the following table shows the Bank's assets encumbered in financial operations or transferred as collateral over total assets.



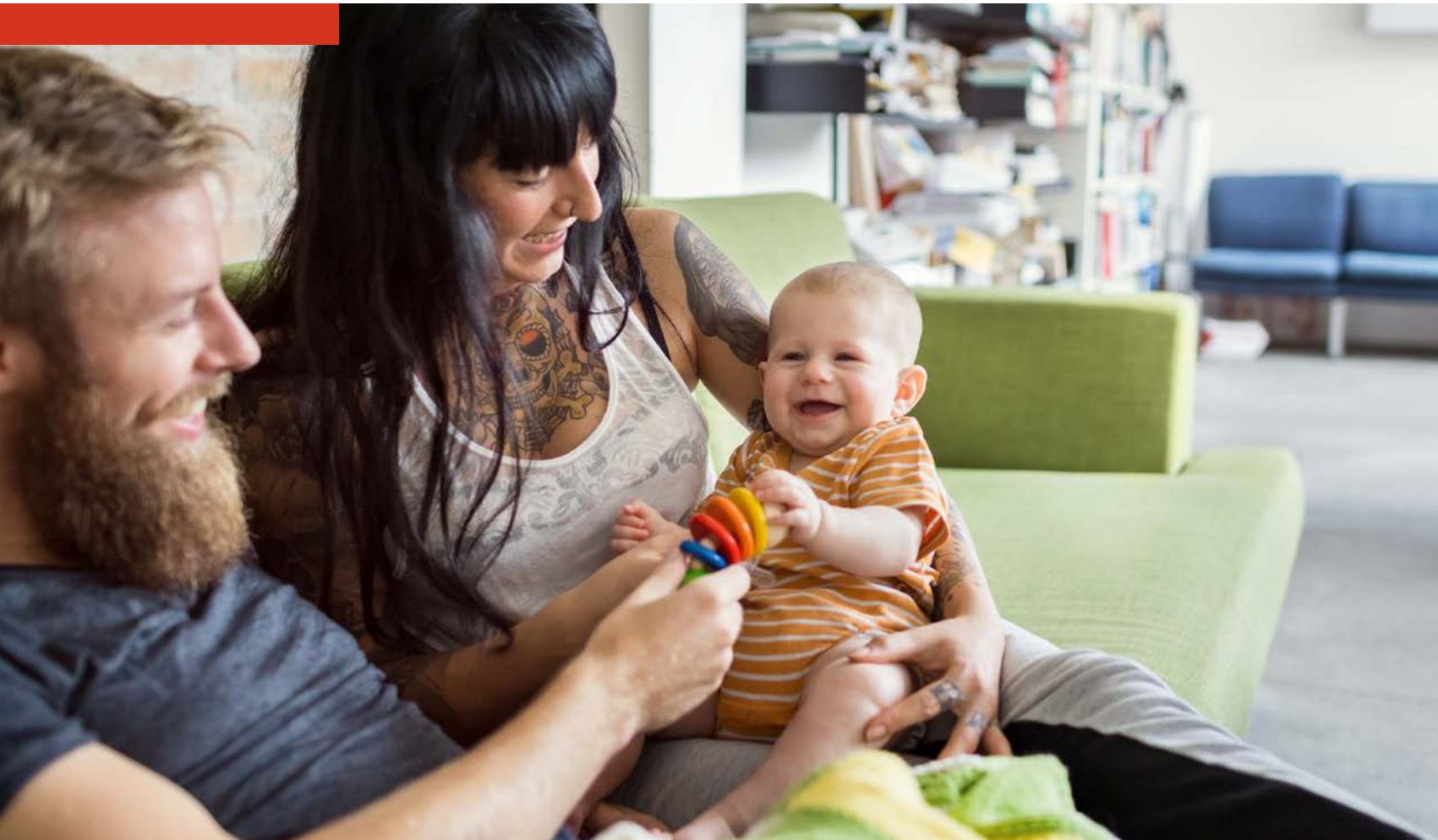
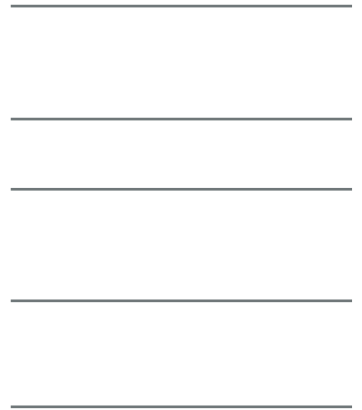
ENC - Assets Encumbered

Figures in Ch\$mn	Encumbered Assets	Central Bank Facilities	Unencumbered Assets	Total
Cash and deposits in banks	Assets		869,832	2,723,282
Cash items in process of collection			812,524	812,524
Financial assets for trading at fair value through profit and loss	-285,587		10,503,381	10,217,794
Non-marketable financial assets mandatorily measured at fair value through profit or loss			0	0
Financial assets designated at fair value through profit and loss			0	0
Financial assets at fair value through other comprehensive income	1,630,895		3,010,387	4,641,282
Financial derivative contracts for hedge accounting			605,529	605,529
Financial assets at amortized cost	8,176,895	1,191,297	38,466,486	47,834,678
Investments in associates and other companies			55,284	55,284
Intangible assets			97,551	97,551
Property, plant, and equipment			198,744	198,744
Right of use assets			153,528	153,528
Current taxes			146	146
Deferred taxes			428,549	428,549
Other assets	2,238,899		807,707	3,046,607
Non-current assets and disposal groups for sale			42,390	42,390
Total assets	13,614,553	1,191,297	56,052,037	70,857,886

INCLUDING ANALYSIS OF VARIABILITY BETWEEN PERIODS



9 Remunerations





This chapter covers the disclosure requirements of the qualitative form REMA - Remuneration Policy, REM1 - Remuneration awarded during financial year, REM2 - Special payment and REM3 - Deferred remuneration.

For the remuneration management process, Banco Santander has its own remuneration policy, called the Research and Remuneration Policy, which lays the foundations of the Bank's remuneration system and defines all aspects related to fixed and variable remuneration and benefits granted to employees.

The scope and application of this Policy is strictly local and transversal for all employees of Banco Santander Chile.

The contents of this Policy are subject to annual review where any changes or modifications that are considered appropriate are made.



General features of the Policy

The objective of the Remuneration Policy is to generate actions that neutralize obstacles, enhance strengths, encourage the securing of opportunities and ensure the alignment of remuneration practices with the business strategy, the company's values and culture, creating value for shareholders, customers, employees and society.

All remuneration is designed to promote a culture of high performance in the context of a responsible bank, where people are rewarded and recognized for

their performance, for their abilities and for the impact that their work has within the Group. At the same time the Bank seeks to ensure that its remuneration policy does not encourage behavior that could jeopardize the maintenance of a solid capital base or reputation and that it is also compatible with risk management parameters.

The Policy ensures internal equality in remuneration, establishing and maintaining a structure consistent with

the relative importance of the posts, in such a way that, the higher the level of responsibility and/or complexity, the higher the fixed level of remuneration.

The aim is to promote the attraction and retention of employees with outstanding performance, while at the same time establishing Santander's remuneration practices in a clear and concise manner with its key guiding principles and minimum standards of mandatory compliance.

Governance Structure

In the following section the participants and their role in the local Remuneration Policy are described.

Area of Remuneration Policies and Research

This area is in charge of defining the Remuneration Policy, taking as a reference the corporate model and in accordance with the local legal and labor regulations and laws.

The responsibilities of this area also include the research of market information, defining salary scales by business, approval of variable incentives and the development of management tools.

Business Partners & People Manager

They are primarily responsible for ensuring compliance with policies, procedures, and the allocated budget. They also advise the executive line.

Compliance Management

This area is responsible for ensuring proper compliance with the Remuneration Policy, based on the general principles and good practices defined therein, ensuring that its application does not mean or promote conflicts of interest or regulatory breaches.

Directors & Managers

Their main responsibilities are to plan salary actions together with the Business Partner and People Managers team and to proactively communicate income decisions that affect their staff and apply the Remuneration Policy.

Remuneration Committee

A Board committee that defines and validates incentives for Santander Chile's top executives based on the current local policy, safeguarding the relationship between incentive and performance.



Identification of collectives



The following formal groups are in force within the organization.

Promontory and Lighthouse Collective

Those employees who perform the most relevant functions of Banco Santander Chile and who have been appointed by the Human Resources Committee of Grupo Santander.

- **Promontory:** Country Heads, Corporate Executive Vice-Presidents and other roles of significant strategic impact. In the case of Chile, it includes the Country Head.
- **Faro:** Members of the Executive Management Committee of the main countries and businesses of the Group and employees in the most important positions that report to the EVP and Corporate areas. In the case of Chile, it is the Steering Committee.

Material Risk Takers (MRT)

Employees whose professional activity has a material impact on the Bank's risk profile in accordance with the criteria established in the EU Commission regulation and is also based on quantitative, qualitative and internal criteria defined by Grupo Santander. The rules, principles, and interpretation criteria for the correct identification of significant risk takers will be based on the applicable regulations.

Based on the above, the criteria used by the Bank to identify the MRT group are:

a. Qualitative criteria:

Those who perform their duties in a material business unit:

- I. Members of the Board of Directors and Senior Management.
- II. Staff members with managerial responsibilities with respect to the entity's control functions or major business units.
- III. Responsible for legal affairs, soundness of accounting policies and procedures, finance, including taxation and budgeting, conduct of economic analysis, prevention of money laundering and terrorist financing, human resources, development and implementation of remuneration policy, information technology, information security, and management of essential or important function. This also includes members of top-level risk committees and managers with the power to initiate, approve or veto relevant credit and market risk proposals.

b. Quantitative criteria:

The quantitative criteria followed by the Bank are:

- I. Staff members who have received significant remuneration in the previous financial year.
- II. Staff members who have been granted a certain amount of total remuneration in the previous financial year.

- III. Staff members whose remuneration is within 0.3% of the previous year.

c. Internal criteria:

Regarding the internal criteria defined by the Bank, the following have been identified:

- I. Staff members or members of a committee with certain levels of responsibility for credit or market risk in certain material units.
- II. The heads of a business unit with a banking license.
- III. Staff members who have managerial responsibilities in relation to a group of employees in a material unit.
- IV. Staff members who manage a staff member who meets one of the qualitative criteria.
- V. Any other individual who, due to their role or remuneration, may have a material impact on the Bank's risk profile.

Collective Control Functions

Collaborators who belong to the Risk, Compliance and Audit EVPs.

Application criteria for remuneration

General Criteria

Remuneration must be in line with the interests of shareholders, focused on medium-term value creation and be compatible with rigorous risk management and with the company's strategy, values and long-term interests. In addition, the criteria for remuneration must consider the maintenance of a solid capital base, ensuring that its parameters are objective, measurable and auditable.

Conflict of interest must be avoided when making remuneration decisions, so that the Grupo Santander and its employees are not influenced by a secondary interest. In addition, remuneration must comply with applicable local laws and regulations.

Remuneration is individual in nature and there may be different remunerations and incentives for the same position, depending essentially on the merit of each person.

Banco Santander seeks to maintain adequate equity among all people in the same position, safeguarding the principle of equal opportunities, which are based, among other reasons, on skills, qualifications, suitability, and responsibility.

Specific criteria

The following specific criteria have been defined as the guidelines, features and limitations of the Bank's remuneration system.

a. Fixed remuneration

Fixed Remuneration is everything guaranteed and agreed upon by an employment contract and in accordance with the responsibilities and complexities of the position, regardless of characteristics such as sex, age or other. It must comply with all legal and regulatory requirements in force in the country.

Every position within the Organization has a relative weight, which is determined by the valuation of each position. This paygrade has a salary band with areas of possible growth. Location in the salary band will depend on the evolution of compensation due to salary adjustments.

The salary zones identified are:

- **Salary Zone A:** This is a development zone that is usually the range of remuneration that is received at the time of entering a new paygrade level. It is reviewed annually and through market studies, the minimum starting limits of Zone A with respect to the midpoint are determined.
- **Salary Zone B:** Income in a state of maturity. This zone is in the midpoint of the respective paygrade.
- **Salary Zone C and C+:** Extension income. It is reviewed annually and is defined according to market studies which determine the maximum limits of Zone C with respect to the midpoint..



b. Variable remuneration

Variable remuneration is non-guaranteed remuneration that is obtained based on individual and/or group performance. In any case, this must be previously authorized by the Remuneration Policies and Research area. Its purpose is to reward outstanding performance, the achievement of proposed goals, excellence management and over achievement based on good practices, in compliance with standards and keeping risk under control. This type of remuneration seeks to encourage the creation of value, retain key people and positions in the medium and long term.

All employees are eligible to participate in an incentive that rewards the management of excellence and/or overachievement of goals defined for their position or unit, either by Commissions, Results Contests, or annual management bonus. Employees will be included in these incentives according to the position and unit in which they work, being exclusive of each other, except in the case of certain campaigns that can be transversal.

In the case of significant risk takers, they will receive either a deferred incentive or a long-term incentive, which will be received in full on a deferred basis and at least 50% in instruments and will be subject to the application of clawback clauses.

For employees of the Promontory collective, variable remuneration will be subject to additional long-term objectives related to long-term strategic aspects which each year are given a high priority.

The Bank identifies the following variable remuneration instruments:



- **Base or reference bonus:** Corresponds to a reference amount assigned to the employee depending on the level of responsibility, type of function, position, expertise, market references, among other factors. Over the base bonus amount the final calculation of the annual management bonus to be paid will be made, as regulated in the Policy and based on the results of the country, the area and each individual's performance.
- **Annual Management Bonus:** Incentive aimed at the support areas (Back Office), which support the Front Office units, and which have a direct impact on the monitoring and control of front office functions. This amount will be established in local currency and will be based mainly on the level of responsibility of the collaborator, market references, as well as other criteria duly justified by the Remuneration Policy and Research area.
- **Campaigns:** It is a specific incentive whose objective is to enhance certain focuses of the business. They are not contractually agreed, and their activation should be sporadic.
- **Result Contests:** Periodic incentives over time that seek to align the company's objectives with the individual and group management of the areas through weightings. They measure results and reward compliance and over-compliance with goals and/or budgets.
- **Commissions:** These are contractually agreed (through the signing of an annex to the employment contract).
- **Variable remuneration pool:** The individual variable remuneration will be allocated from the bonus pool available for each country, which will be obtained because of an iterative process that will begin in the last quarter of the year and will be approved at the beginning of the first quarter of the following year by the Group's governing bodies detailed below. Each country's bonus pool will be determined as follows:
 - Country assessment
 - The Group's assessment
 - General Adjustments for Risks and Control Environment
 - Extraordinary adjustments
- **Minimum characteristic of the variable bonus pool:** Both quantitative and qualitative criteria must be considered that reflect the treatment given to the client, service quality, management based on good practices and compliance with applicable regulations. In addition, the weight, thresholds, and impact of qualitative metrics in the calculation of variable remuneration must be relevant and effective to ensure that the quality of customer service and the services provided, as well as risk management, is present in the daily activity of employees.

c. Fixed and variable remuneration ratio

In general terms, variable remuneration may not exceed 100% of the annualized fixed component, unless authorized by the Steering Committee. Even the possibility of no variable compensation being paid should be considered.

In the case of the Promontory, Lighthouse and MRT collectives, the limit may be increased extraordinarily up to a maximum of 200% of the fixed remuneration if the local Steering Committee approves.



d. Methodology for determine employee remuneration

The main concepts used to define remuneration and their respective means of measurement are summarized as follows:

- **Individual Merit:** Adjustments for meritocracy includes cases in which growth is being achieved within the same position without changing functions or to units of greater relevance while maintaining the same paygrade. Formal instruments associated with the performance cycle are used for the evaluation of merit.
- **Salary market:** By means of market research, the salaries that are being offered in the labor market by certain employee profiles are evaluated. With this information it is defined if the salary zone in which the worker's fixed remuneration is located can be moved.
- **Level of responsibility of the position:** the higher the level or degree of responsibility and/or complexity, the higher the level of fixed remuneration.
- **Internal Equity:** At an equivalent level of roles, responsibilities, and performance, pay must be equitable for both men and women. To measure this, the internal relative position is evaluated, which compares individual remuneration with the average remuneration of people in positions of the same level.
- **Development Potential:** Based on a series of criteria, the employee's development potential is defined.

e. Application of Clawback Clauses

Clause that allows Santander to reduce the value of all or part of the deferred variable remuneration based on certain circumstances for members of a collective or MRT.

This clause may be applied to any variable remuneration of MRT, with respect to a given period, when these events originate from the employee's failure to comply with the obligations contained in his or her employment contract.

It begins with the occurrence of an identified event that signifies poor financial performance of the entity as a whole or of a specific EVP or exposures generated by their staff.

Among the most common factors that trigger this clause are significant failures in risk management committed by the entity, or by a business or risk control unit, regulatory sanctions or judicial convictions for acts that could be attributable to the unit or the personnel responsible for it, irregular conduct, whether individual or collective, among others.



For more information, please refer to Pillar III corporate in the following link

Remuneration awarded

In this section, the remuneration granted to the identified collectives will be disclosed, considering the particularities of the Bank's remuneration model.

Regarding the publishing of the REM1 template included in Pillar III Remuneration guidelines (quantitative), in those cases where information includes less than 5 Executives, it will not be disclosed in order to guarantee the confidentiality and privacy as stated in article

154 bis of the Labor Code. This states that "The employer must maintain the confidentiality of all the information and private data of the worker to which it has access on the occasion of the employment relationship" and as stated in 5 of the Labor Code: The exercise of the powers that the law recognizes to the employer, is limited to respect for the constitutional guarantees of workers, especially when they could affect their intimacy, private life or honor

Paid in the period

REM1 - Remuneration paid during the financial year

Amount of remuneration		2023	
		Senior Managers	Other employees who take material risks
Figures in Ch\$mn			
Fixed remuneration	Number of employees	15	15
	Total fixed remuneration (3 + 5 + 7)	6,199	2,323
	Of which, cash	6,199	2,323
	Of which, deferred	0	0
	Of which, shares or other instruments linked to the shares	0	0
	Of which, deferred	0	0
	Of which other forms	0	0
	Of which, deferred	0	0
Variable remuneration	Number of employees	15	14
	Total variable remuneration (11 + 13 + 15)	5,663	1,720
	Of which, cash	2,871	860
	Of which, deferred	1,117	344
	Of which, shares or other instruments linked to the shares	2,791	860
	Of which, deferred	1,117	344
	Of which other forms	0	0
	Of which, deferred	0	0
Total remuneration (2+10)		11,861	4,043

Extraordinary**REM2 - Extraordinary remuneration**

Figures in Ch\$mn	2023					
	Guaranteed bonuses (salary)		Sign-on awards		Severance pay	
	Number of employees	Total Amount	Number of employees	Total Amount	Number of employees	Total Amount
Senior Management	15	4,037	15	7,824	-	-
Other material risk takers	15	1,722	15	2,320	-	-
Total	30	5,760	30	10,144	-	-

Deferred**REM3 - Deferred Remuneration**

Figures in Ch\$mn	2023				
	Total amount of outstanding deferred remuneration	Of which: total amount of outstanding deferred and retained remuneration exposed to ex post explicit or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior Management	7,154	7,154	-201	1,301	2,277
Cash	2,052	2,052	-127	83	671
Shares	5,103	5,103	-73	1,218	1,606
Share-linked instruments	-	-	0		
Other	0	0	0	0	0
Other MRT	1,793	1,793	0	328	582
Cash	505	505	0	20	196
Shares	1,288	1,288	0	308	386
Share-linked instruments			0		
Other	0	0	0	0	0
Total	8,948	8,948	-201	1,629	2,859

