

Integrated Annual Report

Financial / Sustainability

2020



santander.cl





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In Santander we work to contribute to the progress of people and companies, creating value to our diverse interest groups.

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This annual report can also be found in <https://santandercl.gcs-web.com/financials/annual-reports>

Santander 2020 at a glance

GRI [102-7]

Summary of Financial Results

MMM\$ 55,776

Assets

MMM\$ 34,409

Total liabilities

MMM\$ 52,123

Total loans

2020 Main figures



Shareholders

+5.1%

Loan growth

14.5%

ROAE



Customers

3.6

Million customers

↑32.1%
1,508,530

Current accounts
(including Life and Superdigital)

Collaborators

10,470

Total

54.3%

Women



Suppliers

2,840

SMEs
suppliers

99%

Locals
suppliers

Society

MMM\$ 5.58

Total Community Contribution

MMM\$ 25,143

Total deposits

MM\$ 552,563

Total consolidated income

MMM\$ 3,653

Equity

1.1%

ROAA

MMUS\$ 8,946

Market capitalisation

3.8%

Return on dividends paid in 2020

484,992

Santander Life customers

Nº1

Customer satisfaction

↑8.6%

764,407

Loyal customers

↑24.0%

1,546,524

Digital customers

21.5%

Women in leading positions

74.9%

Unionization

24

Award-winning suppliers

98%

bills paid in less than 30 days

Volunteering

646

Volunteers

728,540

Financially empowered people



Environment

	2018	2019	2020
Paper consumption (ton)	1,512	1,268	674
Paper recycling (ton)	534	1,256	840
Electronic waste (ton)	148	32.4	22.8
Power consumption (MWh)	28,640	28,139	24,307
Water consumption (m ³)	103,420*	149,106	102,780
Total emissions (tCO ₂ eq)	18,377	16,148	11,143

*Estimate

Covid-19 Response

Framework for exceptional situations

The Board of Banco Santander Chile has permanently monitored the impacts from the pandemic nationally, regionally, and around the world, in order to identify risks and opportunities and drive the actions needed to guarantee the operation and accompany the regulatory changes associated to the sanitary emergency.

Contingency activation plans

Banco Santander prioritizes the continuity of its services without affecting the quality through the reinforcement of its digital channels and the adoption of measures to protect the health of its collaborators, such as teleworking and sanitary protocols.



Clients

The Bank focused in four areas: financial initiatives to mitigate the effects of the sanitary crisis, prioritization of virtual channels, the creation of digital products and the reinforcement of existing products, and sanitary prevention measures in operating spaces. (ref 3. Creation of value for interest groups/ Creating value for clients)

- **Financial support**
 - Granting of FOGAPE loans for SMEs
 - Reprogram of housing and commercial loans
 - Covid-19 loans for people and companies
 - Support management and coordination to make pension fund withdrawal payments easily
 - Reinforcement of control and management of non-performing loans.
- **Prioritization of virtual channels**
 - Remote integrated management
 - Communicational campaign to foster the preference for online attention
 - Reinforcement of call centers
- **Digital products**
 - Santander Life, 100% digital account
 - Superdigital, app with a limitless account
- **Sanitary prevention in branches**
 - Strict sanitary protocols
 - Adapted spaces
 - Preferential lines
 - Physical distancing.



Collaborators

Santander Chile concentrated its efforts in the health care and security of its collaborators through the adoption of preventative measures and the establishment of protocols to avoid contagion. (ref 3. Creation of value for interest groups/ Creating value for collaborators)

- **Health and labor security to confront the pandemic**
 - Early adoption of preventative measures and the establishment of protocols destined to avoid contagion
 - Proactive requests for collaborators to avoid unnecessary travel, postponement of large meetings and the enforcement of reporting any suspicion of contagion.
 - Creation of the support plan to confront the pandemic (which sought to inform, raise awareness and reinforce measures)
 - Creation of support groups for collaborators with Covid-19
 - Course of self-care for Covid-19 in Academia Santander
 - Launching of the program Santander está Contigo, a confidential support channel for collaborators.
- **Teleworking implementation**
 - Implementation of tools to share files, have video calls and safe connection from home.
- **Adaptation of corporate offices**
 - Reinforcement of social distancing, with the habilitation of alternative work stations.
 - Segregation of teams
- **Work and family life conciliation**
 - Payment advancements
 - Special loans
 - Psychological support services
 - Special workshops

The Bank responded transversally in an individualized and timely manner to each of the interest groups to face the sanitary and financial emergency in 2020, through the digital transformation of its services, implementation of health protocols and financial support plans to those most affected by the pandemic.



Shareholders

In the context of the pandemic, the Bank has complied with all of the obligations with its shareholders. (ref 3. *Creation of value for interest groups/ Creating value for shareholders*)

- **Shareholders meetings held remotely**
- **Santander Digital Talk 2020, the first virtual event for investors.**



Excellence in execution (technology and suppliers)

The Bank was able to guarantee the continuity of its business and the operation, with the least impact to its clients and suppliers, through the rapid and robust adaptation of its platforms and a change in the internal architecture. (ref 3. *Creation of value for interest groups/ Excellence in execution*)

- **Adaptation of the internal operation**
 - Infrastructure, connectivity and security for collaborators.
 - Reinforcement of the secure and robust remote access.
- **Generation of new products and reinforcement of existing products**
 - *Klare, the first 100% Chilean insurtech*
 - *Getnet, the new acquiring solution*
- **Reorganization of systems plan to develop digital solutions to replace presential servicers**
 - Massification of the Santander Pass app.
 - Derivation and creation of digital flows for cash operations
 - Notarization of documents.
 - Electronic signatures and digital flows and requests
 - Chatbots and virtual assistants
 - Digital tools of collections and renegotiations
- **Digitalization of almost 100% of the recruitment, subscription, modification and end of services with suppliers.**



Society

Since its dedicated compromise with the social environment, Banco Santander Chile adopted diverse measures that seek to contribute to mitigate the impact of the sanitary crisis in the country. (ref 3. *Creation of value for interest groups/ Creating value for collaborators*)

- **Corporate volunteering**
 - Proyecto Mesa, where 6,600 collaborators supported 60 community kitchens in different regions in the country.
- **Social contribution in the pandemic**
 - Teleton 2020
 - Participation of the Health Emergency Private Fund
 - Launching of the website "Esto lo superamos juntos" www.estolosuperamosjuntos.cl
 - Vamos chilenos" campaign
 - "Chile Comparte" campaign, pushed by TECHO-Chile
 - Happy boxes
 - Support to the Temuco hospital
 - Internet connectivity to 115 beneficiaries the Soy Más Foundation
- **Innovation, entrepreneurship, and employability**
 - Launching of the Santander Tomorrow Challenge
 - Realization of the Open Bridge Covid-19
 - Relaunching of the Work Café Community for entrepreneurs (free mentoring, showcase for entrepreneurs and SMEs and employability support, toolkit to improve sales and Work Café Conversations)
 - **"Quédate en casa" (Stay home) scholarships.**

Awards

Financial rankings

BEST DIGITAL BANK, ACCORDING TO GLOBAL BANKING AND FINANCE REVIEW MAGAZINE

The English Global Banking and Finance Review Magazine distinguished Banco Santander Chile as 2020's Best Digital Bank on their award edition of the year. This assessor evaluates institutions in terms of the product range offered, the customer digitisation success, attraction and retention of new clients, and the use of digital technologies to improve business processes, reduce costs, and deliver other benefits. Likewise, Santander was the recipient of 2020's Greatest Digital Growth.

This media outlet awarded the branch in Chile in a moment of relevant inaugurations and transformations, including the Life Account, and Superdigital prepaid card, products that can be accessed online.

Furthermore, the publication highlighted Santander Chile as the institution with "Greater Digital Growth within Chile".





National and international awards received by Santander Chile in 2020 are a direct reflection of the advancements and leadership in financial, labor and responsible banking.



SANTANDER ASSET MANAGEMENT RECEIVES TEN AWARDS AT PREMIOS SALMÓN 2020

Santander Asset Management (SAM) was the recipient of ten Salmon APV Awards in the most relevant instance of the industry, which distinguishes the most profitable mutual funds and which are annually bestowed by Diario Financiero (Financial Journal) and LVA Indexes.

Banco Santander's Management received awards for the following funds: 1st place in Santander GO USA, US shareholder category; 2nd place in Select Assets, Chile Shareholder Category; 2nd place in Dynamic Select and 3rd place in PB aggressive, both in the Aggressive Balance category; 1st place Santander C, category Moderate Balance, 1st and 2nd place, Santander D and Santander E respectively, in the Conservative Balance category; 2nd place Santander RLP Pesos, in the Pesos Debt category; 1st place Santander RLF UF, UF Debt category and 2nd place in National Bonds, in the UF Debt over three years category.

BANK WITH THE BEST REPUTATION IN CHILE

For the third consecutive year, Santander Chile is the bank with the country's best reputation, according to the Chilean Bank REP Lab study prepared by the Spanish consultancy Villañafe & Asociados.

This award was obtained due to its excellent performance and objective indicators on reality and recognition.

EUROMONEY DISTINGUISHES SANTANDER'S PRIVATE BANKING IN LATIN AMERICA

Euromoney recognised Santander's Private Banking leadership in various categories in their annual awards, which is one of the most prestigious in the sector.

In 2021, Santander obtained the qualification of best private banking in Spain, Portugal, Mexico, Poland and Chile, and of the best bank for high equity customers in Latin America, the US, Portugal, Chile, Mexico, Poland and Spain.

SANTANDER CHILE IS THE FIRST BANK IN THE COUNTRY TO INTEGRATE THE DJSI EMERGING MARKETS

Banco Santander Chile- and its unwavering commitment to sustainability- was recognised by the Dow Jones Sustainability Index, incorporating the organisation into the emerging markets index. In this way, it became one of seven local businesses that comprise this select group of companies and the first bank to achieve such distinction in the country, solidifying its leadership in this field with a remarkable performance in economic, social and environmental areas.

Santander Chile has set a milestone in its sustainable development trajectory by integrating three of the Dow Jones indexes, which are global referents for markets and investors members of stock-listed companies.

ESG Rankings

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SANTANDER CHILE, FIRST BANK IN CUSTOMER EXPERIENCE

Thanks to its customers, Santander is today the bank leading in customer recommendations according to Net Promoter Score (NPS) of Banks of Chile, Activa Research and ALCO Consultores.

This leading position reflects Banco Santander's evolution beyond the attraction, interpretation of expectations, and evaluations of customers, incorporating their voice as well in each of its developments, interactions and communications.

SANTANDER, LEADING IN SUSTAINABILITY WITHIN THE COUNTRY IN ALAS 20

Banco Santander Chile achieved first place in the Sustainability Leading Business in the local field, in the 2020 edition of the ALAS 20 Awards, for its remarkable commitment to sustainable development, the support to people and businesses' progress, and its care for environmental respect. Furthermore, in this instance, Banco Santander obtained second place in the Corporate Governance category and eighth place in Investors Relations, which recognises the Bank's performance in terms of adherence to the principles of Responsible Banking, which align to the Sustainable Development Goals promoted by the United Nations, and in direct relation to social, environmental and governance practices.

BANCO SANTANDER, AMONG THE BEST BUSINESSES IN EMERGING MARKETS

The Branch of Banco Santander in Chile was distinguished among 100 companies with the best score in the Vigeo Eris ranking, which has enabled the organisation to solidify its position as a company responsible for its business development, always upholding the ESG factors (environmental, social and governance) in its strategy.

Vigeo Eiris is an agency that assesses companies that integrate the ESG criteria to their strategy, operations and management, committed to promoting economic development, responsible investment and the creation of sustainable value. The 2020 edition of emerging markets ranking considered 843 companies of 32 areas and 31 countries.



Human resources awards

SANTANDER IS THE BEST COMPANY TO WORK IN CHILE, ACCORDING TO GPTW

One of Santander Group's objectives is to be among the best places to work within the major regions it is present, a commitment that has today become a reality in our country. In its 2020 edition, Great Place to Work bestowed Santander the first place among Chilean companies with over a thousand collaborators.

In this way, the organisation reached for the first time the top position in this ranking that recognises performance in terms of organisational climate and culture.

SANTANDER CHILE, ONLY BANK IN THE REGIONS WITH A TOP EMPLOYER CERTIFICATION

For the third consecutive year, Banco Santander received the Top Employer certification, which globally recognises the companies with the best conditions for the development of their employees, both personally and professionally, and which offer the highest standards in the value proposition for them, thus promoting a favourable internal climate.

The certification is handed by the Top Employers Institute, a global organisation with over 30 years of experience.

CLAUDIO MELANDRI, CEO OF THE YEAR FOR EXCELLENCE IN PEOPLE'S MANAGEMENT

Banco Santander Chile's President and Country Manager, Claudio Melandri, was distinguished by the International Organization of Human Capital Management, with the 2020 DCH CEO Award to Excellence in People's Management. He became the country's first business leader to be recognised with this award that DCH bestows at an international level and that beginning 2020 was expanded locally.

MERCO TALENTO: SANTANDER AMONG THE BEST COMPANIES TO WORK IN CHILE

In Merco Talento Chileno's seventh edition, Banco Santander held the fifth place in the ranking, which distinguishes the companies with the highest capacity to attract and retain talented professionals in the country. Merco Talento gathers and analyses different reputational domains concerning talented professionals in companies through various audiences that assess three critical values in companies that determine their working appeal: occupational quality, employment brand, and internal reputation. Just like in 2019, Banco Santander Chile was third among financial institutions and the banking industry.

Other awards

BANCO SANTANDER IS DISTINGUISHED WITH FOUR 2020 EIKON AWARDS

Banco Santander obtained four recognitions in the 2020 Eikon Awards, destined to distinguish institutional communication excellence, after receiving three golden statues in the categories of Press Relations for its "Aipef Scholarship, diploma on financial journalism", in Influencers Campaign for its "Santander Fans" Initiative, and in the Multimedia/Institutional Publishing general campaign, for its "Work Café Radio" program. Furthermore, it received a blue statue in the Internal Communications Category for its "Somos Santander" App.

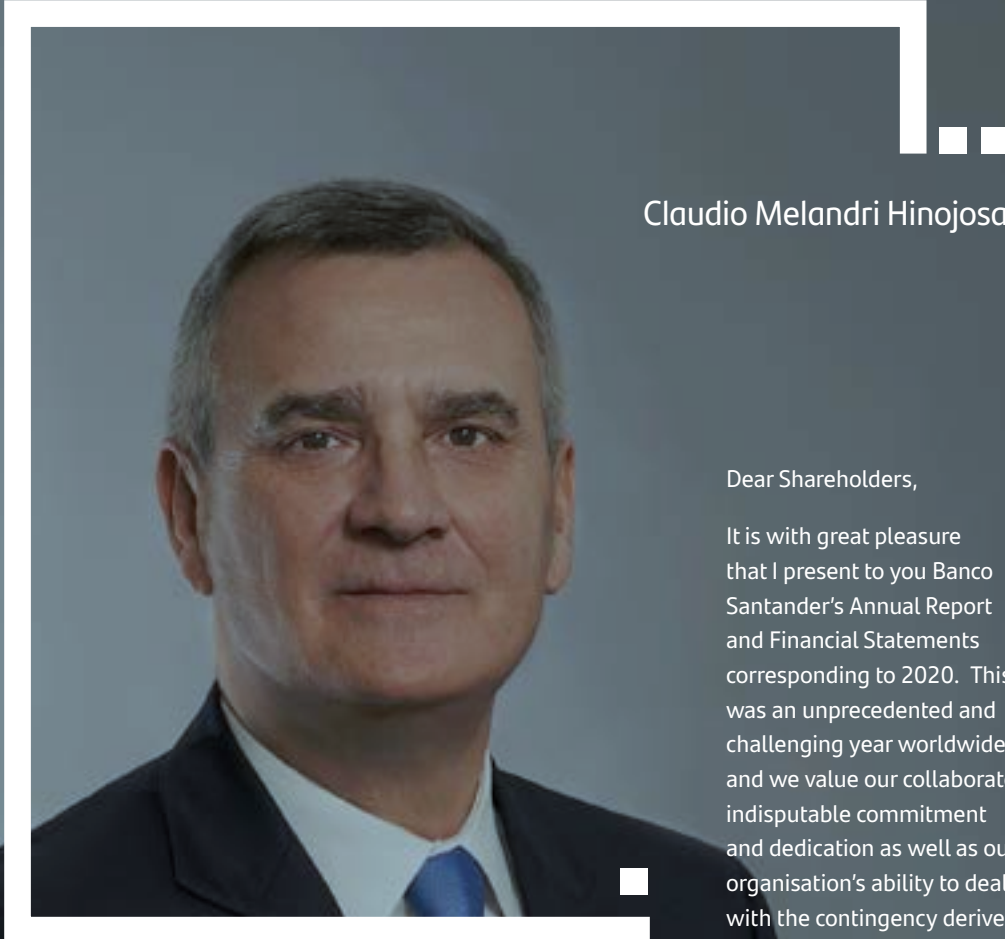
The Eikon Awards, which emerged in 1998 in Argentina, and that expanded to Chile in 2019, seek to distinguish the institutional communication industry and are handed by Ediciones GAF, with the support of Universidad Católica de Chile's Faculty of Communications.

INFORME REPORTA: SANTANDER ACCOMPLISHES FIRST PLACE IN THE BANKING INDUSTRY

Only eight companies of the thirty comprising the Selective Price Index Shares (IPSA) exceeded the 70 points in the 2020 Informe Reporta, one of them being Banco Santander, who obtained seventh place in the general ranking and first place in the Banking and Financial Category.

Furthermore, Santander was the third most distinguished company in the "Transparency" category, which assesses if financial, economic, and operative information is complete and enables learning the performance in these fields and their future prospects; and "Accessibility", where assessors value content that is straightforwardly given and of easy access for the audiences it targets.





Claudio Melandri Hinojosa

Dear Shareholders,

It is with great pleasure that I present to you Banco Santander's Annual Report and Financial Statements corresponding to 2020. This was an unprecedented and challenging year worldwide and we value our collaborators' indisputable commitment and dedication as well as our organisation's ability to deal with the contingency derived from the pandemic. Without the navigation chart that our Strategic Plan represents, and without the exceptional and professional team we count with, it would have proven unimaginable to accomplish the results we were able to deliver our stakeholders, nor manage the excellence in results within all relevant domains of our endeavours in a period fraught by unprecedented complexities.

Indeed, throughout 2020, the organisation I have the honour to lead was able to offer correct and timely solutions to urgent matters we confronted as a society, consolidating its exceptional performance while simultaneously

assuming a leading position among all other banks in the country in terms of quality of service, sustainability, working environment and results. These yielded profits attributable to the Bank's equity holders amounting to \$517,447 million, 6.3% less than during 2019, and a 14.5% ROE compared to 3.6% corresponding to the system without including Santander.

The critical element that decisively defined the past year was, without a doubt, the Covid-19 pandemic, which has not only taken the lives of millions of people throughout the world but has disrupted our living and profoundly hit the economy and employment, particularly impacting vulnerable social groups. Facing this, we decided as a bank to deliver a solid answer that could rise to the challenge.

In the first place, and thanks to the progress in previous years achieved by professionals in the divisions of Technology and Operations, and Human Resources, we accomplished without delay the deployment of a remote working system for

Letter from the President of the Board of Directors and Country Head

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100% of the organisation able to telework. We also enacted security operation protocols for collaborators and customers at the level of our central offices and branches, which remained available throughout a significant part of the year at levels close to 90%, enabling us to fulfil our role as an essential company.

With identical efficiency and speed, and foreseeing the pandemic's effects would be felt particularly by individuals and businesses, we modelled and activated procedures to support our clients in line with public policies enacted to contain the crisis' impact. Thus, coupled with the ample loan restructuring plans for customers affected by the contingency, we added a high level of support within private banking to small and medium companies in the country that adopted the FOGAPE loans program.

At a social level, we adhered without delay to the Emergency Fund structured by the Confederation of Industry

and Trade (CPC); we joined the Vamos Chilenos initiative and offered clear support to the annual Teletón campaign whose success appeared dim in light of the crisis. Likewise, we donated food packages to thousands of families living in camps alongside our 24-year partner Techo Chile, with whom we also created a project we denominated Mesa, through which more than 6,500 of our collaborators accompanied dozen of camps' community kitchens, providing more than 190,000 food rations for the vulnerable sector.

However, the above is not all, and given the confinement situation, we did not wish to neglect one of the most relevant areas of impact of Santander in communities: education. Throughout 2020 we converted our mobility scholarships into connectivity ones; alongside our other historical ally, Fundación Belén Educa, we delivered data connection chips for hundreds of children to their school network; we increased the number and converted

Santander Shelter-to-Learn centres into camps so that in a remote schooling scenario they would be able to support students as printing centres of academic material.

I highlight these milestones because, throughout 2020, we were called to prove as never before in our history that businesses have a duty to adapt to society and its needs, which allows us to be sustainable in the long term. Companies today have to create value for all their groups of interest, which was exactly what we achieved last year as will become patent in our Annual Report.

2020 is a year that also invites us to reflect and value all the good things we have built throughout the last years, making Chile a nation with one of the highest economic progress in the previous decades. If we do not lose this reality from view, the constitutional debate currently being developed will be an opportunity to behold a country where everyone can thrive.

We trust that those that are elected to redact a new constitution will take charge of this chore with responsibility, assigning importance to a stable framework; a solid and solemn fiscal and monetary policy; and wagering on a dynamic that creates trust in investment, the critical leverage for economic growth and employment that is paramount to start the process of leaving behind one of the biggest economic crisis we have lived in decades.

Certainly, Chile confronted a severe 5.8% economic contraction in 2020, the biggest in four decades. The most substantial impact was felt during the second quarter, which witnessed a GDP drop above 14%. During the second half of the year, the economy began recovering, in hand with a gradual reopening process within the Paso a Paso Plan, adapting a series of activities to remote working and significant fiscal and monetary boosts. The Central Bank quickly cut back the Monetary Policy Rate to its technical minimum of 0.5% and then implemented special liquidity injection programs, with FCIC (credit facility conditional to loan increments) lines I and II, where banking was provided sources dependent on loan growth. Meanwhile, the government deployed a series of aids to households and increased its FOGAPE warrants program for businesses. This set of measures gave sustenance to aggregate demand and restricted the expansion of the pandemic's economic impact. In turn, the pension fund withdrawal, beyond the adverse effects on old-age savings, has also contributed to underpin demand.

Overall, employment was particularly affected by the confinement measures and the need to minimise people's conglomerations as much as possible, which especially impacted sectors such as commerce, community, social and personal activities; hotels and restaurants; real estate activities, among others. In the peak of sanitary restrictions, the unemployment rate hiked up to 13%, and nearly two million people lost their source of work. That number could

have been significantly larger without the employment protection program, which allowed close to 600 thousand people to maintain their employment. Akin to activity, the labour market began a gradual recovery during 2020's second half, though the pace of the process has slowed down, with a significant number of people still jobless towards early 2021 and the unemployment rate remaining over 10%.

Early 2020 saw inflation strongly accelerate, but once the pandemic took a hit on the economy, the CPI curbed significantly, and its annual variation placed close to 2.5% by mid-year. In the last half, the gradual recovery of activity and the strong drive that different liquidity injections gave to consumption resulted in prices once again regaining speed, with which inflation ended the year at the 3% target.

For the year 2021, we expect the economy will substantially recover worldwide. Though deployed at varying paces, the vaccination rollout has begun to spread in a significant number of countries, and immunisation of a relevant percentage of the population within major economies is expected to be achieved towards the second half of the year. In Chile's case, the vaccination rollout has received international recognition, with the collaborative work of authorities, doctors, associations and universities being specially valued.

Coupled to the progress of the vaccination rollout at a global level are substantial fiscal stimulus measures, particularly in the US, and that China maintained infections under control. In this context, long-term interest rates in the major markets have begun to climb, inflation has accelerated, and commodities' prices have augmented. Of particular note is copper, reaching figures of more than US\$4 per pound, the highest in almost a decade.

Chile began 2021 with a contagion acceleration and an intensification of

lockdown measures in many communes within the country. This circumstance will affect the economy's recovery pace during the second quarter. Notwithstanding, the successful vaccination rollout implies the economy may reach a more sustained normalisation in the third quarter. The latter, coupled with the improvement of the external scenario and a high copper price, anticipate a 6% to 7% activity expansion in the year.

Even though this is good news, the fact that the economy will continue to exhibit relevant capacity gaps must not be lost from sight, particularly in terms of the labour market, where the unemployment rate will remain above historical averages. Due to this, even though inflation is expected to accelerate up to mid-year, this effect would be temporary, with moderation expected in the second half. Furthermore, relevant risks remain in existence within our economy. In particular, the surge of new, more contagious virus variants or a slowdown of the vaccination rollout could cause social distancing measures to remain in place for longer, negatively affecting the activity beyond the second quarter. All things considered, even though inflation may suffer a temporary acceleration, stimulus measures should remain in force for a long time.

In terms of legislation, 2020 was a year where several initiatives discussed for a prolonged time in the legislative branch were finally enacted. Infringing upon them were several reforms pertaining to the pandemic, which allowed the sector's adaptation and prompt answer to the emergencies and needs of companies affected by the confinement enforced to combat the sanitary crisis.

The FOGAPE Fund's increment due to the Covid-19 contingency stands out (Law 21,229 of the 24th of April), which involves a raise in stock of state guarantee to allow possible redirection to small and medium entrepreneurs and offers temporary requirement flexibilities in this loan's application.

Concerning relevant legal initiatives within this sector that completed their processing, two stand out due to the level of existent expectations before their approval.

In the first place stands Law 21,234, which limits the responsibility of holders and users of Payment Cards and Electronic Transactions in case of loss, theft, robbery or fraud. The law allows them to claim unknown transactions and to obligate the Bank to settle payment for these, covering up to 35 UF within the five working days following the complaint. If the amount claimed was superior, the remaining balance must be paid within the posterior seven working days. Offsetting this, the law contemplates an exception if the issuer certifies the existence of the user's deceit or gross negligence, with the possibility of enacting dispositions considered by the law before the local police magistrate.

In second place, Law 21,236 was published on June 9th Regulating Financial Transferability to ease the transfer businesses from one financial institution to another for both natural and legal persons. This law applies to banks and other financial sector businesses, such as underwriters, placements, and cooperative entities or others; it likewise applies to an ample array of products such as loans, current accounts, and saving and demand accounts.

Manifestly, both laws concern sensitive issues for users and financial services, which is why monitoring them to determine their actual reach and identifying spaces for improvements will be relevant.

Regarding the evolution of the business, and akin to how our Chief Executive Officer will delve with more detail further on, I wish to underline that 2020 was an exceptional year in our goal to be a leading, highly competitive bank that pushes frontiers for the sector,

continually innovating to deliver a unique value proposition.

Certainly, we achieved extraordinary progress in our digital strategy throughout the year, which permitted us to become by far the leading banking institution in customer acquisition and account creation.

A comprehensive outlook of these digital transformation achievements would be remiss without mentioning as 2020 milestones the official Superdigital launching, a 100% digital account and prepaid card that has had a great reception by the market; the inauguration of Klare, the first 100% Chilean insurtech that has reached an excellent volume of life insurance sales along with an exceptional customer satisfaction level; and the development of Getnet, our acquisition network that aspires to achieve a 15% participation share in the market of payment services.

Our Santander Life account is worthy of its own paragraph section as a flagship of our value proposition. In 2020 it kept evolving to coalesce as a quality, swift and low-cost solution for the hundreds of thousands of Chileans who needed to tend to their financial matters digitally last year.

Life had a reception that broke down any point of reference concerning growth rates of banking products. Its merits, including the 100% digital onboarding, not requiring minimum income, and not imposing maximum balance nor charges over money movements, enabled Santander Life to capture 349.866 new clients last year, with a 259% increase over 2019.

This success, of course, is linked to the agility and convenience of the product, but I cannot refrain from mentioning how the essential characteristics guiding the process of Life's design are equally important, with its increase of inclusive spaces and a financial empowerment of the country through the reward of

positive and responsible user behaviour.

Fellow shareholders, as I believe I have made patent, Banco Santander Chile achieved during 2020 the adequate tackling of a complex environment and the deliverance of required answers without abandoning its vocation to aim for excellence.

Having ended last year with substantial progress in our NPS and being crowned with the first place in the system regarding customers' experience and satisfaction; being honoured with the Great Place to Work recognition as the Best Company to Work in Chile among more than a thousand collaborators; leading in benefits and positive impact on a community level; solidifying our position as the Most Sustainable Bank in the country entering the demanding DJSI Emerging Markets, while continuing to belong to Chile and MILA indices, are all clear evidence that contingency notwithstanding we accomplished the creation of value for all groups of interests, setting the cornerstones of a leading bank in Chile.

I end these words by repeating my most profound gratefulness to all the people who give life to Banco Santander Chile. Their dedication, capacity to adapt, commitment, and a quest for excellence underly the achievements accomplished in 2020 and are our seal allowing us to behold this challenging 2021, where we are all called to make our best effort possible to rebuild the bases for progress in Chile, and to settle, in an atmosphere of dialogue and agreement, the rules that can enable us to achieve the level of development we deserve as a country.



A portrait of Miguel Mata Huerta, a middle-aged man with short grey hair, wearing a dark blue suit, a light blue shirt, and a dark blue tie with white polka dots. He is looking directly at the camera with a neutral expression. The background is a plain, light grey-blue color. The portrait is framed by a white border that has a decorative L-shaped element at the top left corner.

Miguel Mata Huerta

Dear Shareholders,

2020 was a year that will be forever ingrained in our memory given all the challenges derived from the pandemic we encountered, but most importantly, in light of our teams' dedication, resilience, capacity to adapt and innovate which managed to accomplish the task of achieving outstanding results in the most challenging environment we have dealt with in more than 40 years.

In 2020, the profits attributable to the Bank's equity holders reached \$517,447 million, 6.3% less than in 2019, caused primarily by the 21.6% growth of the credit risk provisions during the year. This result is attributed to the pandemic's effect on portfolio credit risk indicators and the additional provisioning of \$110,000 million that strengthened our coverage to confront with more ease a future that seemingly holds better prospects yet remains uncertain. With this expenditure on provisions, our cost of credit has reached 1.48% to date, and the total voluntary provisions have

amounted to \$126,000 million in our balance.

We note that globally, the banking industry suffered similar effects in their results due to the pandemic, but we were the financial institution with the best evolution of results in the year in comparison with our local competitors. Our ROE reached 14.5% over the 3.6% of the system without including Santander. Simultaneously, our net interest margin (NIM) amounted to 4.0% compared to the system without us. The Bank's efficiency ratio equalled 39.8% in another favourable comparison against the system without us, which amounted to 48.8%. These are outstanding financial indicators given the environment that fostered them without doubt.

Credit risk became our main focus of attention throughout the year. In this regard, we indeed witnessed an increase in risk and provisions during 2020, yet they were lower than our initial estimations. Conservative policies in terms of risk adopted in prior years explain this result,

Letter from the CEO

compounded to the different flanking measures financially supporting people and businesses.

I want to highlight the Bank's teams' enormous effort in supporting our clients during such a challenging year. In 2020, Ch\$2 trillion Fogape loans were disbursed, representing 23% of the total of these types of loans during the year, a clear reflection of our historical leadership in the SMEs world and of our focus on supporting clients throughout the pandemic.

Quite relevant during the year were reprogramming plans and grace periods granted to help our clients face this problematic economic junction. During 2020, 26% of total loans obtained a grace period, resulting in Santander once again leading the path in terms of COVID solutions by covering more than 152,000 clients amounting to \$9 trillion. No bank outperformed our efforts in this domain.

Our aid to the mortgage world deserves a special mention.

Understanding how home is essential for every person and that it represents a relevant percentage of the monthly income of a Chilean family, the Bank designed a program to aid clients, which delivered in a quick digital manner the chance to opt for a three-month grace period, renewable for an additional three months at a UF + 0% rate without a parallel loan or other hidden charges. 50% of our portfolio opted for this mechanism. Considering our 21.5% mortgage market share, we can infer that 11% of this type of debtors within Chile did not have to worry over their mortgage at the height of the pandemic thanks to our procurement. This aid not only provided financial reprieve but tranquillity.

It is essential to highlight how arrearage displayed a positive trend after the grace periods' due date. Towards 2020's end, 92% of restructured loans had already returned to their regular calendar with only 1% default rate. FOGAPE loans also began to expire during December 2020, where 50% had to begin

stabilising their debts. In this sense, the behaviour was also above expectations, with only 0.4% of delay by the end of that month.

The loan portfolio's positive evolution coupled to the recognition of voluntary provisions led to a historical past-due portfolio coverage index of 227% over the 133% reached by the end of 2019. Likewise, the impaired portfolio ratio on total loans fell from 5.9% towards 2019's end to 5.2% by that same period in 2020. Finally, the non-performing portfolio ratio on total loans ended the year at 1.4% compared to 2.1% reached in 2019.

I wish to call attention to the Bank's 4.6% growth of operating income during 2020, which reached a record figure of \$2,024,363 million driven by a positive commercial year despite the pandemic and lockdowns. Growth was achieved primarily in non-credit low-risk activities, and low use of capital, which is an even more commendable feat

considering the strong GDP drop, which demonstrates our teams' capacity for adaptation and their high synchrony to our business clients' needs. Meanwhile, the Bank's loans grew by 5.1%, driven by the 20.3% increase in SMEs lending in hand with FOGAPE loans.

This robust asset growth was accompanied by an excellent year for total deposits, particularly demand types, which grew by 41%, led by a 55% hike of persons and SMEs demand deposits. For the first time in our history, demand deposits have surpassed time deposits in our balance. This drove an important improvement in our total fund cost, defined as interests and indexation to the Bank over average liabilities, which went from 2.7% in 2019 to 1.6% in 2020, achieving the lowest record of this financing source among our main competitors

2020 was one of our best years in terms of attracting new customers and opening accounts. The permanent innovation and technological development we aim for have resulted in fundamental initiatives to improve our customers' experience, situating the Bank in a leading position in this domain. According to the latest figures published by the CMF, during this term, Santander Chile opened 324,821 current accounts while all other banks combined opened 103,915 accounts. With this, our total share of current accounts grew from 21.7% in 2019 to 25.9% in 2020.

One of our most robust product lines continues to be Santander Life. This initiative is coalescing a new way to interact with the community and customers through a new generation of digital products that reward positive credit behaviour. Starting July 2020, all new Santander Life account turned from Vista or prepaid to current accounts, thus revolutionising this segment. This came

to pass in a moment key to many Chileans that sought financial alternatives by offering a 100% digital onboarding process that does not require minimum income, has no maximum balance and no transfer fees. Santander Life attracted 349,866 new customers during the year, with which the total amounts of Life customers reached 484,992 by the end of 2020, with a 259% increase over 2019.

These efforts have been reflected not only in the boost of new customers but also in increased loyalty and bonding with current and digital clients. Loyal customers, defined as those with four or more products with a minimal level of use and profitability, increased by 8.6%.

These figures are a faithful reflection of the Bank's significant progress in quality and innovation during the last years. They follow the cultural transformation program we have been implementing that supports a customer-focused strategy, with the seal of our Simple, Personal and Fair style. Presently, the Bank's quality goals represent between 15% to 20% of partners' individual goals, thus creating a virtuous cycle between our strategic objectives and our customers' needs. The principal indicator the bank is focusing on is the net recommendation or Net Promoter Score (NPS), with which we have for the first time achieved first place among our primary peers during 2020, which is noteworthy given the pandemic context and which proves that we can exceed our customers' expectations throughout dire times.

Likewise, the permanent innovation and technological development we aim for have yielded vital initiatives to improve our customers' experience, situating the Bank in a leading position in this domain. Santander Chile remains immersed in its ambitious investment plan that comprises

some US\$250 million for the 2021-2023 period. To maximise this plan's productivity and return, we have carried out a profound digital transformation to our process platform and changes to our architecture.

We have significantly enhanced the synergy between systems and commercial areas, reduced duplicate functions, lowered development costs and improved governance. We have managed to consolidate a product structure based on services rather than prices, a greater use of the cloud and implemented digital processes end to end. Another fundamental change has been adopting Agile as a working methodology, which is essential to digital products generation and transformation. This allows the Bank to be more efficient when facing customers, with greater product delivery speed and team productivity, improving times in terms of cost, quality and methodology. We have also strongly bolstered automation and a higher use of data. Towards the end of 2018, we had 10 robots, and by 2020 we had more than 100. The total transactions these robots carry out has doubled in one year.

Overall, this has fostered more efficiency within IT resources, and results have been spectacular. For example, the Time to Market of our developments has decreased from 12 weeks to just 6. The project's average price for man/hour has been reduced by 35%, and the average uptime of our home banking and office banking has steadily grown, presently set at 99.9%. This division's annual growth has been less than 1%, but with a yearly increase of over 30% in digital transactions.

It would be remiss for us not to mention cybersecurity investments and their subsequent incidents reduction. A bank

that is not reliable in these aspects will not be successful in its digital strategy. All of these considerations place Santander at the front of these matters and bestowing our institution with 810 over a maximum of 900 points in the BitSight cybersecurity rating, a leading international company in cybersecurity assessments that evaluates companies, government agencies and educational institutions.

Furthermore, this also explains why we are the private bank with the highest number of digital customers. Even though we have 19% of the loan market's participation, we lead with 35% participation in the digital clients' market between private banks, according to CMF figures. Such ability for digital banking innovation was reflected by the 24% growth of digital customers during 2020, amounting to 1,546,524. The product sales and banking services through digital channels had a 33% hike during the year.

In 2020, the Bank launched several new digital products and platforms that have helped enormously our customers to continue purchasing and carrying out transactions remotely, foregoing the need to leave their homes.

One of these was Superdigital, which quickly thrived with a 16% share of the digital wallets market after being launched. Superdigital is a responsible, low-cost product for millions of Chileans who seek a financial solution. It represents the democratisation of payments, offering any Chilean the possibility to link a payment method through an app, and to carry out all types of purchases anywhere in the world. Additionally, it allows salary payments to be deposited directly to the account. Finally, another innovation entailed by Superdigital is the business models we are developing with external partners, which are not traditional to banks.

During April, in the midst of the pandemic, we presented Klare.cl, the first 100% digital Chilean Insurtech, which has had excellent results. To date, it has marketed and sold the equivalent to 25% of life insurances of all the Bank's net sales, with an extraordinary NPS of 95 in hiring on customers' behalf.

To this, we add the development of Autocompara. This digital platform for hiring automobile insurances has more than seven companies and is accessed via the Bank's home banking. It delivers an ample insurance offer for a wide variety of car brands and types, including hybrid and electric cars, at very competitive prices. Autocompara has had resounding success and we are for the first time leading in the car insurance sale in Chile.

In terms of efficiency and productivity, results were positive likewise. Santander Chile has always stood out as an efficient institution compared not only to local but also international banks. The substantial income growth alongside only a 2.5% increase in support expenditure has once again achieved a 39.8% efficiency ratio (support costs over operating income). We also continue to reduce our impact on the environment, attaining new consumption reductions in paper, electricity and water, and in our carbon footprint.

Our capital levels also ended the year at solid levels. At the end of 2020, the core capital indicators, or our shareholders' equity over risk-weighted assets, were 10.7% compared to the 10.1% by 2019's end. The Basel total ratio, which includes the Bank's subordinated bonds, reached 15.4%. This solid capital level was achieved thanks to the 0.1% decrease of our risk-weighted assets compared to the 5.2% increment in the regulatory capital. Due

to this, we were able to maintain our 60% payout without changes.

Concerning the BIS III implementation in Chile, the most relevant milestone in banking regulation was the enactment on behalf of CMF of new models and risk weightings under the BIS III standards to finish this process towards the end of 2021. As part of Santander Group, we are well ahead with the BIS III implementation, and we do not foresee any significant impact on our capital levels in relation to this change. On the contrary, we see such a process as essential progress in the modernisation of the financial system.

I wish to extend my gratitude towards the trust that the Board and all stakeholders place in this Bank and its people. The efforts taken over the last year are yielding results. This became particularly clear during 2020, in an environment that drastically dimmed due to the pandemic, but that has simultaneously brought to light the best of us, where our resilience, ability to innovate, to anticipate and be flexible allowed us to achieve the majority of our goals, reaffirming our commitment to creating value for shareholders, customers, collaborators, suppliers and society as a whole.

I extend my cordial regards,

Miguel Mata H

2

Responsible Banking



1 Our purpose

Contribute to the progress of businesses and people.

2 Our mission

To be the best bank, acting responsibly and gaining the confidence and fidelity of our employees, clients, shareholders and the society.

3 Our style

Simple, Personal and Fair

4 Our seal

Excellence in execution.

Santander: a responsible Bank

Santander Culture

Santander has the mission of being the best bank by focusing on responsible actions and the achievement and maintenance of the loyalty of its customers, shareholders, collaborators, and communities. Its purpose is to contribute to the progress of businesses and people with a Simple, Personal, Fair style (SPF). This is the expected behaviour of the Bank's corporate culture, with each concept defined as follows:

Simple

To offer products to customers that are easy to understand, being efficient and resolute in the solution to their needs. For this, Santander needs its systems and processes to be simple to work with, allowing its employees to give clear answers with the agility our customers require.

Personal

To count with differentiated attention models, giving each customer a tailored service adjusted to their individual needs. It also stands for the Bank's commitment to help collaborators develop to their full potential and reach all their professional goals.

Fair

To play fair, promoting respect for others and to the rules. It is fair play. Santander must be transparent in its relation to its groups of interest and fulfil its promises, contributing to the community. Overall, is to treat others as one would wish to be treated in return.

Since 2019, the Bank has focused on the permanent management of organisational culture as part of its essence, and in this manner, it works implementing changes to fulfil its business goals and the satisfaction of its groups of interest. In 2020, Santander activated contingency plans to support those most affected by the pandemic: it was continually monitoring and adopting measures specific to its groups of interests such as credit lines, insurance coverages, advanced payment to

suppliers, online scholarships and support to social campaigns, among others.

Added to the above, Santander has the mission to be the best bank, acting responsibly and earning all its stakeholders' loyalty, in hand with SPF corporate behaviour. Another goal is to place among the best institutions to work, which was faithfully reflected in the attainment of first place in the Great Place to Work Ranking, in the category of over a thousand collaborators.

→ Our corporate behaviour towards being more SPF:



Show respect



Truly listen



Talk straight



Keep promises



Actively collaborate



Bring passion



Support people



Embrace change



Values, Policies and Principles

GRI [102-16]

→ Values



Leadership

Santander has a leadership vocation born from valuing its customers, who are at the centre of its endeavour; from a country that sees it as a relevant actor and in return is committed to the country's progress; of its teams and shareholders that can fully develop, all through an institution that is solid and stable.



Excellence in Management

The Bank is centred on the job well done, with clear, demanding and shared objectives that allow the development of abilities to their fullest, with control and monitoring policies, to be the best bank for customers and the country.



Customer Focus

Santander is a service company, with customers being its fundamental purpose. The entity works to generate life-simplifying solutions that allow clients to have the best service experience. The aim is to help them achieve their dreams and to make their ideas and projects a reality in a lasting bond based on trust and excellence.



Talent

The bank promotes meritocracy, teamwork and self-governance, promoting excellence in performance. It recognises the potential in every person and creates opportunities for personal and professional development.



Ethics

It develops its work assuming chores and responsibilities while adhering to and respecting laws both in their form and spirit. It wards off individual conduct inside or outside the institution from causing material or moral harm, and from compromising or affecting individuals or Santander Group's image and dignity.



Commitment to Society

It contributes towards building a better country through its sustainability policy and its adherence to fundamental rights, equality of opportunity, no discrimination, environmental protection, and the balance between work and personal life.

Santander Bank promotes business within the national and international current legal frameworks that regulate banking activity. Likewise, it has internal policies and principles that guide its collaborators' actions in line with its purpose, vision and culture.

These standards, comprising documents elaborated by the Group and approved by the corresponding local government bodies, is adapted and applied by Santander Chile to the local reality. Moreover, the branch creates internal policies that the local corporate government validates. These guidelines, compounded with the legislation in place, safeguard the development of ethical and responsible conduct in all of the Bank's domains of activity.

Among the central policies and regulations are the following:

General Codes of Conduct¹

The General Code of Conduct defines the values and principles that all Bank's collaborators must abide by in their relation to customers, suppliers, authorities, hierarchical superiors, colleagues, the rest of the industry and society. This is based on a professional, upright, impartial and honest behaviour, adhering to the corporate social responsibility of Santander Group.

Among Santander Group's ethical principles are equality of opportunity, diversity and no discrimination, respect to people, a balance between work and personal life, prevention of occupational risks, environmental protection, and policies concerning social and environmental responsibility and collective rights.

The primary conduct regulations are centred in compliance (general and internal) and ethical behaviour, no competition, responsibility and commitment to the Group. Moreover, guidelines of conduct exist comprising situations such as conflicts of interest, information control and confidentiality, external relations and relations to authorities, financial marketing and product sales, prevention of money laundering and terrorist financing, stock market conduct, the Group's assets, accounting obligations and financial information, corrupt behaviour, tax obligations, residence in countries or territories classed as tax havens, IT systems and communication technologies, intellectual and industrial property rights and document retention.

The ethical principles of our organisation, the good corporate governance and the professional ethics of those abiding by the code must guide all corporate actions and behaviour: "I show respect, I truly listen, I talk straight, I keep promises, I actively collaborate, I bring passion, I support people, I embrace change."

This document is available in the Bank's intranet's regulation site, each collaborator's virtual folder and on the corporate website. All collaborators, new and old, commit to reading, accepting and signing the Code of Conduct.

Corporate Culture Policy

Establishes the guidelines and mandatory monitoring standards that ensure the formation and establishment of a solid corporate culture in Santander Group and all its branches, with a basis in Simple, Personal and Fair work.

General Sustainability Policy

It defines Banco Santander Chile's general sustainability principles and the commitments voluntarily undertaken to generate long-term value for all Bank's groups of interest.

Policy for contributions with social purposes

Banco Santander fosters initiatives and projects that have the goal of contributing to the economic, social and sustainable development and growth of communities where it is present. The policy defines the process of proposal, valuation, decision and control of those free contributions that Bank considers for social purposes.

Climate change policy and environmental management.

It details Banco Santander's criteria relating to the set of initiatives that advocate the protection of the environment, the mitigation of the effects of climate change, and the reduction of the impacts derived from the organisation's activities, taking into account the best international practices.

Human Rights Policy

Embodies Banco Santander Chile's and its subsidiaries' compromise with human rights, in line with the highest international standards, especially the United Nations governing principles for companies and human rights.

Stock Market Code of Conduct

It aims to prevent conflicts of interest and insider trading for people working in key areas within the Bank.

1. Available at: <https://banco.santander.cl/nuestro-banco/archivos/codigo-general-de-conducta>.

Corruption Prevention Policy

It coalesces the firm commitment of Santander Group in the fight against any form of corruption. The policy describes the elements that the Bank must comply with to prevent corruption and bribery under the provisions of the Corporate Model of Corporate Defence of the Santander Group. This corresponds to a framework of good practices that allows minimising the probability and impact of criminal risk concretion considered to be related to the Bank's ordinary activity, according to the violations described in Law 20393 on the criminal liability of legal persons.

Reputational Risk Model

It establishes provisions to prevent, manage, and control reputational risks, identify key processes, assign roles and responsibilities, and set Santander Group's framework of practices to implement them. While reputational risk management is the responsibility of all employees, under the principles of good conduct and SPF corporate values, Compliance Management ensures effective risk control, proper management and application of the model and the various reputational risk policies.

Corporate Cybersecurity Framework

It establishes the provisions to which Santander Group and its subsidiaries adhere in order to manage cybersecurity, enacting key roles, responsibilities and processes for the protection of systems, information and customers of the Bank. This annually revised framework flanks the identification and correction of cyber risks and the development of a cybersecurity culture. It also promotes education on the subject and compliance with the national regulatory framework in this area.

Compliance Management and Human Resources are the areas responsible for managing the organisation's values, principles and conduct policies; collaborators have direct access to the Management to resolve their doubts or queries concerning any of these documents.

Sustainability Approach

Banco Santander understands sustainability as the ability to adapt to new demands relying on creativity and innovation within the framework of solid corporate governance. This is done to aid economic and social progress and mitigate the organisation's environmental impact.

The sustainability approach is inherent to the Bank's business and corporate culture, manifested at a national level, materialised by products, services and business management, and reflected in the Bank's massive, digital and individual communication.



Sustainability, as an essential aspect of Responsible Banking, is a crucial factor in creating long-term value and managing social and environmental risks, as well as an indispensable input to materialise the Bank's purpose and mission.



Groups of Interest and materiality

GRI [102-40] [102-21] [102-42]

For Santander, people are the core of the Bank's purpose and vision. Collaborators, customers, shareholders, suppliers and the very society are part of the groups of interest identified by the Bank. We strive to work with each of them to build a relationship of trust and loyalty sustained in time.

Through a materiality analysis by an external consultant, Santander can know the most relevant topics for each interest

group. In 2019 a thorough study based on extensive consultation to stakeholders was undertaken, which defined the annual report's priorities and the issues related to the sustainability strategy. The analysis was reviewed in 2020, considering the effects derived from the pandemic. In this new version, primary and secondary information sources were examined, gathering both the internal and external outlook concerning Banco Santander Chile's material topics ².

→ Group of Interest	→ Subgroup	→ Key topics and concerns raised
Shareholders and investors	<ul style="list-style-type: none"> Financial rating agencies Shareholders Investors 	<ul style="list-style-type: none"> Corporate governance Ethical behaviour Risk management Regulatory adaptation and contribution to public debate Sustainability of results
Customers	<ul style="list-style-type: none"> Individual Clients SMEs clients Corporate Clients Institution Clients 	<ul style="list-style-type: none"> Cybersecurity and data protection Digital transformation Customer satisfaction Products and transparency
Collaborators	<ul style="list-style-type: none"> Management and senior management Managers, Sub-managers and Supervisors Permanent Technical and Administrative Staff Unions 	<ul style="list-style-type: none"> Strong and committed internal culture Diversity Attraction and retention of talent Care for people's health
Contractors	<ul style="list-style-type: none"> Contractors (external staff) 	<ul style="list-style-type: none"> Diversity Attraction and retention of talent Responsible management of suppliers
Providers	<ul style="list-style-type: none"> Technology providers Information providers Agencies of corporate services 	<ul style="list-style-type: none"> Diversity Attraction and retention of talent Responsible management of suppliers
Public and International Organisations	<ul style="list-style-type: none"> Ministry Congress International Organisations (e.g., IMF, OECD) 	<ul style="list-style-type: none"> Sustainable finances Indirect environmental impact Internal environmental footprint

2. For more information regarding the materiality process, see [page 215, About this Annual Report](#).

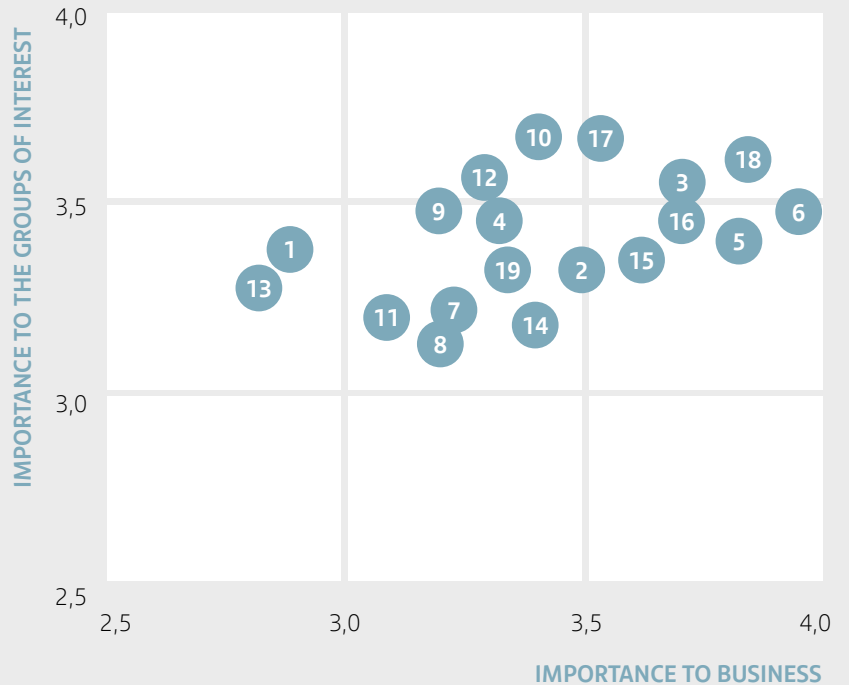
→ Group of Interest	→ Subgroup	→ Key topics and concerns raised
Regulatory entities and associations	<ul style="list-style-type: none"> • Financial Market Commission CMF (ex-SBIF) • Sernac • Conadecus / - ODECU 	<ul style="list-style-type: none"> • Products and transparency • Corporate governance • Ethical behaviour • Risk management • Regulatory adaptation and contribution to public debate • Sustainability of results
Civil Society	<ul style="list-style-type: none"> • NGOs • Associations (e.g., ABIF) • Academy and think tanks 	<ul style="list-style-type: none"> • Ethical behaviour • Risk management • Regulatory adaptation and contribution to public debate • Sustainability of results • Indirect environmental impact • Internal environmental footprint
Mass communication media	<ul style="list-style-type: none"> • International media • Local media • Specialised press • Social Networks 	<ul style="list-style-type: none"> • Ethical behaviour • Risk management • Regulatory adaptation and contribution to public debate • Sustainability of results • Care for people's health
Local Communities	<ul style="list-style-type: none"> • Project beneficiaries • Inhabitants residing near offices/ branches 	<ul style="list-style-type: none"> • Ethical behaviour • Regulatory adaptation and contribution to public debate • Financial empowerment of people • Commitment to social progress and development



Materiality Matrix

GRI [102-46] [102-47]

The prioritisation carried out in 2019 was taken as a basis to obtain 2020's materiality. Both internal and external secondary information were assessed, such as standards, trends, press, statements, alongside the content of surveys undertaken by Banco Santander Chile's managers. With this study, weighting was ascribed to each topic per its frequency in order to review the emphasis of issues defined as material in the prior research. Like this, results were synthesised in a matrix, with the pandemic context transversal to all others. The following results were obtained:



- | | | |
|---|--------------------------------------|-----------------------------------|
| 1. Regulatory adaptation and contribution to the public debate | 7. Diversity | 14. Indirect Environmental Impact |
| 2. Talent attraction and retention | 8. Financial Empowerment of people | 15. Products and Transparency |
| 3. Cybersecurity and data protection | 9. Sustainable Finance | 16. Customer Satisfaction |
| 4. Ethical behaviour | 10. Risk Management | 17. Sustainability of Results |
| 5. Commitment to social progress and development in communities | 11. Responsible Supplier management | 18. Digital Transformation |
| 6. Strong and committed internal culture | 12. Corporate Governance | 19. Care for people's health |
| | 13. Internal Environmental Footprint | |

Detected Revisions

In 2020, the Bank redefined and included new topics in light of the pandemic context:

- Care for people's health, given the importance of the pandemic's effects in the groups of interest.
- Digital Transformation, which identifies issues of access and affordability explicitly from a technological perspective.
- The issue of a robust and committed culture includes in its description the Bank's ability for resilience and adaptation in uncertain scenarios. Likewise, the concept of a Bank with a purpose- to go beyond profit generation by contributing to society- is considered part of Banco Santander Chile's culture.
- Sustainability of results in 2020 follows the organisation's measures for operational continuity, which is understood as part of the materiality area and is approached comprehensively in the management of each area.
- Commitment to communities' progress and social development considers the specific social contribution Banco Santander Chile delivers to aid those most affected by the pandemic.

Responsible Banking Challenges



Part of Santander's mission and vision is to be a responsible bank committed to creating economic, environmental and social value for all its stakeholders. Moreover, this commitment is reflected by Santander Group's public adherence to the Principles of Responsible Banking of the Financial Initiative of the United Nations Program for the Environment (UNEP-FI), which implies redefining new challenges for the organisation.

Santander Group is one of the signing founding members of the Responsible Banking Principles promoted by UNEP FI and has adopted the Climate Action Collective Commitment to speed up the financial sector's transition to a low carbon economy.

In 2020, Santander Group participated in the second phase of the UNEP FI project concerning Task Force on Climate-related Financial Disclosures (TCFD) for banks, alongside 38 other financial entities across six continents.

Responsible Banking Principles

In the context of its commitment to people, businesses and the environment, Santander has adhered to the Responsible Banking Provisions that commit the entity to be more responsible and work in line with the UN Sustainable Development Goals (SDGs) and with the Paris Agreement on Climate Change.

These are:



From this materiality analysis and adhering to the Responsible Banking Principles, two key challenges were given priority: adapting to a new business environment and contributing towards inclusive, sustainable growth. To tackle these challenges, the organisation agreed to include environmental, social and governance criteria in all of its endeavours.

Challenge 1: New business environment / Adapting to a constantly evolving world

The acceleration of digital technology use is transforming markets and business models, which is why companies must work innovatively and responsibly.

For this, Santander needs dedicated, diverse and prepared teams that answer customers' needs, using the advantages these technologies offer.

Banco Santander seeks

to exceed stakeholders' expectations and develop activities responsibly based on a solid culture and a business governed by Simple, Personal and Fair behaviour.

Challenge 2: Inclusive and sustainable growth/ Helping society achieve its goals.

Growth must meet real needs without risking future generations' resources and development. A balance must be reached between economic growth, social wellbeing and environmental protection.

Financial entities can contribute to this goal by managing their activity responsibly to help society achieve its goals. Banco Santander seeks to fulfil an important role to drive two qualities of growth.

a) Inclusive

To satisfy customers' needs, it helps them with business creation, employment generation and the encouragement of financial empowerment

b) Sustainable

to face climate change, Santander fosters growth by promoting technology use and sustainable infrastructure funding.

Responsible Banking Priorities

Santander Group has undertaken eleven commitments in Key Performance Indicators (KPIs) to continue working on being a Responsible Bank. The first four concern the new business environment challenge, and the subsequent ones correspond to the inclusive and sustainable growth challenge:

→ New business environment

			
To place among the Top 10 best companies to work.	Women in the Board.	Women in executive positions.	Equitable wages.

→ Inclusive and sustainable growth

			
Financially empowered people.	Green finances.	Use of electricity from renewable sources.	Single-use plastic consumption in corporate buildings and branches.

		
Be carbon-neutral ³ .	Scholarships, internships, and programs for entrepreneurs.	Beneficiaries of community support programs (amount).

Likewise, Santander Chile has adhered to global commitments, setting a path for each line of work, which will be delved further in each of this Annual Report's chapters.

3. Incorporated as new challenge in Banco Santander Chile in 2020.

Responsible Banking and Sustainability Governance.

Santander has a specific Responsible Banking and Sustainability governance structure, both at corporate and local levels, which eases the implementation of these aspects to all of the Bank's business and support areas in every country in which it operates.

In Chile, there is a Responsible Banking, Sustainability and Culture Committee, led by Miguel Mata, Santander Chile's Chief

Executive Officer. This committee seeks to promote and integrate the challenges of being a Responsible Bank, discussing the implementation of general guidelines that have an appropriate culture and promote inclusive and sustainable growth, as well as monitoring the social and environmental projects of the Bank.

Likewise, the Bank has a Sustainability General Policy and Environmental Policies, available on the Bank's corporate website.

General Sustainability Policy⁴

This policy states the general principles of reference to corporate social responsibility and the management of social and

environmental risks. It is based on the best international practices existing in this matters and on the guidelines emanating from the Group and the United Nations Sustainable Development Goals (SDGs). The policy provides the framework for Banco Santander's relation to its employees, customers, shareholders, community and suppliers. It also references its commitment to Human Rights, responsible taxation, the environment and the Equator Principles. Furthermore, this document establishes the approval of specific sectoral policies for analysing environmental and social risk activity of clients operating in sensitive sectors, such as defence, energy, metallurgical mining, and others. Santander analyses the social and ecological impacts they may have.

Memberships and adherence to external initiatives

GRI [102-12] [102-13]

In line with the above, Banco Santander Chile is a member of the following associations related to the field of sustainability:

- Acción Empresas (World Business Council for Sustainable Development, WBCSD, Chilean chapter), since 2005
- United Nations Global Compact, since 2003
- UNEP-FI, since 1992.

It also supports the following sustainable development and responsible banking initiatives:

- Responsible Banking Principles UNEP-FI, since 2019
- Acuerdo Producción Limpia/ Clean Production Agreement (APL), since 2019
- Huella Chile, since 2019
- Equator Principles (EPs), since 2012
- Acuerdo de Acción por el Clima/ Climate Action Agreement, since 2019

Strategic pillars

The Responsible Banking strategy's implementation comprises five strategic pillars: Shareholders, Customers, Collaborators, Society and Excellence in Execution. Each of these pillars has its own specific targets and performance indicators, which enable annual monitoring of their evolution and reach of the set target. Thus, the Bank continues to further its commitment to these pillars, creating value for each.

The indicators mentioned are also considered to calculate senior management payments, with each pillar having a specific weighting. Each quarter, these indicators along with others of the Bank are presented to the Board to demonstrate progress and discuss new parameters to move on to further challenges. A clear example of this was the 2020 pandemic contingency, where an indicator on teleworking plan implementation was incorporated to encourage the integration of the process to the measures safeguarding collaborators' health.

4. Available at <https://banco.santander.cl/nuestro-banco/archivos/politica-general-de-sostenibilidad>.

The different pillars and their key indicators and evolution of the last two years are shown below:

	Declaration	Key metrics
Customers	"We want to be the best bank for customers, leading in digital excellence and experience, earning their loyalty."	NPS <hr/> Loyal clients <hr/> Digital clients <hr/> Digital Sales Growth <hr/> Investments
Collaborators	"We want to be the best major company to work in Chile, attracting and developing talent committed to our SPF culture."	Great Place to Work <hr/> Teleworking Plan
Shareholders	"We want to be the most profitable and sustainable bank, with robust capital levels, attractive dividends and optimal risk management."	ROE <hr/> Efficiency <hr/> Cost of credit and Non-Performing Loans <hr/> Solvency
Society	"We want to be recognised as a responsible Bank that contributes to society."	People impacted positively
Excellence in execution	"We want everything we do to have a seal of excellence in execution."	Cell productivity <hr/> BitSight Index <hr/> Self-generated claims



Metric Description	Results 2019	Results 2020
This indicator measures customers' answers to whether they would recommend the Bank on a 1 to 10 scale. A percentage of those that answered with a grade 9 to 10 minus the percentage of clients answering 1 through 6 is subsequently calculated.	40% Top 2 (Gap of 1 point with the first place)	51% Top 1 (Gap of 3 points above second place)
Degree of relation, with a calculation using business turnover and usage/tenure of product	714,870 (+5.5%)	764,407 (+8.6%)
Number of digital customers, defined as that who access the organization's app or web in the last 30 days.	1,246,996 (+16.2%)	1,546,524 (+24.0%)
It considers several digital operations such as current accounts, investments, insurances, payments, factoring, among others	13% growth in digital sales (# of products)	38% growth in digital sales (# of products)
Comparison of the net sale growth and performance against the market to continue driving investment areas	40% higher performance	15% higher performance and 4.6% growth (vs 1.4% Peer Group)
Ranking position, having the target of placing among the Top 2 in the best places to work for businesses with over 5,000 employees	Top 3 in businesses with over 1,000 collaborators	Top 1 in companies with over 1,000 collaborators
Implementation within the Bank, born in 2020, derived from the Pandemic. This plan included identifying work positions, impacts in policies and processes, creating the plan and implementing. Deadlines set for each phase were met.	N.A.	100%
Return on Equity; always seeking to place among the most profitable and sustainable banks in the country compared to the market's reference group	16.7%	14.5%
It seeks to reflect leadership on efficiency, maintaining a gap between the Bank and the industry	40% (Top 1)	40% (Top 1)
Operating cost of credit, aiming to be the Bank with a portfolio quality above the reference group in the industry	1.3% Cost of Credit (6bps gap over Peer Group) 2.1% NPL (26 bps gap over Peer Group)	1.5% Cost of Credit (21 bps gap over Peer Group) 1.4 % NPL (2 bps gap over Peer Group)
A measure of the financial health of the Bank. We seek to end the year with a core capital above 10%	10.1%	10.7%
Amount of people positively impacted by the Bank's various programs concerning financial education, entrepreneurship and empowerment. It also includes beneficiaries of Covid-19 derived contingency plans implemented in 2020	People helped: 68,944 People financially empowered: 193,239	People helped: 103,792 People financially empowered: 728,540
Cell productivity evolution and/or improvements to Agile methodology adhesion	717 releases under Agile methodology (+13%)	2,009 releases under Agile methodology (+180%)
Indicator seeking to increase cybersecurity measures through observable and measurable data	780	810
Number of massive incidences (failures/mistakes) with a negative impact on customers in a set period; Number of days with at most one incidence (or less)	97% days with incidences less or equal to 1	97% days with incidences less or equal to 1

Participation of strategic pillars and materiality matters⁵

Clients

- Cybersecurity and data protection
- Customer Satisfaction
- Products and Transparency
- Digital transformation

Collaborators

- Solid and committed internal culture
- Talent attraction and retention
- Diversity
- Care for the health and safety of people

Shareholders

- Regulatory Adaptation and contribution to public debate
- Ethical Behaviour
- Risk management
- Corporate Governance
- Sustainability of Results

Society

- Regulatory Adaptation and contribution to public debate
- Ethical Behaviour
- Risk management
- Sustainability of Results
- Commitment to communities' progress and social development
- Financial empowerment of people

Excellence in Execution

- Responsible Supplier Management
- Cybersecurity and Data Protection
- Digital Transformation

Human Rights

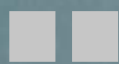
GRI [410-1] [411-1] [412-1]

Banco Santander Chile adheres to the Corporate Human Rights Policy of the Group, which includes the United Nations Guiding Principles on Business and Human Rights. In addition, the Bank forms part of various international declarations that have these considerations, including The Global Compact, Sustainable Development Goals, and The Equator Principles.

The Group's Corporate Human Rights Policy expresses Santander's commitment to respect and promote these rights in all of its areas of endeavour, including activities, processes, services, and operations; it also aims to prevent or mitigate any violations caused by its activity. Likewise, all of Santander's collaborators have the responsibility to report human rights violations.

In this context, Santander encourages its suppliers to adhere to the commitments contained in this Corporate Policy. All contracts with suppliers include a clause that addresses human rights, among other issues. Additionally, the Bank's procurement model determines the process of selecting,

5. Environmental management material themes do not explicitly apply to a strategic pillar: Sustainable finance, internal carbon footprint, indirect environmental impact.



Santander assumes that the impact its business activities have

go way beyond the communities where it operates directly.

Consequently, the evaluation of this impact and the promotion of human rights will go towards the communities affected, even if the Bank does not currently have a physical presence in the region.



approving and evaluating its suppliers, ensuring that they meet the organisation's ethical and responsible banking criteria, including human rights.

Regarding private security guards, training and upgrading courses were established by the Private Security Audit Authority (OS10) and did not include training in this area.

In addition to the Corporate Policy, the Bank has other policies that incorporate protection and respect for Human Rights, namely:

- General Code of Conduct.
- Human Resources Policies
- Health and Safety Policy.
- Labor Harassment Policy.
- Diversity and Inclusion Policy.
- Occupational Inclusion of Disabled People Policies.
- Clauses for suppliers that require compliance to the United Nations Global Compact Ten Principles.

With respect to the relations between Santander and the communities where it has operations, the Human Rights Policy explicitly states the compromise to directly support and promote human rights in the communities it serves (in cooperation with government organisms, international organizations, civil organizations, and other institutions), and to control the impact of the operations in the communities where it operates.





Contribution to Sustainable Development Goals










Santander is committed to the Sustainable Development Goals (SDGs) of the UN 2030 Agenda. These comprise 17 goals, each with different targets, which seek to end poverty, protect the planet and ensure peace and prosperity for the people. The UN Global Compact is the body responsible for promoting adherence to the SDGs among companies.

Banco Santander Chile's endeavours contribute directly to various SDGs and support the Paris Treaty objective of fighting against climate change.



The Bank undertook an analysis of the local agenda to SDGs, which has enabled identifying which objectives are more relevant for the organisation due to their activity, commitment and strategic approach, and external factors.

Strategic Pillar	How do we contribute?	Initiatives
 Clients	Give more accessibility to the financial system through products and services that foster financial inclusion and education.	Superdigital Cuenta Life Reprogramming of commercial and mortgage loans Covid-19 loans and FOGAPE
	Society- Social	Boosting the well-being and the economy in the places that we operate, through projects with public-private alliances.
 Collaborators	Promoting a healthy lifestyle for employees, generating initiatives that protect the health of workers during the sanitary crisis. Giving periodic formation about the security and health of all workers.	Prevention protocols Santander está Contigo Benefits for employees
 Collaborators	Offering opportunities for formation and continuous learning for employees to improve their skills	Academia Santander Santander Work Ideas
	Society- Social	Creating social projects with a focus on education. Generating alliances with charitable foundations to create projects that promote quality education. Helping students and universities to prosper, promoting education, entrepreneurship and employment.
 Collaborators	Promoting inclusive and diverse working environments. Guaranteeing that giving equal opportunities is a strategic priority. Developing initiatives that impulse diversity.	Diversity and Inclusion Policy Gender Equality and Conciliation of Work, Family and Personal Life Policy Implementation of Chilean Norm 3262
	Society- Social	Developing programs of social investment that reinforce the commitment to the integration, equality and defense of women. Executing programs of formation and the promotion of entrepreneurship led by women in the local communities where the company operates, empowering them and improving their skills.

	Society-Social	Driving financial projects for renewable energy. Promoting the use of renewable energy.	Green mortgage Sustainable finance Green project financing 28% of electric consumption comes from renewable energy sources (100% eolic)
	Collaborators	Providing adequate labor conditions that permit access to conditions for a decent life. Fostering young employment to give new generations equal opportunities. Generating new employment opportunities.	Awards: Great Place to Work Top employer 2020
Society – Social	Promoting entrepreneurship, creativity and innovation, the formalization and growth of micro companies and SMEs, through financial services acces and support in the development of their business.	Santander Universidades Santander X Ideas X Brain Chile Santander Tomorrow Challenge Open Bridge Covid-19 Work Café Community Techo-Chile Santander de Oficios scholarships	
Shareholders	Contributing to the local economic growth- Improving level of economic productivity through the diversification, technological modernization and innovation.	Financial results	
	Excellence in execution	People helped: 68,944 People financially empowered: 193,239	Digitalization and digital transformation Paperless
	Society-Social	Enabling basic financial services access and lending to people, and having the necessary abilities to manage finances efficiently.	Financial education: Financial education program in school Financial education talks EL Futuro es Ahorra Sanodelucas
	Society-Environmental	Financing sustainable structures. Establishing socioenvironmental policies and risk evaluations.	Green mortgages Social and sustainable bonds Sustainable finance: Cristalerías Toro ESG Syndicated loan Aceros AZA ESG Committed credit line SONDA Green bond CMPC Green bond Arauco Sustainable bond AES Gener Hybrid bond Sovereign bond for the State of Chile ESG impact project financing
	Clients	Offering products and services that generate a positive impact in the environment and society.	Santander Verde Superdigital Cuenta Life Client carbon footprint compensation
Excellence in execution – Suppliers	Promoting sustainability practices in suppliers.	Commitment award Externalization framework Homologation policy Evaluation of supplier under ESG criteria	
	Society – Environmental	Promoting sustainable practices in clients. Incorporating measures relative to climate change in policies, strategies and plans, that allow to reduce the carbon footprint.	Santander Verde Carbon footprint measurements Compensation of carbon footprint for the Bank Compensation of carbon footprint for clients Climate change and environmental management policy Acuerdo de Producción Limpia (APL) ISO 14001
	Transversal	Being an institution with solid principles and defined values. Having clear policies against corruption and bribery in all its forms. Revealing our results in all sustainability areas.	General code of conduct Prevention of corruption policy Reputational risk model
	Transversal	Adhering to initiatives that contribute tot the advancement of the ODS.	Participation in: Responsible Bank Principles UN Global Pact Acción Empresas Alliances with diverse NGOs and charitable foundations

3

Creation of value for interest groups





The implementation of the Responsible Banking Strategy addresses the following strategic pillars: shareholders, clientes, collaborators, society, and excellence in execution. In this chapter the management of these pillars in 2020 are discussed, reflecting the advancements of the targets, that generate value for our interest groups: shareholders, clients, collaborators, suppliers, and local communities.



Creating value for customers

For Santander, the customer is the driving force underlying its management and the Bank's fundamental purpose in its pursuit of service excellence. In the context of the pandemic emergency, the Bank responded in an agile and timely manner to customers' needs as part of its digitalisation process, which has combined innovation and the use of new technologies to deliver products that prioritise the safety of all.



Solutions in a Pandemic

In 2020, Banco Santander delivered new products and services to its customers, despite the complexities brought about by the health situation. The Bank's main objective was to ensure the continuity of its services through its digital environment strengthening and to take the necessary actions to abide by the regulatory changes related to the emergency.

The urgency imposed by the pandemic led the organisation to grant new Covid-19 loans - both to individuals and businesses - and deferral assistance for mortgage loan dividends in record time. Santander emerged as one of the banking institutions with the greatest impact on customer numbers through these measures, with entirely

remote management foregoing customer presence in the branches. This was made possible by strengthening digital channels to achieve full customer availability and a communications campaign that encouraged preference for online customer service.

Nevertheless, as the hybrid service (remote and face-to-face) was maintained, the Bank applied a strict health protocol in operational branches to safeguard customers and employees' health. This included preferential queuing, temperature measurement at entrance and signs guiding physical distancing.

This context enabled the promotion of digital products and services such as the Life Account, with a 100% digital

customer service model which allows online contracting, and with after-sales processes that do not require customers to go to the branch. This initiative massively offered financial world access to thousands of customers.

Each of the actions was benefited from ongoing customer feedback in terms of design and implementation, with recommendation metrics (contextual Net Promoter Score [NPS]) at critical interaction points. This enabled continuous improvement until reaching the service excellence level that has positioned the organisation as a leader in Chile's banking industry.

The Bank provided timely solutions for customers with mortgage loans who requested deferment, which meant that 40% of the portfolio could postpone their payment by at least three instalments, with an extension of the loan term and zero interest for those instalments. This response manner was unique and is considered the best customer-focused solution in the banking industry.

24%

consumer credit deferrals (or consumer credit with deferrals)

6,970

portability requests

Mortgage loans

40%

of the client portfolio received support

55%

total Commercial Banking mortgages with deferral

Fogape loans

Delivering digitally Fogape loans was a major challenge. Santander was the private bank that provided the highest number of this loan type to SMEs and medium-sized businesses through a digital connection with Banco Estado along with a guarantee system for small businesses. This allowed Santander customers entering Fogape's digital channel to have their request solved in 48 to 72 hours, while other banks could take up to four days or more. Fogape Covid-19 loans account for 32% of commercial loans in the SME segment.

10% pension fund withdrawal

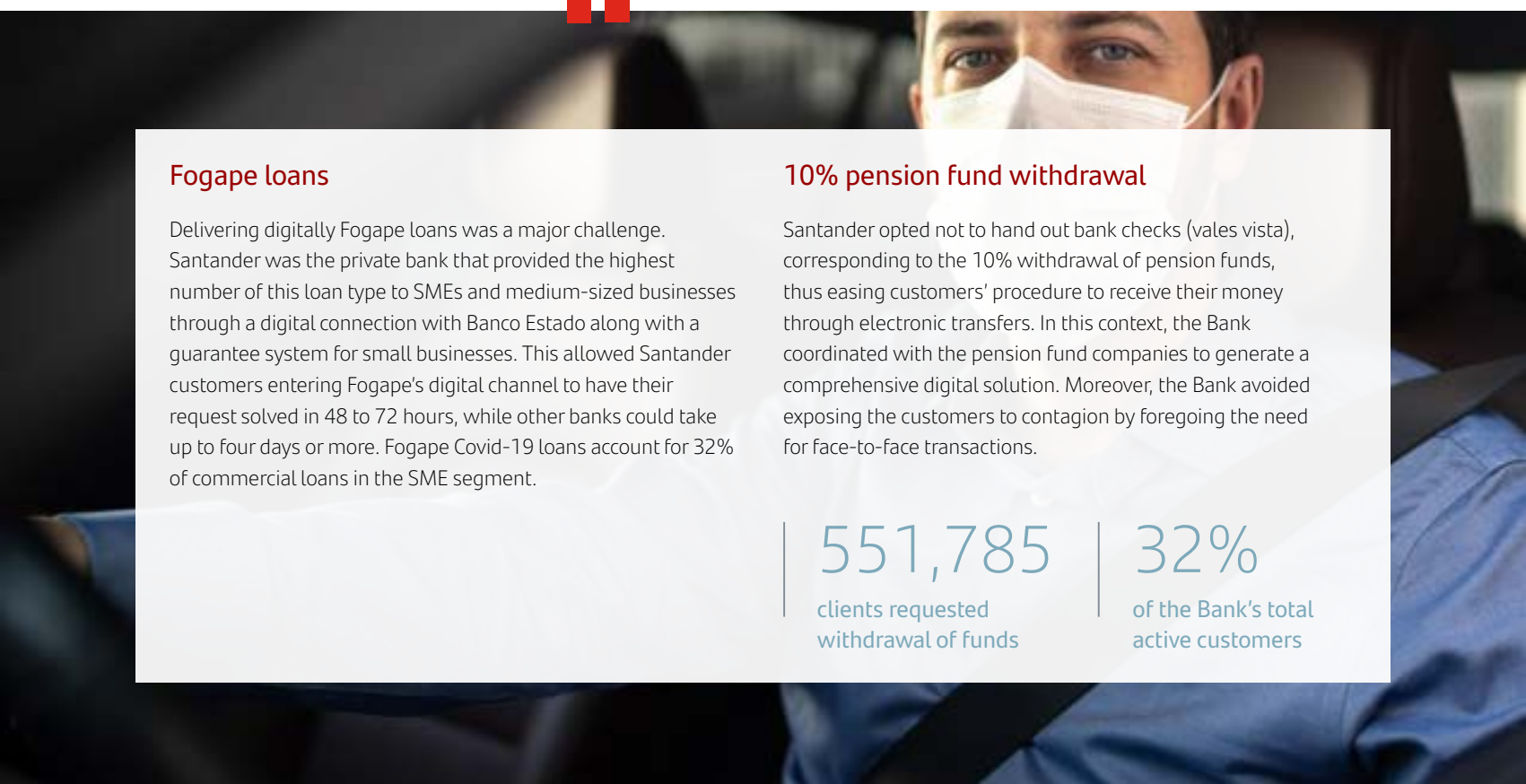
Santander opted not to hand out bank checks (vales vista), corresponding to the 10% withdrawal of pension funds, thus easing customers' procedure to receive their money through electronic transfers. In this context, the Bank coordinated with the pension fund companies to generate a comprehensive digital solution. Moreover, the Bank avoided exposing the customers to contagion by foregoing the need for face-to-face transactions.

551,785

clients requested withdrawal of funds

32%

of the Bank's total active customers



3,607,609

Total Customers

3,373,778

Individuals

207,001

SMEs

24,325

Middle-Market

2,505

CIB

1,546,524

Digital Customers

↑24.0% (2020)

484,992

Life Customers

↑258.9% (2020)

129,991

Superdigital Customers

↑604.6% (2020)

764,407

Loyal Customers

↑8.6% (2020)

→ Customer communication channels



Commercial channels



Corporate Web Site



Satisfaction surveys



Complaints app and website with traceability of the solution status



Profiles on social networks: Facebook, Twitter, YouTube, Instagram and LinkedIn



Campaigns on social networks, Santander App and Contact Centre

Presence in the country

GRI [102-4][102-6]



Strategic pillars

The cultural and commercial transformation that Banco Santander has adopted in recent years produced by digital innovation was reflected in the organisation's capacity to adapt quickly to new formats, with flexible and agile solutions for customers' needs in the pandemic's context. Along these lines and with the strategic focus of being the best bank for customers, Santander consolidated its client service model for Personal Banking, based on omnichannel banking and the one-stop-shop concept, with the customer at the centre of the Santander experience.

In its constant quest to optimise the experience and personalise offers, products or content relevant to people's needs, the Bank works with artificial intelligence, automation models and efficient management of digital inventories in order to ensure relevance in the interaction of customers and non-customers. This is backed by an effective demand generation and audience management strategy, always aiming to have the best products, services and benefits in an omnichannel view, based on the "One Bank, One Experience" concept.

Omnichannel

Santander seeks to be a Bank that is widely available for customers at any time and from any place, which entails setting up different customer service channels and platforms for queries and requirements that work together to provide continuous multi-channel customer attention, prioritising self-service.

This omnichannel concept has been key in the health emergency scenario: on the one hand, it has eased the access of the same customer to any branch of the Bank; on the other, the strengthening of digital channels and the contact centre has increased the number of sales and after-sales requests that can be made remotely.

One-stop-shop

Another aspect of the Santander customer experience is related to the one-stop-shop concept, whereby a customer can enter and leave the Bank with what they need promptly and without having to go through complex procedures.

Digital empowerment has enabled end-to-end product sourcing and access to 100% digital plans. This has been key in a complex socio-economic context, where customers require prompt solutions to meet new needs arising from the pandemic.

Quality of Service

The cultural and commercial transformation promoted by Santander and materialised in new value propositions that place the customer at its centre has responsibly boosted the growth, profitability and sustainability of the business, generating confidence and satisfaction among the Bank's customers.

In 2020, Banco Santander reached first place in customer recommendation (NPS). This leadership position reflects how the Bank has evolved, not only in capturing and interpreting customer expectations and assessments but also in incorporating customer feedback into every development, interaction and communication implemented by the Bank.

These results are particularly relevant given the country's economic, social and health context. Customers remark Banco Santander Chile has responded quickly, consciously and responsibly to their needs in a complex and changing scenario while ensuring their health (and that of its employees), protected by sanitary measures for face-to-face customer attention and digital solutions for remote customer service.



Claims management

Banco Santander offers various customer service platforms to receive its customers' requirements, including digital channels: corporate website, mobile website, app, branches and contact centre. Each request received is recorded in the after-sales system, which immediately and automatically generates the complaint number and the resolution's date. Cases are dealt with promptly and in a timely manner. Once the request is finalised, the resolution is informed via push notifications, HTML and SMS, and the client can also track the status of their requirements on digital channels.

3.28

claims per 10,000 active customers in 2020

During 2020 Banco Santander worked to reduce complaint rates compared to 2019. Nevertheless, the pandemic brought new regulations, social benefits and ways of operating, resulting in an increase in customer complaints adapting to this scenario.

The increase in the requirements observed during 2020 is mainly explained by cases related to managing the extension of mortgage, consumer and Fogape loans in the Covid-19 campaigns.

First place, customer satisfaction

Regarding results obtained in surveys answered by customers, goals related to attention experience were set for all of the organisation's segments and those participating in this experience, at a corporate level, for teams dealing directly with customers and those in support services.

1st place

best and most recommended bank in the system
Net Promoter Score (NPS)

In 2020, Banco Santander Chile ranked first in NPS as the best bank in the system and the most recommended by its customers. The achievement reflected the result of a management driven by the Bank's Customers and Quality Division, following the incorporation of the NPS indicators throughout the organisation, in a process that began eight years ago.

The internal process, led by the Client Experience manager, considered the detailed study of matters valued by the customer and the point at which the customer interacts with the brand. The NPS ranking, delivered by Alco Consultores, adheres to internal measurements audited by the Spanish company Stiga, which reviews all benchmark studies in different countries.

Overall Customer Satisfaction (Net Promoter Score)

Category	2017	2018	2019	2019 Target	2020	Target 2020
Overall Customer Satisfaction (% of customers who would recommend the business)	3°	3°	2°	2°	1°	1°
Measurement coverage	Annual	Annual	Annual	Annual	Annual	Annual

	Goal	Results
Target for 2019	Reach the second position among the competition in terms of satisfaction.	2019: ranked second in satisfaction compared to the competition.
Target for 2020	Place within the top three among the competition in NPS	2020: achieved first place in NPS compared to the relevant competition.
Target for 2021	Consolidate leading position in NPS	
Long-term goal	Be the undisputed industry leader	



Customer protection

The protection of customer data and prevention of cybersecurity risks is one of Banco Santander's focuses on a context of exponential increase technology use, marked by the pandemic. The Bank continued its efforts to strengthen the detection, protection and defence framework by incorporating leading-edge tools in line with international best practices in the area.

Banco Santander is governed by a set of policies that are updated and reviewed periodically and which regulate the actions of technology and business users and employees in general, in areas such as identity and access management, technology risk management and cybersecurity for suppliers' cloud and network security and vulnerability management.

Cybersecurity risks are regularly managed at the highest level of the organisation, with the participation of the Chairman, the Board of Directors and senior management. Furthermore, the Board participates in the cybersecurity strategy through quarterly meetings with the Comprehensive Risk Committee, where the issue is addressed in greater detail.

Data protection and customer privacy

In 2020, the Bank updated its Personal Data Protection Policy to raise personal data processing standards. This is part of an improvement plan (in progress) that includes implementing an Infringement Prevention Model in line with international best practices. All Bank employees receive constant training and coaching on how customer data should be handled.

The contracts between Banco Santander and its customers contain specific clauses regarding the use of personal data obtained due to the contractual relationship. The Bank's website includes a subsite called Site Use Security Policy, where customers are informed on how data is handled and the Bank's faculties on this matter.

Fraud management

In compliance with the current regulatory framework, Santander manages cases through 24/7 customer service channels so that customers who are victims of fraud can notify the Bank in a timely manner. Once the request has been submitted, the customer is given a registration number to follow up on their case. Within five working days at most after receipt of the request, the Bank will make the regulatory payment of up to UF 35. Subsequently, the investigation is carried out within seven working days as required by law, and finally, on the twelfth working day, the client receives a response.



Business areas

GRI [102-2]

In light of the pandemic emergency, the Bank's business areas were able to adapt and respond promptly to the requirements of the various customer segments, with a range of products and services that yielded promising results in 2020.

Commercial Banking

This business area has a differentiated value offer for high, medium and massive income individuals and small and medium businesses with sales below \$2 billion annually.

In the strategic line of Banco Santander's commitment to sustainability, Retail Banking seeks to transform the organisation with value propositions endowed not only with a non-commercial purpose but also a sense of transcendence and contribution to customers and the community.

One of the Mass Income Banking (upper-middle or transversal segments) goals is to help clients become bankable, avoid over-indebtedness, and encourage good financial behaviour.

Through benefits such as discounts with sustainable value, Santander Chile aims to project not only consumer sales but also the generation of meaningful initiatives. For example, Work/Café is an inclusive model for customers and non-customers flanking entrepreneurs and people to start over and reinvent themselves, which has developed both physically and digitally through the Work/Café Community.

Commercial Banking accounts for around 64.5% of revenues (including income from interest, fees and financial operating results), and 61.0% of the Bank's total contribution, through the sale of a variety of products and services such as consumer and mortgage loans, credit and debit cards, current and checking accounts, savings and investment products and insurance. It also offers specialised loans for working capital and foreign trade, state-guaranteed loans, leasing and factoring.

In 2020, as a result of the pandemic, Commercial Banking focused on ensuring continued customer service through its branches, contact centres and the digital channel. The Bank prioritised the delivery of fast, close and precise solutions regarding its own products and those granted by the government in the context of the health emergency (extension of mortgage and commercial loans, delivery of the 10% withdrawal from the AFPs and portability).

Furthermore, the Bank also worked intensively on controlling and managing non-performing loans, particularly at a time of difficulty for Commercial Banking customers and SMEs most affected by the economic crisis. In this context, Santander was the bank with the smallest rise in NPLs relative to its competitors.

The management of mortgages and refinancing meant doing in one month what usually takes three years. Additionally, the Bank provided support in new areas associated with the pandemic, such as discounts on home delivery services.

Despite the adverse pandemic scenario, Commercial Banking revenues grew by 1.28% in 2020 compared to 2019. These

results were leveraged by the debit margin, the good performance of payment method's fees, the upward growth in the margin of mortgage loans and the increase in the margin due to the higher sales volume of commercial loans that incorporated Fogape Covid-19.

The yearly growth in current account customers was 324,821, driven by the Life current account's success. This increase is more than three times the growth of previous years' accounts. Commercial Banking strengthened its leadership in terms of market share, concerning customers with deposit accounts, mortgages, consumer instalments, and mutual funds.

30,000

monthly mortgages issued.

100,000

refinancing solutions in two months.

612,032

customers with credit and debit cards (as of Dec. 2020).

88,562

single customers with a virtual card (as of Dec. 2020).

Insurance

85,289

auto insurance sold (as of Dec. 2020).

4,266

SME insurance sold (as of Dec. 2020).

In 2020, record automobile insurance sales were achieved through significant improvements to the Autocompara platform, which added more companies and improved the pricing of insurances available to customers. This level of car insurance sales enabled Santander to rank first in the industry. Furthermore, the Protected Location, Protected Company Insurance (directed to SMEs) was also created. In 2020, 85,289 car insurances were sold to 68,561 customers and 4,266 insurances to SMEs (3,350 customers).

59

offices

6

new branches

1,300,000

single visits in 2020

Work Ideas

Work Ideas is a world-class platform for managing innovation. Santander inaugurated in 2020 the first innovation challenge aimed at finding solutions for its customers. More than 1,000 employees from 13 divisions participated in this initiative, contributing nearly 300 ideas. The four winning ideas entered the prototyping and validation phase with consumers.

Reinvention of Work/Café

The pandemic forced *Work/Café* to completely reinvent itself in 2020 and launch a new image and services following the impossibility of providing coffee due to physical and social distancing protocols and food services restrictions.

This space, directed at customers and non-customers, gathers in one place a bank, a shared work area and a coffee shop. With the support of digital tools, *Work/Café* turned to the generation of mentoring, training for entrepreneurs and employment exchanges, consolidating its value offer.

Despite the health emergency, the *Work/Café* model continued to expand during 2020, with the opening of six new branches, ending the year with a total of 59 offices, 10 of which are staffed by multi-segment executives.

Additionally, non-banking services were adapted to the pandemic context, limiting the number of branches with cafeteria services and introducing takeaway services. Moreover, coworking spaces and meeting rooms were set up in branches in three communes that reached phase 4 of the government's Step by Step plan. The service was available as long as these communes remained in phase 4 and only for users with a reservation through the *Work/Café* community.

The *Work Café* Community's inauguration marked a digital leap in its prospect as a space and reinvention tool for entrepreneurs during the crisis while also showcasing their products. This was done through different functionalities such as:

- Mentoring: a person can find a mentor free of charge who is a specialist in specific disciplines, e.g., marketing.
- Employability Portal: clients and non-clients can review job options and take courses to improve their employability.

By the end of 2020, the number of visitors entering the community had tripled. In the case of mentoring, around 40 people had applied.



Santander Life

484,992

customers with 100% digital accounts (as of Dec. 2020)

MM\$ 120,478 (Dec. 2019)

MM\$ 495,529 (Dec. 2020)

balance in debit products

Superdigital

129,991

Superdigital clients

883,829

active credit cards (Bank)

911,623

active debit cards (Bank, for both products)

The pandemic accelerated the banking's transformation to the digital world, which had already been underway before the health emergency. Santander Life, which from 2019 offers a 100% digital account, had an exponential leap in 2020 due to the withdrawal of pension funds, capturing within three months the current accounts usually obtained within two years.

In 2020, the pandemic and the relevance of digitally engaged financial offerings drove the Life Account powerfully, which exceeded 300,000 account openings in the period. The Life initiative was consolidated as the leading offer in the mass middle income segment, with Plan Cuenta Life, Plan Santander Life and Plan Santander Life LatamPass, which tripled the number of customers since December 2019.

Santander Life made Banco Santander the first bank in Chile with 100% digital current account opening allowing the Bank to differentiate significantly from its competitors regarding current account market share.

Digital customers, which are approached through programme linked to merit and financial behaviour, have enabled the Bank's highest satisfaction rate ever. This positive result reaffirmed the organisation's objective to incorporate and work on a large scale with the mass-media segments based on digitalisation.

The Bank upheld its commitment to contributing to financial empowerment with the Meritolife programme, which has recognised more than 5,000 customers with discounts of 15%, 30% and even 40% on their current loan rates.

Superdigital is a fully digital Santander app that consists of an account with no balance limit. It allows customers to pay any amount they want, make transfers to any bank, make money transfers at Santander ATMs free of charge, pay utility bills, recharge mobile phones from the same app, and make national and international purchases online with no additional commissions.

This product had solid monthly growth throughout 2020 due to a fast and straightforward incorporation process, universal biometric authentication and a digital transformation of customers driven by the effects of COVID-19. Today, Superdigital has more than 130,000 customers. During 2020, there was an increase of 111,543 Superdigital accounts.

New features

In 2020, Superdigital extended its functionalities once again, this time to receive remunerations and other massive deposits such as, for example, pension fund withdrawal and unemployment insurance payments. In this way, the Banco Santander app provided an alternative to the more than 100,000 customers who make up this community, with new steps in its aim to promote financial inclusion in the country, especially for those who until now have not been able to access the banking industry and its benefits.

Santander also launched a giveaway for all those who start receiving and using their salaries through this platform. Those who received such payments between October and December were eligible for a super bonus of \$500,000.



Select Private Banking

Aimed at high net-worth customers, this model seeks to provide personalised attention through a comprehensive service that includes a wealth manager, the support of specialised advisors and a broader and more flexible product offering than found in the existing branch network. The formula is focused on improving the offer to those with liquid investments over \$540 million or a positive debt-to-equity balance, minus the mortgage, over \$100 million.

In January 2020, the Select Private Banking service model's second branch was opened in Santiago's eastern sector. During the year, the focus was on helping clients overcome the pandemic's challenges, providing ongoing advice and transforming processes to enable them to operate remotely and digitally. In 2020, a new version of its trade support system was rolled out to facilitate the marketing of international investment products, strengthening the value proposition to its clients. Despite the contingencies, the model has maintained the highest standards of satisfaction thanks to its managers' high level of advice and their synergy with the support teams specialising in investments, voluntary pension savings, insurance, and real estate investments.



Tienda Santander Launch

In 2020 Santander launched Tienda Santander, the Bank's new virtual space where customers with a Santander credit card can purchase Apple products in up to 24 interest-free instalments, including the latest iPhone 12 line, and receive them in the comfort of their homes, securely and personally and without shipping surcharges. The service, which started with technology product sales with the idea of expanding to partners in other sectors, is part of the experience and value that the Bank seeks for its customers in the digital area.

Middle-Market banking

Middle Market offers a variety of products and services to companies and large enterprises with annual sales of over \$2 billion, as well as to real estate developers who are promoting projects for sale to third parties and construction companies with yearly sales over \$800 million. The middle market also serves the institutional segment, including universities, government agencies, municipalities, and regional governments.

This division responds to its customers' needs through a diverse offering that includes commercial and mortgage loans, leasing, factoring, foreign trade, credit cards, current accounts, transactional and treasury services, financial consultancy, savings and investment products, and insurance. Furthermore, real estate companies are offered specialised services to fund primarily residential projects.

The main lines of action of the 2020 strategy, which focused on supporting clients during the pandemic, were as follows:

1. Conversion of employees' work from on-site to remote to guarantee service continuity and operation despite lockdowns and other measures applied due to the contingency. In this way, face-to-face delivery of documents was kept to a minimum with all necessary steps to avoid physical contact.
2. Digitalisation of a series of services that made it possible to increase the online product grid, facilitate the self-service of requirements and focus efforts on customer advice.
3. Development of specific products and adaptation of payment plans to the new scenario.

2,185

Total Covid-19 credits

1,050

Via digital office banking platform

\$205,893

million generate by middle market, equivalent to 28.5% of the total contribution

32%

Growth in structured businesses, such as financial advisory for the structuring and bonds loans, mergers and acquisitions, among others.

Digital customer contracts

16%

Digital payroll payments growth 20/19

34%

Digital supplier payments growth 20/19

15.5%

Payment of digital tax growth 20/19

24,468

Digital clients



Santander Corporate & Investment Banking

With presence in 22 countries, the Corporate & Investment Banking (CIB) Division provides comprehensive advice to foreign or Chilean multinational companies with sales exceeding \$10 billion. This segment caters to corporate and institutional customers looking for tailor-made services or high value-added wholesale products due to their size, complexity, or sophistication.

Through four specialised units - Banking & Corporate Finance, Global Transaction Banking (GTB), Global Debt Finance and Global Markets - this division offers a wide range of products to meet its clients' financing, investment, and risk hedging needs.

In 2020, the division achieved higher coverage and closeness, with a customer base of 460 customers, 60 from Chile and 400 multinationals.

Santander CIB consolidated its leadership in the markets area, maintaining institutional and foreign investors' preference, while GTB held its leadership in transaction activity in this segment.

CIB is the Chilean market leader in Corporate Finance operations. Despite the complex global context, it was able to operate significant transactions in 2020, highlighting that of the Spanish company Naturgy with its 96.04% stake in Compañía General de Electricidad (CGE) to the Chinese company State Grid International Development Limited (SGID) for a total

price of US\$ 3,039 million. CIB advised SGID on this purchase, which is the largest transaction in the history of the energy sector in Latin America.

Furthermore, the division had top placements in the rankings for the various investment banking products:

- 1st in Mergers and Acquisitions (M&A)
- 1st in M&A
- 1st in project finance.
- 2nd in syndicated loans.
- 4th in Local Debt Capital Markets (DCM).
- 2nd in international DCM for Chilean banks, according to Bloomberg.
- 4th in DCM Latam franchise, according to Dealogic.

Sustainable finances

ESG criteria, i.e., the inclusion of environmental, social and governance variables, are considered in the products and services offered by the Bank to its customers. Santander is a world leader in this area and the main driver in Latin America and Chile.

The division aims to enhance its offering in the area of sustainability, governance and environmental (ESG) solutions to guide clients in their transition to a more sustainable business model, with a range of strategic solutions and financial and product structures designed specifically for their industry and market segment, with sustainability issues as a priority without losing sight of profitability.

In this context, the aim is to be a leader in financing and consulting for renewable energies. In the global division last year, a global head of ESG was created in the product position, which was replicated in Chile.

From the perspective of risk processes, the Bank's Credit Risk Committees now incorporate the ESG variable in their assessment, analysing risks and whether the project is sustainable.

Banco Santander Chile, in 2020, was a leading arranger of syndicated loans, including the first loan linked to specific ESG indicators rated by international agencies. In July, Banco Santander led the structuring of a syndicated ESG loan to Cristalerías Toro for Ch\$31.5 billion. This is the first such financing formalised with a Chilean holding company and is structured to link the funding's interest rate to the company's compliance with ESG-related indicators (social, environmental or corporate governance).

In December, Banco Santander and Aceros AZA signed an ESG committed credit line linked to carbon footprint reduction for Ch\$16 billion. The product is structured so that the financing's interest rate is linked to the reduction of CO2 emissions per tonne of crude steel produced, an indicator of strategic relevance for the company. In these financings, Vigeo-Eiris acted as Sustainability Agency, assessing the proposed indicators' relevance and ambition.

Company products

The mission of the Company Products Division, now in its second year, is to become a leading and benchmark provider in the financial system for all the company products it administers. Differentiated commercial management, efficient processes, and innovation and development are part of the strategic approach, transversally aimed at the Bank's three business areas, to support these products' management and sale.

One of the most relevant aspects for the Division in 2020 was the digital transformation, which focused on new technological developments, making the Bank available to business customers through the digital office banking platform with new products and developments.

The acceleration of the digital transformation process due to the pandemic meant that the Division had to digitally provision products that were not in that channel. This brought good results in all respective sales quotas, with growth outpacing the market in the 2020 financial year. The Division's three products grew in share over market expansion: there are now more products, more customers (multi-segment) and, overall, there were positive commercial achievements.

With its four product areas and a sales network, the Company Products Division has been successful in 2020 in the dimensions of processes with new, more efficient releases (end-to-end), transformation (digitalisation), sales and service quality.

Division areas:

- **Specialised sales area:** a network of specialist executives with national coverage who sell and advise SMEs and Middle Market customers on these products.
- **International business:** a family of products and services that the Bank makes available to its customers to enable them to operate their foreign currency flows more quickly, with less risk and on a larger scale. Includes the following products:
 - **Transactional products:** payment orders sent and received, in unit and mass mode.
 - **Documentary products:** collections, letters of credit and guarantees.
 - **Financing:** import, export and general purposes.

→ Main results

- Increased share of loans (+137 bps) and percentage of customs flow (23% to 27%).
- First place in Comex market share.
- Improvement in commissions on payment products (+16%).

- **Cash management:** In addition to the direction of the digital channel companies, it collaborates with the integral management of the client's treasury, employing high added value products for collection and payment processes through various remote channels, both locally and globally.

→ Main results

- Implementation and sale of cash management services in SMEs and regions. Annual growth of 36%.
- Digitisation of cash services, replacement to digital payment services.

Leasing, factoring and confirming:

- a family of products that the Bank enables for its customers to provide working capital and investment solutions, generating a differentiated offer for different types of customers and segments.
- Leasing: lease with an option to purchase various assets (movable and immovable).
 - Factoring: advance payment of invoices and other documents (with and without liability).
 - Confirming: improve supplier payment management by giving them the option to advance payments.

Getnet

During the last quarter of 2020, and with the participation of 250 businesses, the pilot phase of Getnet was launched. This is a transactional product with which Santander began to boost the payment methods' industry, delivering a new purchasing solution to the market.

Aimed at all retail segments, the system accepts cards of all brands and issuers and provides a comprehensive solution for collection and payment mechanisms, focusing on developing businesses of all sizes and improving the customer experience.

In November 2020, more than 90% of issuers of Getnet approved brands were operating in the four-part model, rising to more than 98% in December. Transaction approval rates in the pilot phase exceed 94%.



Getnet is based on a unique and open platform to give end-to-end payment solution for shops.

In 2020, the Getnet pilot phase was developed, with:

250

retailers (as of 28 Dec. 2020),

125,000

transactions

MM\$ 4,000

in retail sales.

Main indicators

+24,000

COVID credits taken digitally.

250%

increase in international digital payment transactions, from 17% to 56% of total transactions.

10%

growth in digitally enables channel for Office Banking customers and transactional and consultative use of the channel increased by 32% in 2020.

52%

increase in international digital payments for SME segment, and 23% in digital factoring transactions.

Santander Consumer

Santander Consumer was incorporated as a subsidiary to Banco Santander Chile in 2019, as a business unit specialising in automotive financing. In 2020, thanks to the momentum provided by the organisation's digital transformation process and the innovation of products and services, together with the work of strategic partners and the country's largest dealers' support, it was possible to deliver a solid and attractive value proposition to customers.

Key milestones for 2020:

Despite a challenging year, Santander Consumer managed to increase its commercial performance in relative terms, increasing market share, credit availability, insurance crossings, and smart shopping participation. The main projects include the following:

- 100% implementation of remote working in March, when mobility restrictions started.

- Implementation of triple insurance crossover allowing a more comprehensive range of insurance or assistance to be provided simultaneously.
- Implementation of Avanza, a project covering early loan renewal work, acceleration of pre-approved offers, management of approved customer bases, among others.
- Implementation of an online platform for training and executive support for the Smart Buying product, together with partner HAC.
- One year operation of the Floor Plan Product for inventory funding of automotive customers.
- Sealing alliance with Chileautos, the country's leading automotive marketplace, in December 2020. This agreement seeks to provide Chileautos' customers with an agile, comprehensive and secure credit process that allows them to access all the benefits that Santander can deliver and, in turn, strengthens the automotive ecosystem, which the organisation set as one of new innovation projects to be developed.
- Santander Consumer Benefits, a programme for customers, was launched to improve customer linkage and retention.
- Implementation of Oracle ERP system at Santander Consumer.
- Deployment of campaigns jointly with Banco Santander's areas with promotion on their public sites and mass mailing Banco Santander customers.
- First-phase implementation of Oracle CRM, with a focus on integrated customer service.
- The OPA project (scoring) to automate credit policies, which improves the response time of credit risk analysis.

Creating value for collaborators

All of Banco Santander Chile's collaborators demonstrated capacity for adaptation and resilience in this challenging year. The organisation strengthened its commitment to its employees, creating new ways of working that protect their well-being and health and maintain its objective of being the best company for which to work.



10,470

total collaborators

46%

men

1.2%

people with disabilities

54%

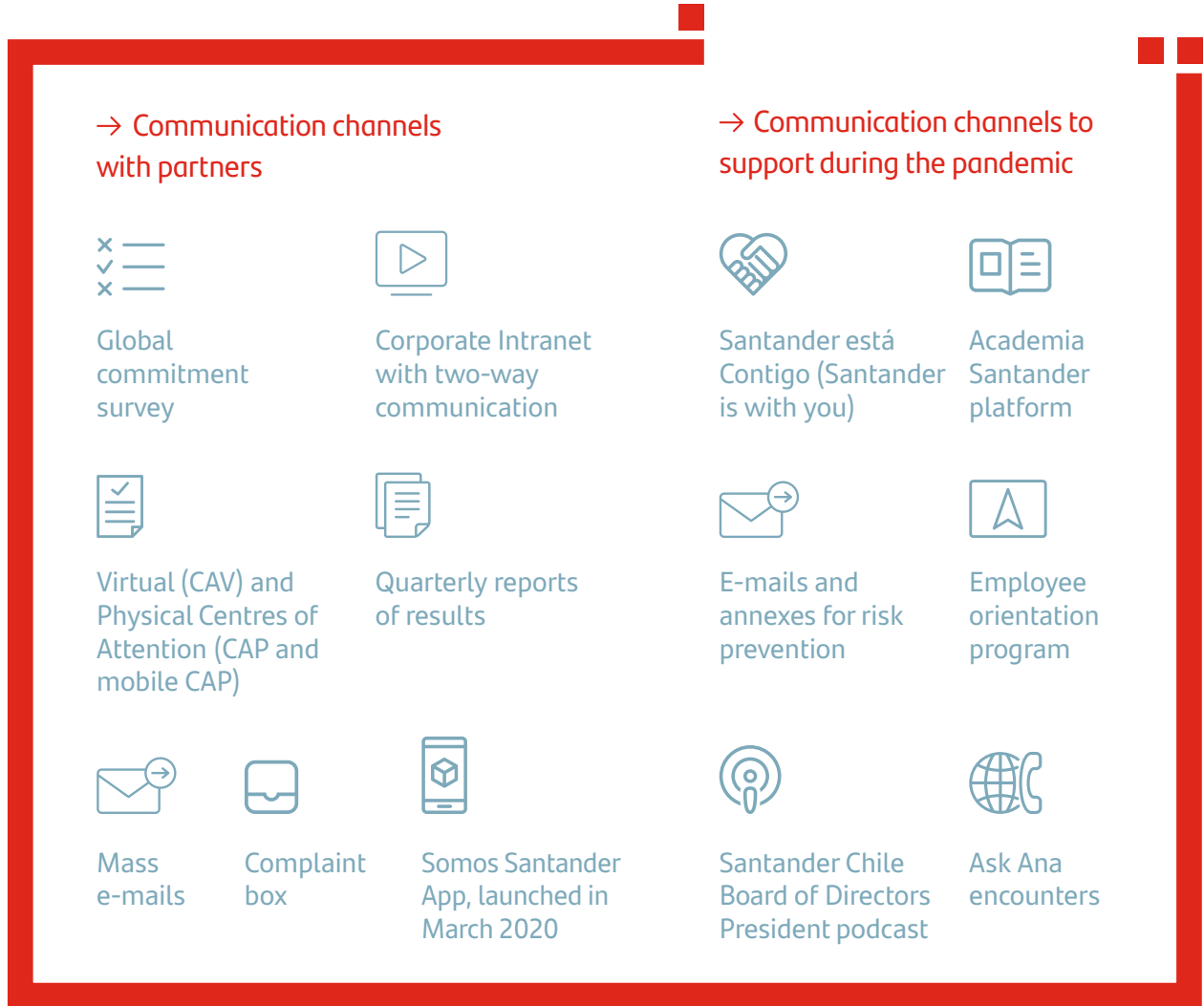
women

8.1%

foreigners

+ than 95%

with performance evaluation



→ Response to the COVID-19 pandemic

At the end of February 2020, Banco Santander Chile informed its employees about the main mandatory preventive measures to avoid the coronavirus spread, setting in motion the protocols to be followed. A few days later, the Bank requested its employees to avoid unnecessary travel, postpone or cancel meetings or gatherings involving large numbers of people, and report any infection suspicions.

As the pandemic intensified in Chile, additional measures were taken to protect employee health and ensure business continuity:

- **Teleworking:** implementation of this modality. The Bank's employees were provided with tools

to share files, make video calls and connect securely from home, allowing them to carry on with their work.

- **Offices and branches:** to protect the health of employees who deal directly with customers, the network was adapted to the new circumstances, establishing special opening hours, selective closures, shifts and additional protective measures such as the use of gloves, alcohol gel, installation of plastic separators, etc.
- **Corporate buildings:** for those professionals who continued to work from corporate facilities (mostly staff essential to the continuity of the Bank's

operations), social distancing measures were reinforced by providing alternative locations, segregating equipment, strengthening cleanliness and minimising the number of people in workplaces.

All these measures were applied as a priority to the most vulnerable employees, belonging to the risk groups in which Covid-19 can have the most significant impact.

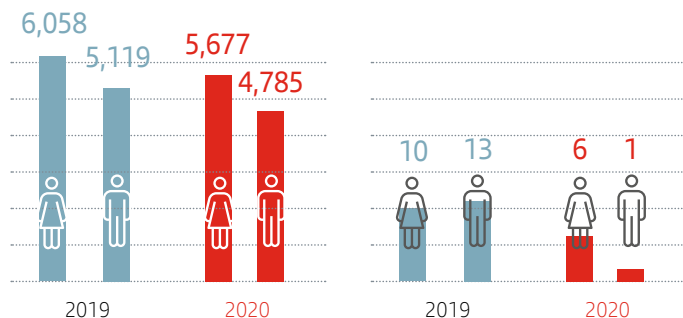
Finally, several other initiatives aimed at facilitating work-life balance, advance payment and provision of special loans, psychological support services and other support measures were also put in place.

Collaborators by type of contract

GRI [102-8]

Indefinite

Fixed term



Collaborators by region

Total
10,470

XI Region
Aysén

28 -
15 13

XII Region
Magallanes

79 -
45 34

Region
Metropolitana
de Santiago

7.565 3
4.056 3.512

XIV Region
Los Ríos

76 -
49 27

XV Region
Arica y
Parinacota

53 -
26 27

XVI Region
de Ñuble

91 -
49 42

I Region

Tarapacá

104 -
51 53

II Region

Antofagasta

200 -
138 62

III Region

Atacama

57 -
38 19

IV Region

Coquimbo

200 -
105 95

V Region

Valparaíso

560 1
315 246

VI Region

O'Higgins

178 -
104 74

VII Region

Maule

303 2
163 142

VIII Region

Biobío

423 -
236 187

IX Region

La Araucanía

277 1
160 118

X Region

Los Lagos

269 -
133 136

Strategic focus



Best place to work

It is important for Banco Santander Chile to have a position as the best large company for working in Chile. Evidence of this is the first place obtained in the 2020 Great Place to Work in recognition of the work carried out in terms of organisational climate and culture.

It is essential to have employees committed to achieving the organisation's objectives and responsible for maintaining a good working environment based on collaboration and trust. Following the same line and concerning the above, the expected behaviour of each worker is to be Simple, Personal and Fair (SPF), offering customers an accessible service, with a simple language, a personalised treatment that adapts to their needs and fair and equitable treatment of customers and workers.

Santander firmly believes that the best place for working does not necessarily relate to the site itself but the people comprising the organisation. In this regard, the Bank is focused on achieving and cooperating in its employees' development to enable them to reach their full potential and contribute to the organisation's sustainability.

This was reflected once again in the Top Employer 2020 certification, awarded by the Top Employers Institute, as the best bank to work for in Spain, Poland, the United Kingdom and Chile. This certification recognises the excellence of working conditions offered by the bank and its contribution to personal and professional development.

■ ■

Part of Santander's commitment is to help employees progress, prioritising their health, especially during the pandemic and in an environment that promotes diversity, creativity and innovation.

■ ■

Recognising commitment

The new Normal has led the organisation to look for new ways to recognise employees, reinforcing the purpose as a Bank and using all internal media in #Transcendiendo communications and social media, posting appreciation videos and images.

In 2020, Santander recognised 336 outstanding employees during the pandemic for their commitment and service attitude in crucial projects for customers and employees' well-being, such as Fogape loans, mortgages, Recoloca, enablement of teleworking, to name a few. They all received a day off and acknowledgement for their contribution to the organisation.

Human Capital Development

For Banco Santander Chile, the commitment to people's development is a process aiming to foster employees' professional and personal growth, enabling them to reach their full potential and contribute to the organisation's sustainability.

Professional Development Plans (PDPs) have been implemented to enhance growth, intending to arrange challenging tasks and feedback before, during and after the process. It is a process that guides and supervises the evolution and development of knowledge, skills and attitudes of employees and their professional careers, with the maximum aim of promoting excellent performance, recognising the potential of each person and generating opportunities for professional development.

Santander Academy GRI [404-2]

The Bank manages the development of human capital mainly through the Santander Academy, a training initiative launched in 2018, with programmes that focus on instructing people for their positions through the delivery of knowledge, tools and strengthening of skills. Among its purposes also lies the transmission of the company's Simple, Personal and Fair culture to the new staff, the importance of placing the customer at the centre of activities and empowering expert collaborators who wish to transmit their knowledge for the benefit of others. The above is supported by the compliance of curriculums and learning plans determined for each position and role.

In 2020, one of the main focuses was the digitisation of employee training via the Santander Academy's digital platform. This included not only delivering mandatory training but also segmented training according to their functions, roles, positions, etc.

Innovation Santander Work Ideas

Work Ideas is an initiative launched by the Bank's commercial area, which seeks to compile ideas for solving various challenges, both for customers and internal management issues. They are published from time to time to the entire organisation. The purpose is that the collaborators themselves look for innovative and practical solutions that, if selected, are developed so that they can be implemented. In this

The creation of five channels within the platform stands out:

- 1. Santander Leaders**, a channel dedicated to the Bank's leaders, where tools are provided to lead the team and build together the best place to work.
- 2. Train yourself**, a transversal channel for all employees, offering self-management space to enhance professional development, focusing on professional skills and digital tools.
- 3. Extension Centre**, a transversal channel for all collaborators offering courses for the relaxation, entertainment and recreation of the collaborators for their personal development.
- 4. Customer Experience**, a transversal channel for all collaborators that provides advice on how to deliver the best customer experience.
- 5. Digital transformation**, a transversal channel for all collaborators, a space for the common language of the new existing Agile methodologies.

context, the Work Ideas Ideation Workshop was held to learn the practical application of innovative methodologies that help devise reasonable solutions that address each challenge's main problems. The first challenge in 2020 was to develop ideas to enable customers to go to the Bank without leaving their homes.



2020 Highlights

- To update work plans through a “Strategic Workforce Planning” recovery process. Thus, the collaborator's new competencies required for the Bank of the future were adjusted.
- To increase the number of courses available on the training platform for regulatory classes. Currently, there are more than 250 courses available and personal development and self-care courses for employees in an era in which emotional well-being has also been the responsibility and concern of the Bank.
- To incorporate topics relevant to the organisation, such as digital transformation, analytics, artificial intelligence, digital tools, communication skills and remote team leadership.
- To regard the Development Plans, which were a great success in their first year of implementation with 7,845 employees having at least one Development Plan.
- To incorporate an Extension Centre with an offer of 16 workshops and courses in times of coronavirus. The workshops include sleep workshops, meditation, tapping points, painting, handicrafts, home electrical board, lamp wiring, lettering and children's storytelling.
- To strengthen the postgraduate scholarship programme, aimed at professional development and technical knowledge to foster continuing education. In 2020, two internal diploma courses were held (Introduction to Finance and Innovation and Digital Banking), covering current issues, culminating in applied projects of relevance to the Bank. On the other hand, Banco Santander Chile promotes an English programme for positions that require it, enhancing English skills.



Implementation of new ROI Methodology

Since 2020, we have been working on ROI (Return on Investment), a strategic evaluation methodology, a tool that seeks to plan, monitor, and improve programmes, projects, and interventions to improve business indicators. Given that it is a methodology focused on measuring employees' behavioural changes from the training applied and how this impacts business indicators, it is considered a long-term measurement tool.

At the end of the reporting period, five training programmes were in the process of being assessed for transfer measurement and review of indicators, which are the necessary input to conclude whether there is business impact and return on investment.

Investment in training

	2018	2019	2020
Employee training: as % of income	0.180%	0.178%	0.094%
Employee training: amount (\$)	\$3,322,300,000.	\$3,441,504,724.	\$1,912,353,876.

Average training hours per year

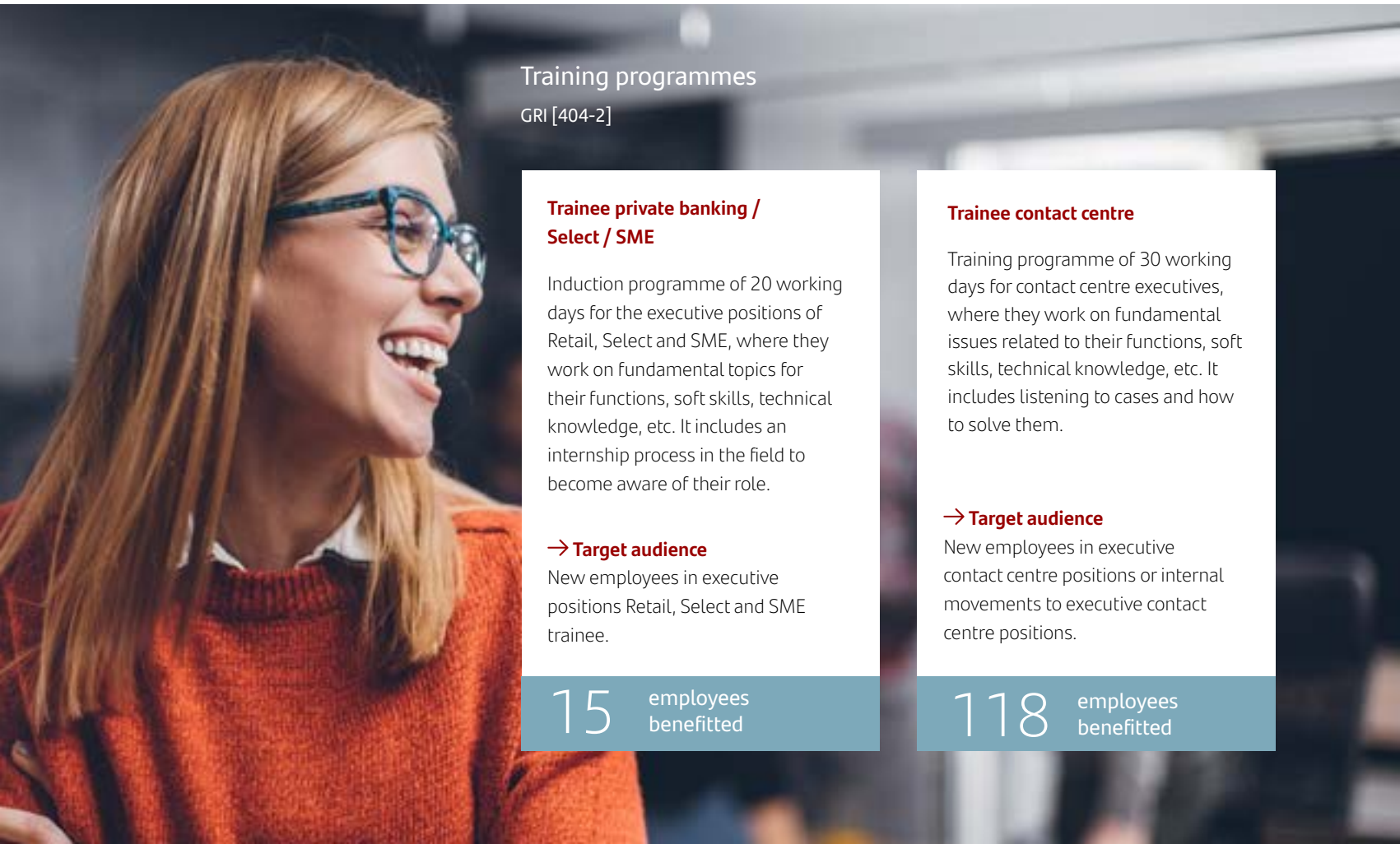
GRI [404-1]

	Women	Men	Total
Managers	43.6	32.4	76.0
Assistant managers	45.2	42.0	87.3
Supervisors	32.0	34.4	66.4
Professionals	24.8	30.2	55.0
Administrative staff	21.0	18.1	39.1

Considers 11,326 collaborators with indefinite contracts for calculation.

The average number of hours between men and women is quite similar, which demonstrates gender equity in training and is proportional to the number of employees in the Bank.

When analysing the information by job category, it is possible to observe that, in 2020, deputy managers were the group that received the most hours of training on average, followed by managers and supervisors.



Training programmes

GRI [404-2]

Trainee private banking / Select / SME

Induction programme of 20 working days for the executive positions of Retail, Select and SME, where they work on fundamental topics for their functions, soft skills, technical knowledge, etc. It includes an internship process in the field to become aware of their role.

→ Target audience

New employees in executive positions Retail, Select and SME trainee.

15 employees benefitted

Trainee contact centre

Training programme of 30 working days for contact centre executives, where they work on fundamental issues related to their functions, soft skills, technical knowledge, etc. It includes listening to cases and how to solve them.

→ Target audience

New employees in executive contact centre positions or internal movements to executive contact centre positions.

118 employees benefitted

Diploma in innovation and Digital Banking

A programme that seeks to develop executive competencies that strengthen innovation management, inspired by the fulfilment of Banco Santander's vision, mission and values, placing the customer at the centre of management in a simple, personal and transparent way. This diploma programme aims to enhance participants' creativity, entrepreneurship, innovation and strategic and financial decision-making to develop innovations globally. During the course, an applied project is created on a common challenge of Banco Santander, using the Google Design Sprint methodology.

→ Target audience

Employees and managers of grade 14 or above, with two years' seniority, with good performance appraisal, working on relevant projects within the Bank.

30 employees benefitted

Postgraduate scholarships

A postgraduate scholarship programme that provides 50% funding for national diploma, national master's degree, master's degree in banking and financial markets. Certifications are incorporated.

→ Público objetivo

Colaboradores y jefes de grado 14 o superior, con dos años de antigüedad y con buena evaluación de desempeño.

37 employees benefitted

Introduction to Finance Diploma

A programme that seeks to develop executive competencies that strengthen innovation management, inspired by the fulfilment of Banco Santander's vision, mission and values, placing the customer at the centre of management in a simple, personal and transparent way. This diploma programme aims to enhance participants' creativity, entrepreneurship, innovation and strategic and financial decision-making to develop innovations globally. During the course, an applied project is created on a common challenge of Banco Santander, using the Google Design Sprint methodology.

→ Target audience

Employees and managers of grade 14 or above, with two years' seniority, with good performance appraisal, working on relevant projects within the Bank.

18 employees benefitted

Onboarding day

New collaborators' onboarding day focused on linking the Bank's purpose with the personnel, living the SPF culture and always keeping the customer at the centre of management. Furthermore, a new Digital Integration Day was organised for all new employees, focusing on introducing all the Bank's areas and topics.

→ Target audience

New employees, managers and directors.

40 employees benefitted

English program

Three English programmes in basic level online, intermediate group in-person and advanced group in-person communicative English.

→ Target audience

Critical positions that require English to carry out their functions.

604 employees benefitted

Internal speakers

Programme that seeks to strengthen and perfect the skills of internal speakers, with the mission of making them loyal to the Santander Academia. This includes soft skills training and instructional design.

→ Target audience

Internal experts on specific topics.

53 employees benefitted

Extension Centre

A training programme which seeks to create spaces for entertainment and recreation, where employees can develop personally and professionally, enhancing employees' motivation and happiness.

→ Target audience

Employees and managers with all types of contracts and residency.

1,074 employees benefitted

Cross the Border

Training programme that seeks to improve the level of English of employees as a tool for professional development, through a two-month course in an English-speaking country, where they receive a monetary contribution from the company and paid leave.

→ **Target audience**

Employees in grade 14 or above, with two years' seniority and excellent performance appraisal.

10 employees benefitted

Trainee Operations - summer cashier

Two-day induction programme for summer cashier positions, where they work on fundamental issues of their functions, soft skills, corporate culture, etc.

→ **Target audience**

New employees in the position of summer cashier.

242 employees benefitted

Certification programme

Created to accredit that the employee has the technical knowledge required to perform their role with the Santander seal of approval. Through a 100% online syllabus supervised by training.

→ **Target audience**

SCIB, Middle Market and Corporate Products division partners.

308 employees benefitted

Specific and simplified investment accreditation

Financial training is indispensable for certain positions related to financial market instruments, where knowledge and skills are required to perform their work in the best way, ethically and without putting at risk the economy of their clients or the companies they work.

→ **Target audience**

Employees who trade in mutual funds or whose functions require it.

189 employees benefitted



Talent management

Being the best financial services open platform and the best company to work in Chile means constantly developing new ideas and projects that allow us to respond promptly to the business's current and future challenges and contexts. This challenges the Bank to enhance the employer brand's positioning, mainly in attracting STEM (Science, Technology, Engineering and Mathematics) profiles with adequate English levels. A central part of management is to have processes that ensure diversity and inclusion, ensuring fair and transparent processes that protect the adequate experience for those who participate.

In 2020, the Bank had to reinvent how it manages talent attraction in regards to positioning, recruitment and selection management.

Main talent management initiatives

- **Incorporating recent graduates from different study centres into the Young Professionals programme ensuring an adequate gender distribution.** Among the skills evaluated in the selection process were English proficiency, digital literacy, learning ability, resilience, collaboration and innovation. This programme is complemented by training to empower attendees with new tools.
- **Incorporation of 582 students to undertake their professional internship throughout the year and all over Chile.** Given the sanitary context and to give continuity to the incorporation of interns from March onwards, the internship modality was reformulated to a digital format, generating new definitions in the onboarding of the students and the leaders in charge of them.
- **Incorporating for the first time four thesis students at Santander** as part of our teams for approximately eight months to develop their thesis project about Bank's matters, generating a remarkable experience of knowledge, contribution and collaboration.
- **Organisation of the employer brand positioning event "Business Experience Santander 2020",** in a 100% digital format, where design spring 2.0 methodologies, experiences and values of the organisation were shared. This activity focused on STEM profiles. A total of 31 study centres across the country were invited, with 460 students registered representing 13 regions. The winning team was made up of six students representing five study centres. Finally, understanding the global context, this activity had a solidarity background, so part of the prizes were connectivity scholarships for the different study houses represented by the winning team.
- **Renewal of the ISO 10.667** Standard certification, whose main objective is to provide confidence in personnel evaluation processes, disseminate good practices in terms of procedures and methods, and ensure fairness and quality of evaluation systems.
- **Participation in the Merco Talento study.** This analysis measures the capacity to attract and retain professional talent in Chilean companies, **which placed Banco Santander Chile in 5th place in the ranking.**
- **Second participation in the Inclusive Virtual Fair** organised by Reqlut and Wheel The World, where 286 potential candidates visited the fair and a total of 17 people were proactively interviewed for potential vacancies.
- **More than ten lectures given to more than 600 participants in different universities** to inform future professionals about the experience, work and knowledge of Banco Santander Chile. These events allow the mission of the Bank and of the different areas comprising the organisation to be conveyed, providing guidance on future job opportunities and development.
- **Scholarship applications.** The pandemic has not deterred employees from applying for scholarships for technical, university or postgraduate studies. **A total of 312 employees won scholarships to start or continue their studies in 2020,** representing an investment of \$385,877,947 for the Bank in undergraduate and postgraduate scholarships. **Furthermore, 400 employees and their children benefited from scholarships.**



General turnover

GRI [401-1]

	2017	2018	2019	2020
Total employment turnover rate - all types of departures (voluntary, dismissals, retired, etc.) as % of total collaborators	11.9%	11.9%	11.3%	8.2%
Voluntary employment turnover rate - voluntary retirement as % of total collaborators	3.6%	3.7%	3.6%	1.8%

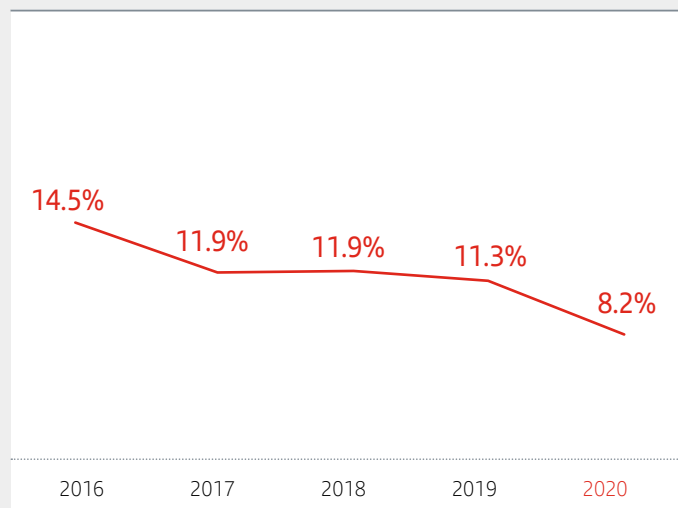
Banco Santander's overall turnover rate declined by 3% in 2020 compared to 2019. On the other hand, voluntary turnover decreased by half.

Turnover by age

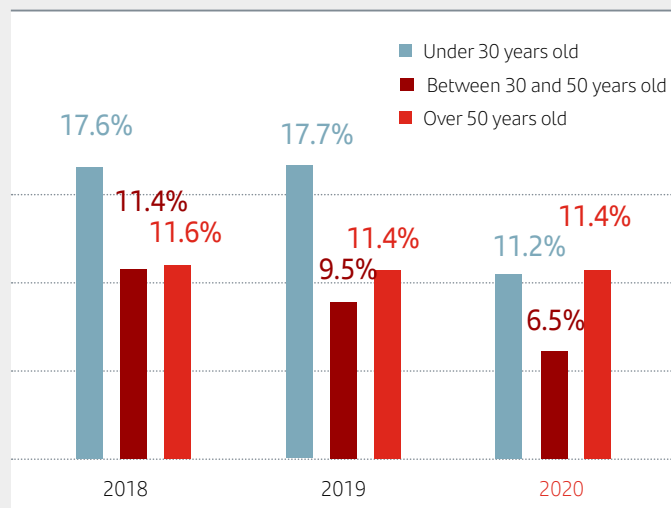
	2018	2019	2020
Under 30 years old	17.61%	17.7%	11.2%
Between 30 and 50 years old	11.44%	9.5%	6.5%
Over 50 years old	11.58%	11.4%	11.4%

In 2020, turnover rates decreased among employees under 30 years of age and between 30 and 50 years of age by 6.5% and 3%, respectively. On the other hand, the turnover of employees over 50 years of age remained stable.

2020 collaborators turnover



Personnel turnover rate by age



New recruitment vs turnover

	Total number of new recruitments			Total number of staff turnover			Staff turnover rate		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Women	813	561	96	773	743	464	12.41%	11.4%	7.9%
Men	895	465	97	696	628	424	13.09%	11.4%	8.5%

Performance evaluation

Banco Santander oversees its employees' performance, not only to achieve the company's objectives but also to ensure their individual growth by developing and strengthening their potential to their utmost. The following assessments are carried out at the Bank:

- **Local performance evaluation:** this process reviews the work done during the year, identifies strengths and opportunities for improvement and defines how to work on the latter to improve future performance. It consists of a 180° evaluation for all the Bank's employees (outside the management segment) in which all supervisors evaluate their direct teams.
- **Corporate performance evaluation:** the corporate MyContribution process is a 180° evaluation applied to the entire management team of Promontorio, Faro and Solaruco.
- **360° evaluation of managers:** the evaluation of the Bank's managers who go through the corporate performance process (MyContribution), corresponding to 103 managers. Managers are evaluated by their peers, team and supervisors on how they demonstrate Santander's corporate behaviours in their day-to-day work.
- **Leadership Index:** a survey that refers to the supervisor's leadership style, from which the Leadership Index is calculated.

■ ■
 In terms of continuous feedback, an additional opportunity was launched in June 2020 to deliver and solicit feedback from supervisors to Santander's collaborators. In its first six months of implementation, 5,926 feedbacks were given by our leaders, and at the same time, 1,403 feedbacks were proactively solicited from employees.



GRI [404-3]

+95%

of collaborators with performance evaluation during 2020

Promoting diversity and inclusion

Banco Santander Chile understands that diversity in teams contributes to better performance, well-being and working environment. To this end, it promotes diverse and inclusive spaces that nourish the work environment with different perspectives, enriching the organisation's capabilities, always hand in hand with respect and equality, under the wing of the SPF culture.

This is formalised in the Diversity and Inclusion Policy, which establishes the principles for defining the action framework and ensuring that everyone working in the Bank has equal opportunities and suffers no discrimination based on age, sexual orientation, culture, disability, beliefs, among others.

To this end, the Bank has established a focus on the following four types of diversity with a view to 2025:



Gender equity



Persons with disabilities



Generational diversity



Cultural diversity

→ Implementation of Chilean Standard 3262

In 2020, Banco Santander Chile worked together with the Ministry of Women and Gender Equality and SERNAMEG to implement Chilean Standard 3262, which establishes a system that makes gender equality and equal opportunities visible and addresses them. A Gender Policy was also created, which contains specific management objectives and indicators.

Diversity and inclusion management focuses and goals

To start raising awareness among employees about diversity and inclusion in the organisation, actions focused on the following dimensions:

- **Gender:** equal representation of men and women in the workforce to generate equal career development opportunities and pay equity.
- **Concerning gender equality:** the Bank has a Gender Equality and Work-Life Balance Policy, in which Banco Santander Chile is committed to systematically evolving towards being an organisation that guarantees equal opportunities for men and women, values diversity, promotes respectful and safe working environments and a culture that enables a work-life balance in the logic of co-responsibility. Therefore, the aim is to achieve **30% of women in high responsibility positions** (corporate management positions) and **40% of women on the Board of Directors**, where there is under-representation.
- **Cultural diversity:** different training from traditional banking profiles, experience in sector/industry other than financial services, at least one significant international experience, different

country of origin and generational representation. **In terms of cultural diversity**, the Bank has a target of **70%** cultural diversity.

- **Disability:** to provide adequate support to reduce the functional limitations of interacting with people with disabilities in their working environment. The aim is to ensure that inclusion in the workplace is fully integrated into Grupo Santander Chile's culture, impacting on the company's values and transforming it into an organisation that guarantees the autonomy of people with disabilities in all areas.

On the other hand, within the framework of Law 21.015 on Labour Inclusion, there is a specific policy for the labour inclusion of people with disabilities. This navigation chart includes ten fundamental guidelines to achieve a successful inclusion, both for the person and the company: cultural change, recruitment, accessibility, internal customer service, job growth, job performance, legal compliance, benefits, family and suppliers.



Santander's goal is not only to comply with the law, which is to have 1% of people with disabilities but to have a higher percentage.

This target was met in 2020, as 1.2% (122 employees) have a disability.



Gender diversity of our collaborators

GRI [405-1]

	Manager	Assistant managers	Supervisors	Professionals	Administrative staff
Women	14%	42%	48%	57%	54%
Men	86%	58%	52%	43%	46%

Representation of women, according to positions in the organisation	% women 2019	% women 2020
Percentage of women over the total workforce	54%	54.3%
Percentage of women in executive positions (over total executive positions)	28%	28.7%
Percentage of women in junior executive positions (over total junior executive positions)	42%	42.1%
Percentage of women in senior executive/senior management positions (over total senior management positions). A maximum of 2 levels from the CEO is considered.	18%	21.5%
Percentage of women in executive positions, in income-generating areas (e.g., sales, marketing)	24%	23.0%

Generational diversity

Concerning generational diversity, 14% of the staff belong to Generation Y, that is, people born between 1980 and 1994. The workforce's most considerable part is concentrated in Generation X (people born between 1965 and 1979, with 69% of the personnel). Meanwhile, 17% belong to the Baby Boomers, people born between 1944 and 1964.

	Manager	Assistant managers	Supervisors	Professionals	Administrative staff
Under 30 years old	0%	0%	3%	14%	21%
Between 30 and 50 years old	50%	54%	73%	71%	57%
Over 50 years old	50%	46%	24%	15%	22%

Compensation

Banco Santander Chile's compensation and benefits system seeks to fairly reward the contribution, effort and commitment of those who work in the organisation. Compensation is composed of a fixed amount and a variable amount, depending on the level of performance:

- **Fixed amount:** recognises and rewards the role and level of responsibility of the position that the collaborator performs.
- **Variable amount:** performance rewards based on meritocracy and the achievement of team and individual objectives. It also considers how objectives are achieved, in terms of

leadership, commitment, rigorous risk management, and in line with the Bank's long-term goals.

It should be noted that the average initial salary that Santander pays its employees is well above the legal minimum wage in Chile, which is in line with its mission to contribute to the progress of people and reflects the Bank's adherence to the principles of sustainability and responsible banking as an integral part of its management.

In 2020, despite the adverse social and healthcare context, Banco Santander

maintained its employees' income, adjusting salaries in line with the CPI during the economic crisis. Furthermore, the network teams working on site were given a recognition bonus, and the measurement of compliance was adjusted according to the contingency. The Bank issued a compensatory bonus not to affect the income of those with variable income, based on the average of the last six months. Likewise, compensation for their contribution was given to employees in the Operations area.

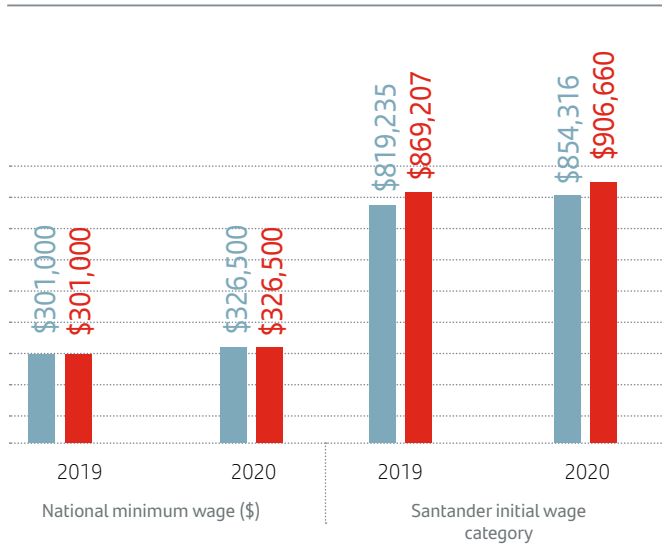
Local minimum wage by gender versus average starting wage Santander

GRI [202-1]

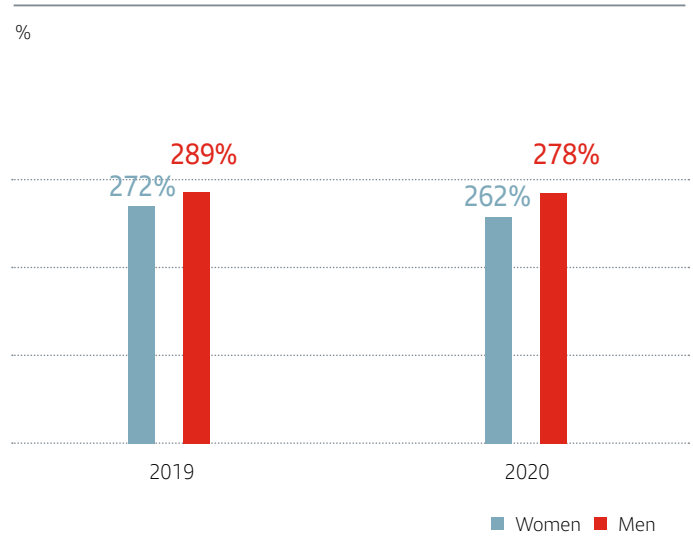
	National minimum wage (\$)			Santander initial wage category			Santander vs National Ratio		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Women	\$288,000	\$301,000	\$326,500	\$810,913	\$819,235	\$854,316	282%	272%	262%
Men	\$288,000	\$301,000	\$326,500	\$851,365	\$869,207	\$906,660	296%	289%	278%

During the year, the minimum income paid by the Bank was, in the case of men, 278% the Chilean minimum wage and, in the case of women, 262%.

Santander's initial wage average vs National minimum wage



Santander vs National Ratio %



Wage gap

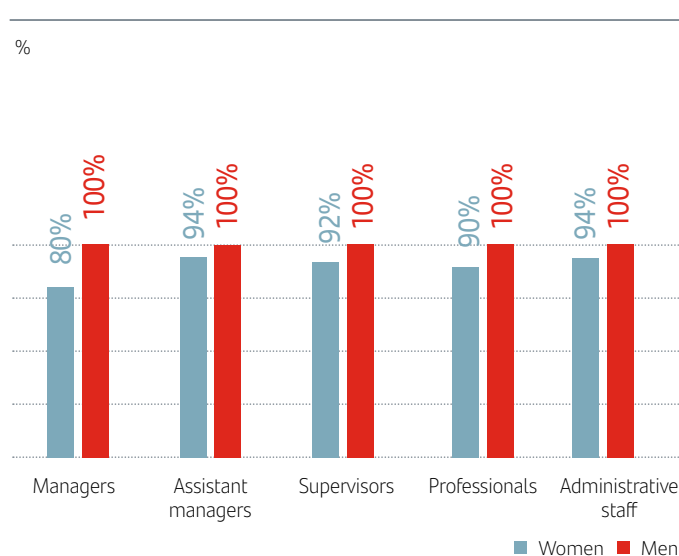
GRI [405-2]

The Bank's remuneration policy is based on equity and competitiveness concepts and does not discriminate based on gender. Each year the group performs an analysis of the earning position regarding the Gender Pay Gap (GPG) to detect possible differences and improvement opportunities.

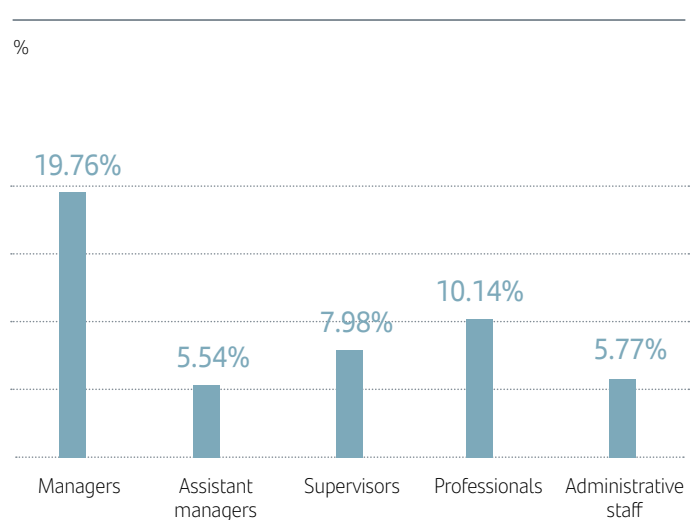
Ratio of basic salary to remuneration of women to men

	Ratio of basic wage and remuneration of women to men	Average wage gap (%)	Wage difference
Managers	80%	19.76%	21.39
Assistant managers	94%	5.54%	12.69
Supervisors	92%	7.98%	6.78
Professionals	90%	10.14%	3.91
Administrative staff	94%	5.77%	1.61

Ratio of basic wage and remuneration of women to men %



Average wage gap %



Benefits

GRI [401-2] [401-3]

As part of the commitment to its collaborators, Banco Santander Chile offers a range of benefits and incentives to its full-time employees, such as life insurance, healthcare and others to promote work-life balance, the education and development of employees and their children, and to support certain moments in the lives of those who make up the organisation. The main benefits in force in 2020 are detailed below:

- **Life insurance:** Coverage of 36 base salaries in case of natural death, 72 base salaries for accidental death and 36 base salaries for total and permanent disability. Payments for these coverages is made once the worker has delivered their beneficiary declaration to their respective insurance company. This benefit covers 100% of all full-time employees.
- **Healthcare:** All employees with a permanent employment contract are eligible to participate in one of the welfare funds, which are autonomous from the trade union organisations and share bipartite administration with the Bank. If the employee does not wish to join a health fund, they must bear the costs of supplementary health and life insurance at their own expense. Its Board of Directors manages Banco Santander Chile and its subsidiaries' staff welfare fund. Its main objective is to negotiate health insurance, dental insurance, catastrophic insurance, and life insurance with health entities and insurance companies.
- **Coverage for disability and invalidity:** Coverage of 36 base salaries for total and permanent disability.
- **Parental leave:** The Bank grants seven working days' leave to a father on the occasion of a child's birth. Of these days, five correspond to those permitted by current legal legislation. The childbirth must be attested by a certificate issued by a doctor, midwife or certificate from the Civil Registry. In 2020 one employee who became a father used this benefit. The legislation on paid maternity leave is also complied with. In 2020, 357 women took such leave of absence, representing 100% of those eligible.
- **Flexible working hours:** The customised working hours programme has been consolidated over time as an ongoing initiative. The Bank is currently in the process of evaluating its compatibility with the new ways of working and contingency work.
- **Remote work:** At Banco Santander Chile, there are two types of remote work. The first arose in response to the health contingency caused by Covid-19, where the organisation implemented a telework annexe for contingencies, providing this type of work to protect employees' health and safety. Thus, people work from home and also in on-site shifts, depending on the epidemiological scenario. The second modality implementation began in September 2020, which complies with the teleworking law. Employees, regardless of their position in the organisation, will work in this modality permanently.
- **Childcare facilities (or contributions):** Direct payment for nursery facilities for employees' children under two years of age has been implemented. The benefit is granted through establishments recognised by the National Pre-School Board JUNJI, which has an arrangement with our organisation. The help consists of a maximum monthly amount of 10.5 UF and an equal amount for enrolment. The Bank also provides a substitute benefit for those female collaborators whose children cannot attend a nursery.
- **Full payment of leave:** In periods of medical leave due to common illness, occupational illness, occupational accident or maternity/paternity leave, Santander shall pay employees with indefinite contracts and who are members of a collective bargaining agreement their regular fixed remuneration in full for a period of three consecutive months.
- **Retirement Plan**
GRI [201-3]
Another additional benefit offered to senior managers is a pension plan aiming to provide these employees with funds for a better supplementary pension upon retirement. Santander will complement the beneficiaries' voluntary contributions for their future pension through an equivalent contribution based on mixed collective insurance policies, whose beneficiary is the Bank. Managers will be entitled to receive this benefit only if they are currently employed at the time of their 60th birthday.



→ End-of-the-year benefits

- Christmas Bonus
- Christmas packages
- Christmas Gift for offspring
- Christmas Party for offspring

→ Support benefits

- National Holidays Bonus
- Holiday bonus
- School bonus
- Pre-university bonus
- Compensation for Family Dependent of Employee
- Academic Excellence Award
- Meals
- Transport
- Winter bonus
- Childbirth bonus
- Marriage bonus
- Bereavement Bonus
- Nursery
- Kindergarten
- Scholarships for staff
- Scholarships for offspring
- Awards for Best PSU Score
- Uniforms
- Permanence bonus
- Commitment and loyalty bonus
- Special family leave
- Childbirth leave
- Marriage and Civil Union Leave
- Bereavement Leave
- Cross the Border
- Temporary leave (Pausa con Sentido)
- Free afternoons
- Birthday afternoon



Health and safety

GRI [403-1][403-2][403-3][403-4][403-5]
[403-6][403-7][403-9][403-10]

For Banco Santander, its employees' occupational health and safety is a concern. While a permanent focus of management is on improving accident indicators for occupational accidents, occupational diseases, and commuting accidents, the focus of work was redirected to preventing Covid-19 infections due to the pandemic.

Prevention protocols

When the pandemic was declared, efforts began to prevent and control the spread of the virus. In March 2020, Santander published the first Covid-19 protocol for possible infections, explaining the disease and how to act in the event of suspicion, notifying management and Risk Prevention through the channels defined by the organisation. The Bank provided support channels such as mail and the Risk Prevention Annex for queries and doubts on Covid-19 issues to reassure employees. In parallel, a Pandemic Support Plan was created, with advice from infectious disease specialists, which allowed the communication strategy to be focused on three key objectives: **to inform, raise awareness and reinforce** content deployed at the national level. The Risk Prevention team gave lectures and training sessions in the different Business and Territorial

Divisions, strengthening hygiene and self-care measures.

A team was established to provide remote support to employees infected with Covid-19 during the entire progression of their illness, starting with the confirmation of the positive test, carrying out a traceability analysis of all recent contacts - staff, co-workers and customers - and activating the customer notification protocol, thus alerting possible exposure to infection. It also included providing advice and information to employees regarding care and hygiene measures at home and where to go in the event of acute symptoms. Once the mandatory quarantine was over, the employee was given guidance on the medical discharge process, for which the protocol for returning to work was activated in coordination with the Santander *está Contigo* (Santander is with You) programme and its Business Partner, with preventive recommendations for self-care, personal protection and social distancing.

Banco Santander Chile also decided to send into preventive quarantine those employees with risk factors (around 800 chronically ill, pregnant women and senior citizens), regardless of whether it was in their job description.

In terms of self-care measures, the Bank made available, through the Santander Academy, a self-care course/workshop concerning Covid-19. Furthermore, audio visual content was produced, with videos of health professionals informing about measures to prevent contagion, the correct use of masks, and handwashing, among other criteria.

Mental health care

The Recruitment and Selection team, concerned about the health crisis's psychological effects, launched the Santander está Contigo programme, a confidential support channel for employees in times of pandemic. This channel, available nationwide, provides counselling, support and guidance on various issues such as self-care and personal routine, remote work, family life in general, leadership and communication, support, handling complex situations, grief, sleep complications, anxiety, stress and anguish. It has also supported 90% of the reintegration of employees who were infected by Covid-19 (566 cases), monitoring their health and inquiring about their main concerns for their return, providing recommendations and tools to their management and direct team for a better reintegration and reception, also offering interventions to the work teams.

At the management or Business Partner's request, a diagnostic survey is carried out and then an intervention is provided with concrete support tools. For team reintegration and interventions, the level of satisfaction with the advice given was evaluated at the end of the process. Another confidential support channel is the POE (Programa de Orientación al Empleado, Orientation Program for Employees), a service for employees and their families in problematic personal, family and/or work situations, who are offered legal, financial, psychological and nutritional advice at no cost and with no limit on the number of consultations per year. In the context of a pandemic in 2020, consultations increased by 90%.

In addition to Santander está Contigo, the Bank took charge of the most severe cases, providing up to five free psychological support sessions to employees and their direct family group and even offering more sessions, providing greater continuity for personal problems (internal difficulties) or related to family issues such as young children and adolescents, marital issues, domestic violence and alcohol and drug consumption, among others.

For more severe cases, the possibility was given to join the Convenio Asistencial ("Assistance Arrangement"), another of the free programmes for employees and families, offering continuous psychiatric and psychological treatment, family and/or couple therapies, for the issues described above or other illnesses resulting from an emotional breakdown, bereavement or separation, among others. In 2020, given the pandemic context, there was a 70% increase in such cases, for which unconditional assistance has been provided.

Furthermore, in the case of employees hospitalised by Covid-19, the Social Work area makes contact with the employee and family daily, providing emotional support and offering financial support for medical and hospitalisation expenses.

Finally, Banco Santander provided crisis intervention to teams with serious hospitalisations and deaths due to Covid-19. Together with Fundación Paréntesis, we activated the protocol and conducted a remote workshop for the team after an external collaborator's death. The POE, meanwhile, accompanies and follows up in case a second intervention is required until discharge.



Occupational accidents and diseases

En 2020, la tasa de accidentabilidad registró In 2020, the accident rate fell by 43% compared to 2019, exceeding the Bank's target of a 5% reduction set at the beginning of the year. Furthermore, the rate of accidents on the road was reduced by 48%, far exceeding the target of 15% by 2020.

On the other hand, the rate of occupational diseases increased by 240%, mainly due to cases arising from the Covid-19 pandemic.

It should be noted that Banco Santander did not record any fatalities resulting from work-related illnesses and/or accidents in 2020.

Work-related injuries

GRI [403-9]

	2020	
	Number	Rate
Number and rate of deaths resulting from an occupational injury	0	0%
Number and rate of occupational injury with significant consequences (not including deaths)	0	0%
Number and rate of recorded occupational injury	37	1.4%
Primary types of work-related injuries	Mental illnesses, bruises and sprains	

Work-related diseases

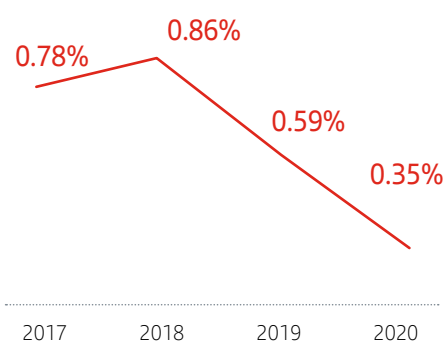
GRI [403-10]

	2020	
	Number	
Number of fatalities as a result of work-related diseases	0	
Number of work-related health impact cases	37	
Main types of work-related diseases	Mental health occupational diseases, Covid-19.	

Occupational Safety statistics

	2017	2018	2019	2020	meta 2020
Accident rate (/100)	0.78	0.86	0.59	0.35	0.59
Fatality rate (/100,000)	0	0	0	0	0
Average number of days lost due to accident	19.89	12.12	26.45	15.08	<30
Absence rate formula: [number of days absent/total days to be worked] x 100	4.40%	4.70%	4.60%	4.80%	n.a.
Coverage: % employees	100	100	100	100	100

Accident rate/100



1. Absence rate formula: [number of days absent/total days to be worked] x 100. The absence rate is based on the total number of days lost due to absenteeism of any kind, not only due to an occupational injury or illness. This includes days of individual ailment due to minor illnesses and personal days taken for undisclosed reasons. It does not include scheduled or allowed absenteeism, such as holidays, study time, maternity or paternity leave, etc.



Prevention of occupational risks

Banco Santander Chile has a Risk Prevention Policy that provides the framework for all activities in this area. Furthermore, it provides all employees with a mandatory e-learning course on the use and handling of fire extinguishers, risks in offices, risks of falls, burns, procedures in the event of an emergency and other content associated with occupational risk prevention.

On the other hand, the Risk Prevention department of Santander has a procedure for identifying hazards and non-conformities through a preventive management tool called Check Mutual, which seeks to identify processes, assess the level of operational risk control, and establish recommendations to address compliance gaps.

Likewise, according to associated risk levels, the control measures are established based on the information gathered in the workplace.

The Bank's occupational health and safety programme also include skills upgrading for the risk prevention team, which constantly incorporates new technical skills to ensure effective compliance with the work plan.



Banco Santander Chile uses the IPER (Hazard Identification) matrix to recognise and assess the risks and hazards associated with the most critical activities carried out in the organisation.



→ What risks does the Occupational Health area evaluate/manage?



Ergonomic risk evaluation.



Noise evaluations.



Air quality evaluations.



Evaluation of psychosocial risk factors through the ISTAS 21 survey.



Psycho-occupational assessments for private security guards.



Annual influenza immunisation plan for all employees.



Occupational and pre-occupational examinations.





Identification of collaborators in risk groups

Each employee's health information was collected through a health declaration starting in 2020 to identify those who fall within the risk groups under the Ministry of Health guidelines. Throughout the pandemic period, these employees have been working remotely to ensure their safety and health. The information on each employee's health condition is handled with confidentiality by the Labour Relations Management through its Risk Prevention and Occupational Health area.

Joint committees

Banco Santander Chile has three joint health and safety committees: one for all headquarters and two for branches. These committees meet once a month to address occupational accident and disease statistics, analyse occupational accidents, and promote accident risk prevention and other related topics. The decisions taken by these bodies are mandatory for the company, in the context of Supreme Decree No. 54, which establishes the functioning of the joint health and safety committees.

Among the issues addressed by the joint committees are the review of accident and occupational disease statistics, analysis of occupational accidents, and strategies for promoting accident risk prevention, among others.

Relevant issues and major 2020 milestones in occupational health and safety outside the COVID-19 context:

- **Occupational Health and Safety Plan for teleworking employees:** The Health and Safety Guide for teleworking was drawn up, which considers all the risk factors associated with teleworking, its consequences, and the preventive measures to avoid physical and mental health damage. This guide was given to all workers who were working in this modality.
- **Mental Health Plan:** A mental health plan was developed to support workers with containment and risk mitigation measures. The project is currently undergoing a diagnostic process, for which a CENSAL survey will be conducted in March 2021.
- **Comprehensive health plan for private security guards:** for the first time, Banco Santander will have a preventive programme to support fully the healthcare of the private security guards servicing the Bank, which consists of fostering good health through preventive physical and mental examinations, assessing the general health state of these employees and identifying early foreseeable or controllable diseases and reduce the risk associated with them. For this purpose, a standard programme of physical examinations will be carried out, in addition to a psycho-occupational exam to assess whether the security guard is fit to carry out their duties.

Freedom of association

Banco Santander Chile maintains a permanent and fluid dialogue with its 23 trade union organisations and four federations, representing its employees' interests to the company.

It works collaboratively with all of them, striving for its employees' well-being in balance with the Bank's objectives' fulfilment. The institution has a relationship policy for all trade union organisations, which provides opportunities for meetings and communication, in order to facilitate dialogue, welcome their proposals and ensure that they are aligned with the company's strategic objectives, as well as regular reporting on decisions that have an impact on both the company and its employees. The organisation seeks to anticipate and provide a solution to eventual choices that require assessments without specifying it in collective agreements.

Collective bargaining agreements GRI [102-41]

Thanks to the proximity and collaborative work carried out, in 2020, Banco Santander managed to close a collective bargaining agreement with the Delivery area.

It should be noted that collective bargaining agreements cover 100% of employees and 74.9% are unionised.

Unionization	2017	2018	2019	2020
Percentage of employees represented by an independent union or covered by collective agreements.	75.5	75.1	74.9	74.9



Corporate volunteering

During 2020, Banco Santander Chile continued to promote volunteering initiatives among its employees, which are aligned with the sustainability strategy and marked in 2020 by the needs arising from the pandemic's effects.

The Bank's Culture Policy contains the guidelines that regulate the activities to be performed, establishing education as the central axis, in three primary lines: prevention of school drop-out, promotion of higher education and promotion of financial education.

Nevertheless, the policy also leaves room for the development of other activities that respond to the location's social and economic needs.

In addition to being a valuable contribution to society, they increase employees' sense of belonging to the company; generate bonds that improve internal cohesion; and develop skills and abilities necessary for their professional and personal lives, such as collaboration, teamwork, leadership and creativity.

Figures indicate that 37% of Chileans over the age of 18 (about 5 million people) have not

reached the 12 years of schooling required by law (source: CASEN 2017), which directly impacts labour and social opportunities they can access. Banco Santander Chile participates in the Education Working Group and the Ministry of Education, AIEP, Crece Chile and Escuelas del Cariño.

Employees can also participate in sharing their own initiatives through the annual Santander Solidarity Projects contest.

Among the year's highlights was the Mesa Project, an initiative developed in alliance with TECHO-Chile, where 6,000 Santander employees supported 60 community kitchens in different regions of the country, donating more than 100,000 food rations and benefiting 16,000 people in villages and camps where TECHO Chile is present until the end of 2020.

This allowed volunteers to identify and work to address other needs, such as toilets, water towers, lighting and study materials.

Also noteworthy are the Women Leaders Mentoring programme, the Santander Mentoring Programme, Belén Educa Mentoring, cybersecurity lectures, the Environmental Education Project, Santander

In 2020,

25

initiatives were carried out involving more than 200 employees.

Presente, Micro-entrepreneurship, Estudio Techo and participation in campaigns such as Chile Comparte Alimentos, Chile Comparte Calor and Regala con Sentido.

For more information on these and other social impact programmes, see the chapter [Creating value for society](#).

Volunteering hours in 2020, broken down by position

Charge	Total
Directors	0
Managers	227
Assistant managers	303
Supervisors	1,725
Professionals	3,712
Administrative staff	320
Total	6,287



Creating value for shareholders

Banco Santander Chile began its activity within the country in 1978, with the opening of a subsidiary dedicated mainly to foreign trade operations. In 1982 the assets and liabilities of the former Banco Español Chile in liquidation were acquired. In 1996, Banco Santander Chile merged with Banco Osorno, and as a result of this merger, Banco Santander Chile's shares were traded in the local market and the New York Stock Exchange (NYSE). In July 2002, Banco Santander Chile's merger with Banco Santiago was approved, incorporating the former into the latter. This operation brought to life the largest Bank within the country, achieving leadership in all business segments while becoming one of Chile's largest companies and, since then, one of the most important stocks traded in the local stock index IPSA.



188,446,126,794

shares in circulation

First Bank in
Chile

team in Chile by Institutional Investor

+ of 1,532

contacts with investors, 171%
more than in 2019

Best Investor
Relations

to enter the Dow Jones Sustainability
Index Emerging Markets

→ Communication channels with shareholders



Shareholders' meeting



Annual Report



Report 20-F



Quarterly results reports



Conference calls and webcasts



Investor Relations webpage on Banco Santander's website



Investor conferences in Latin America, Europe, the US and Asia



Meetings and visits to branches



Communication via e-mail



Virtual meetings with local investors and minority shareholders

Shareholder structure

GRI [102-5]

As of December 31st, 2020, Banco Santander Chile's core capital was divided into 188,446,126,794 single-series shares, without preference of any kind. The Bank's shares are traded on the Santiago Stock Exchange and the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs). The primary shareholder is Santander

Group, which controls 67.18% of the ownership through the companies Santander Chile Holding S.A. and Teatinos Siglo XXI Ltda. The remaining shareholders include Administradora de Fondos de Pensiones (AFP) -who, as of December 31st, 2020, held a total of 5.29% of the shares- and other minority shareholders. Among the

latter, investors who are ADRs holders and represent 11.91% of ownership. Relevant ADR holders that stand out are major global pension funds and sovereign wealth funds in the United Kingdom, the United States, Canada, the Middle East and Asia.



Business name or shareholder name	N° actions	% over total
Santander Chile Holding S.A.	66,822,519,695	35.5%
Teatinos Siglo XXI Inversiones S.A.	59,770,481,573	31.7%
Santander Group	126,593,001,268	67.2%
Banco de Chile on behalf of third parties, Ca.	10,698,954,206	5.7%
T Rowe Price Group Inc.	5,960,488,400	3.2%
Banco Santander on behalf of foreign investors	4,903,475,546	2.6%
Schroders PLC	4,823,134,000	2.6%
A F P Provida S A	2,681,479,419	1.4%
A F P Capital S A	2,675,601,576	1.4%
JP Morgan Chase & Co.	2,578,507,200	1.4%
A F P Cuprum S A	1,941,007,773	1.0%
A F P Capital S A	1,759,389,585	0.9%
Banchile Corredores de Bolsa S A	1,700,114,003	0.9%
Wells Fargo & Co	1,195,671,600	0.6%
BCI Corredor de Bolsa S A	1,155,723,642	0.6%
INCA Investments LLC	1,135,557,200	0.6%
Harding Loevner LP	988,838,000	0.5%
Larraín Vial S.A. Corredora de Bolsa	889,299,059	0.5%
Santander Corredores de Bolsa Limitada	879,413,483	0.5%
BlackRock Inc.	876,623,200	0.5%
Vanguard Group Inc./The	854,978,000	0.5%
Renaissance Technologies LLC	720,240,000	0.4%
Standard Life Aberdeen PLC	708,947,600	0.4%
Bolsa de Comercio de Santiago Bolsa de V	666,924,059	0.4%
AFP Modelo S. A.	552,160,528	0.3%
Itaú Unibanco Holding S.A.	467,976,400	0.2%
BTG Pactual Chile S.A. Corredores de Bolsa	455,076,732	0.2%
Bice Inversiones Corredores de Bolsa S.A.	431,060,063	0.2%
Itaú-Corpbanca on behalf of third parties	369,793,310	0.2%
AFP Planvital S. A.	353,263,833	0.2%
Ariel Investments LLC	339,502,400	0.2%
Other 11,860 shareholders	9,089,924,709	4.8%
Total	188,446,126,794	100.0%

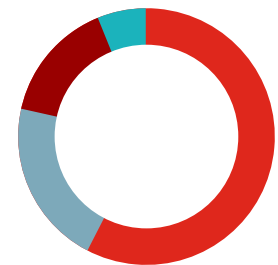
Banco Santander Chile Shareholder Structure

67.18%
Santander Group

5.29%
AFP

11.91%
ADR

15.62%
Local investors



Geographical distribution of minority shareholders in Santander Chile

34%
Chile

33%
United States

15%
UK

6%
Others

3%
Singapore

3%
Australia

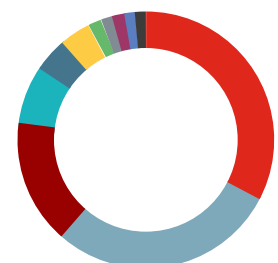
2%
United Arab Emirates

1%
Canadá

1%
Norway

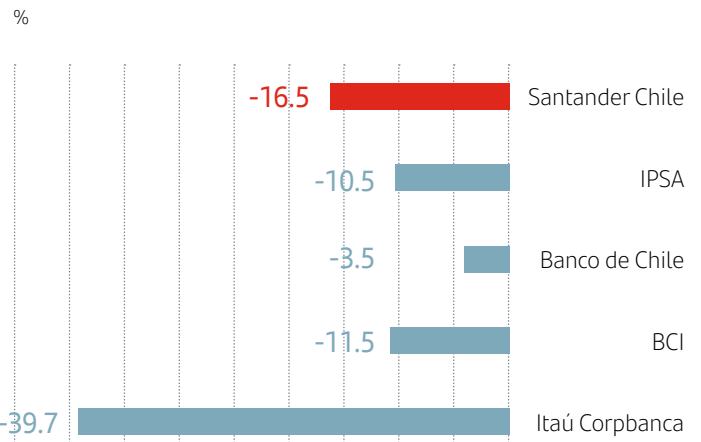
1%
Switzerland

1%
Ireland



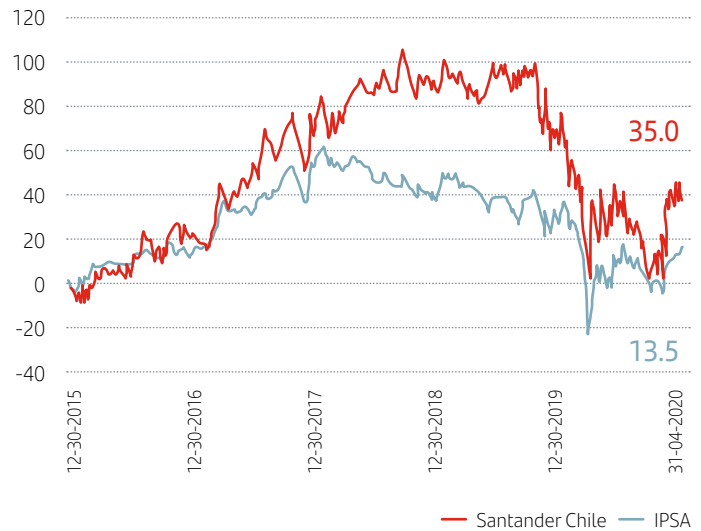
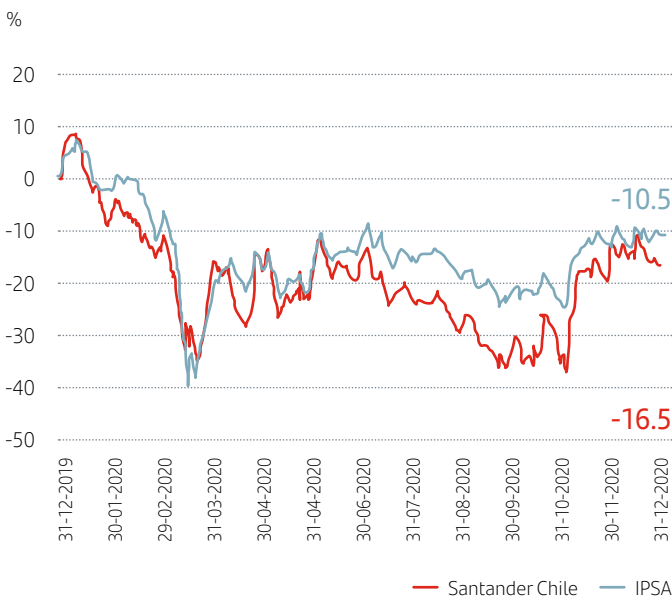


Total return including dividends



Fuente: Bloomberg

Comparative evolution



Fuente: Bloomberg

Stock Market Indicators	2020	2019	2018	Change%
Closing share price (\$)	34.10	43.00	51.69	-20.7%
Highest share price (\$)	45.84	53.99	55.23	-15.1%
Lowest share price (\$)	24.63	42.00	47.50	-41.3%
ADR price (US\$)	18.99	23.07	29.90	-17.7%
Highest ADR price (\$)	23.74	32.62	34.94	-27.2%
Lowest ADR price (\$)	11.14	20.84	28.94	-46.6%
Shares (million)	188,466.1	188,466.1	188,466.1	--
ADR Ratio	400	400	400	--
Earnings per share (\$)	2.75	2.93	3.14	-6.3%
Earnings per ADR (US\$)	1.54	1.57	1.80	-1.7%
Dividends per share (\$)	1.76	1.88	2.25	-6.6%
Dividends per ADR (US\$)	0.91	1.13	1.49	-19.3%
Pay-out policy (%)	60	60.00	75.00	0.0%
Share price/profit per share (times)	14.26	13.52	17.12	--
Share price to book value (times)	1.80	2.37	3.01	--
Market capitalization (US\$ millions)	6,426.01	11,179.57	14,086.35	-42.5%
Average daily traded volume (US\$ millions)	14.62	14.94	17.76	-2.2%
Total return (including dividends) in pesos	-16.53%	-13.62%	12.00%	--
Total return (including dividends) in dollars	-13.12%	-19.21%	-0.25%	--

Stock price performance

2020 was heavily affected by the pandemic. Following the arrival of the first case in Chile on March 3rd, markets were quite volatile throughout the year, with the infections' progress and the numerous measures to mitigate their spread rate. With this, global activity contracted in the first half of the year, with signs of recovery from the third quarter, as cases fell. The local stock index IPSA, as a result, declined 14.3% and had a total return, including dividends, of -12.5%.

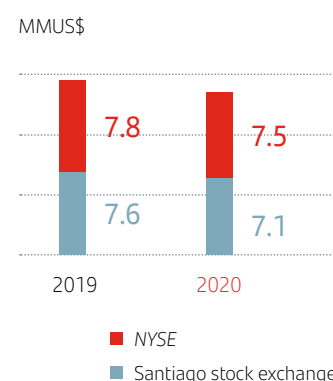
The Chilean banking sector performed lower than the IPSA, being a sector exposed to economic performance. Banco Santander Chile, had an annual variation of -20.7%, closing the year with a value of Ch\$ 34.10

(US\$18.99 per ADR). Adding the dividend paid during the year, which corresponds to 60% of the attributable income for 2019 for \$ 1.7578262 per share, shareholders' total return for the year amounted to -16.5%.

In terms of valuation, the Bank ended 2020 trading at a price-to-book value ratio of 1.80 times, which reflected optimism regarding the institution's future performance prospects and the market's positive assessment of its strategy and the tremendous financial results achieved. Santander Chile's share is one of the most traded at a national level, considering the transactions on the Santiago Stock Exchange and the NYSE.

In 2020, the average daily trading volume reached US\$ 14.6 million, of which US\$ 7.1 million corresponds to the local shares and US\$ 7.5 million to ADR.

Average daily trading volume in US\$ million



Santander Chile stock is one of the most active stocks nationally, considering transaction is the Santiago Stock Exchange and the NYSE.

Dividend Policy

The Bank's dividend policy is governed by the current regulations on dividends outlined in the Chilean Securities Market Law and the General Banking Law, which indicates that at least 30% of the assigned profit for the year is to be distributed.

Nevertheless, as in previous years, the Bank has distributed dividends of over 30% due to high returns, strong capital levels and good results that Santander has achieved.

During the 2020 financial year, the shareholders decided at the Ordinary Shareholders' Meeting on April 30th that in 2020 they would distribute 30% of the 2019 profits, leaving an additional 30% in retained earnings.

Given that the pandemic was beginning around that time, the Bank considered it prudent to deliver the regulatory minimum, leaving the remaining 30% is retained earnings to be delivered in later months and as the effects of the pandemic became better known. In this way, the Bank maintained robust capital levels to support its customers during this time, maintaining loan growth and ensuring business continuity for individuals, SMEs and companies in general.

Against this background and given the Bank's capital ratios' excellent performance during the year, an Extraordinary Shareholders' Meeting was convened on November 26th, 2020. It was voted to deliver 30% of the retained earnings

Year	Dividend	Percentage of distributed profits	Dividend yield (%)
(Ch\$ million)			5,3
2016	336,659	75	5.3
2017	330,646	70	4.3
2018	423,611	75	4.24
2019	355,141	60	3.68
2020	331,256	60	3.80

for 2019 as dividends. A total of 60% of the profits attributable to equity holders for the 2019 financial year was distributed, thus giving a return of 3.8% as at the payment date of both dividends combined.

The dividend reinvestment programme aimed at Banco Santander's retail shareholders

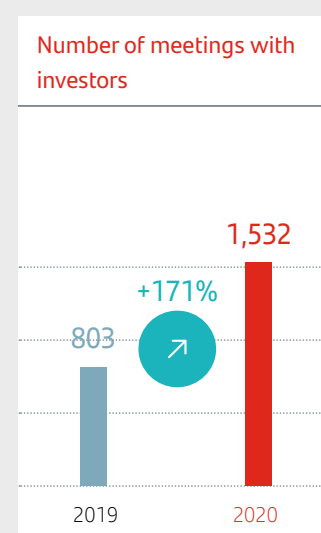
within the country offers the reinvestment of dividends received from their shares into the Bank's shares, without expenses or commissions for the service. Furthermore, the Bank's shareholders can acquire and sell shares of any issuer through the Shareholder Department, with preferential fees.

Activities with investors

The Investor Relations area and the Shareholders Department of Santander Chile are responsible for keeping shareholders and investors duly informed of the Bank's progress. For this purpose, a full schedule of activities is organized throughout the year, including the Shareholders' Meeting, quarterly report presentations, conference calls, the Investor Relations site, national and international investor conferences, and various outreach instances.

Furthermore, various communication channels are set up to ensure permanent contact with multiple investors and minority shareholders. In total, during 2020, more than 1,532 investor contacts of all types were made in more than 20 countries, equivalent to an increase of more than 171% in the number of investor meetings compared to the previous year. Despite the pandemic and the fact that the Investor Relations team could not travel to several

conferences during the year, these were held remotely, highlighting investors' rapid adaptation. Several instances were also created to constantly update investors, given the increased uncertainty and the new regulations and measures applied during the year.



→ Investor Relations team recognition by Institutional Investor

In 2020, Institutional Investor recognized Banco Santander Chile's Investor Relations team as the best IR Team in Chile.

This institution conducts an annual survey that measures the various Investor Relations programmes in Latin America, including credibility, knowledge, and responsiveness.

Institutional Investor
2020 LATIN AMERICA EXECUTIVE TEAM

Moreover, Robert Moreno, Investor Relations Manager, was recognized as one of the Top 2 Best IR Professional in Chile. Institutional Investor also recognized Miguel Mata as Top 2 CEO in Chile and Emiliano Muratore as Top 2 CFO in Chile.

Remote Shareholders' Meeting

In April 2020, Banco Santander had to innovate quickly in the manner it held its Shareholders' Meetings to ensure safe participation, avoid exposure to large groups of people in an enclosed place, and adapt to the authorities' restrictions. For this reason, the event migrated to digital format via a secure external provider. With their ID card and a few simple steps through the platform, local investors could participate in the meetings directly. In contrast, other investors gave proxies to third parties, who had to be connected to the forum. Furthermore, voting was carried out in real-time and through the platform, which automatically calculated the results and displayed the vote count once the estimated time had expired.

On April 30th, the agenda contained various matters, including the distribution of the dividend and directors' election. Following the profit payment modality's approval described above (30% of 2019 earnings paid as dividend and 30% sent to retained earnings), the remaining 40% was allocated to the reserve fund to increase the Bank's capital base. At the same time, the directors already on the Board were elected for a further three years. For more information, please see the [2020 Ordinary Shareholders' Meeting Minute](#).

Meanwhile, and as already reported, at the Extraordinary Shareholders' Meeting on November 26th, shareholders voted, among other matters, on the distribution of the dividend corresponding to 30% of the 2019 profits that had been withheld in the previous instance. For more information, we invite you to read the [2020 Extraordinary Shareholders' Meeting Minute](#).

New Investor Relations website

A new Investor Relations page was also launched during 2020, providing more information on shareholder meetings, the financial system, the economy, fixed income information, liquidity risk and market risk. Previously, Banco Santander had a separate page for shareholders and a separate page for foreign investors in English. It was decided to merge these two pages to provide consolidated information in both languages, facilitating the navigation of information concerning local and foreign shareholders. Additionally, the Monthly Economic Outlook reports of the Economic Research team began to be published in English, thus providing investors with more information on the economy. To visit the site, please see the [Santander Investor Relations website](#).



→ Santander Digital Talk 2020

On November 19th, 2020, Banco Santander Chile held, for the first time, a virtual event for investors to update them on all the digital initiatives that the Bank has developed recently. The event was attended by Claudio Melandri, President of the Bank; Miguel Mata, Chief Executive Officer; Matías Sánchez, Director of Retail Banking; Emiliano Muratore, Chief Financial Officer (CFO); and Robert Moreno, Manager of Investor Relations. On occasion, investors had the opportunity to address their questions to the panel in real time.

Claudio Melandri, Chairman of the Board and Country Head of Banco Santander Chile, highlighted the Bank's progress, stating that the institution has been undergoing a successful cultural and digital transformation that has positioned it as the best Bank in Chile. CEO Miguel Mata also showed the results of these efforts: over 34% of the market share of digital customers among private banks in Chile and having the highest number of current accounts opened than the rest combined as of

that date, thanks to the successful digital onboarding process and the success of the Santander Life product. He also announced that between 2021-2023, the Bank expects to invest a total of US\$ 250 million to increase its digital strategy, which is based on two pillars: Run the Bank and Change the Bank:

- **Run the Bank** is consumer-centric with a phygital distribution model and a value proposition based on what people are trying to achieve. The objectives are to maintain a high level of customer satisfaction, increase productivity in all channels and be more efficient and profitable, which was reflected in two initiatives: Santander Life, with its strong growth in the opening of Life Accounts, and Work/Café, which includes a community to help entrepreneurs.
- **Change the Bank** seeks to transform the Bank into a benchmark based on the advantage of high market share by developing a technology platform for customers to use as a channel or software developer to increase their

business. In this regard, Santander leverages its relationship with the Group and global projects, such as Fénix 32, which intends to develop three vertical solutions that can be exported or have already been exported to Chile. Examples include Superdigital, Klare, Autocompara, One Pay Fx, and Getnet.

A total of 147 participants attended the event, joined by members of the Santander Group and investors from the United States, the United Kingdom, Mexico, Colombia, Brazil, Peru and Chile. Meanwhile, minority investors attending the event accounted for more than 14% of the total shares. For a summary of the event, please see [Santander Digital Talk 2020](#).



Risk rating

Banco Santander is a private company with the best risk classification in Latin America and emerging markets. The institution has risk ratings at the national level from ICR Chile and Feller Rate; at the international level, from Moody's, Standard & Poor's (S&P) and JCR. In 2020, Moody's and S&P lowered the sovereign's outlook to negative, given the increase in sovereign debt after the social upheaval and pandemic. Thus, under both agencies, the outlook was changed to negative. On the other hand, Japanese Credit Rating, which rates Santander A+, maintained its stable outlook.

Local ratings

ICR Chile	
Solvency	AAA
Trend	Stable
Short-term deposits	N1+
Long-term deposits	AAA
Letters of credit	AAA
Bond issues	AAA
Senior bonds	AAA
Subordinated bonds	AA+
Subordinated bond lines	AA+
Shares	Level 1

Feller Rate	
Solvency	AAA
Perspective	Stable
Short-term deposits	N1+
Long-term deposits	AAA
Letters of credit	AAA
Mortgage bonds	AAA
Senior bonds	AAA
Subordinated bonds	AA+
Shares	Level 1

International ratings

International ratings	
Bank deposits	A1
Baseline Credit Assessment (BCA)	A3
BCA adjusted	A3
Senior bonds	A1
Commercial paper	P-1
Outlook	Negative

Standard & Poor's	
Foreign currency long-term rating	A
Local currency long-term rating	A
Foreign currency short-term rating	A-1
Local currency short-term rating	A-1
Outlook	Negative

JCR	
Foreign currency long-term rating	A+
Outlook	Stable



Banco Santander stands out in the main sustainability indexes



DJSI Chile	79 points	DJSI Chile, MILA, Emerging Markets
MSCI	A	
ESG VIGEO Eiris rating	58/100 points	
S&P IPSA ESG	3 rd highest weight in the index	

FTSE4Good Latin America and Emerging Markets

Due to its strong commitment to the progress of individuals and its respect towards the environment and its good corporate governance also manifested in its adherence to fundamental initiatives of sustainable development and responsible banking, Banco Santander Chile was distinguished as the world's most sustainable bank in the Dow Jones Sustainability Index (DJSI) 2020. This international benchmark assesses the sustainability performance of companies in economic, social and environmental domains. The Bank has been part of this index, included in the DJSI Chile and the Latin American Integrated Market (MILA), for years. Nevertheless, in 2020 it was included for the first time in the DJSI Emerging Markets, being the only local Bank to participate in this index. It scored 76 points, 12 points higher than the previous year, and was in the 90th percentile of the companies participating in this index, demonstrating the Bank's significant progress in sustainability issues.

Vigeo Eiris also recognized Santander as one of the top 100 companies in its ranking for emerging markets in 2020. Vigeo Eiris is an agency that evaluates companies that integrate ESG criteria into their strategies, operations and management, committed to promoting economic development, responsible investment, and

sustainable value creation. The 2020 version of this emerging markets ranking considered a universe of 843 companies from 32 sectors and 31 countries. In the MSCI index, Santander Chile is also rated A in the ESG area. The Bank is also one of 19 companies in Chile to be included in the FTSE4Good Emerging Markets and Latin America index, with very positive evaluations in the environmental and social dimensions, compared to other banks in the index.

In early 2021, the Santiago Stock Exchange launched a new S&P IPSA ESG index. Chile is the third Latin American country to have an index that incorporates these dimensions and uses the same methodology as the DJSI. Of the 30 companies that constitute the IPSA, 26 companies were included in this index, and Santander has the third-highest weight.

These achievements reflect the constant and systematic work that the organization has been developing over the last few years in the field of sustainability and are - at the same time - an invitation to continue improving and contributing to the inclusive and sustainable growth that the world needs today

Creating value for society

Part of Banco Santander Chile's role is to contribute to society by creating value for its stakeholders. This is reflected in purpose-driven proposals that help both customers and society achieve their goals and improve their quality of life. In a challenging year marked by the health scenario, in which society's needs and demands increased, the Bank reaffirmed its commitment to fostering inclusive and sustainable growth through sustainable initiatives that consider social and environmental criteria. Thus, in addition to keeping projects in line with its main focuses of action, it contributed substantially to nationwide campaigns to support those most economically impacted by the pandemic's effects. It also refocused existing initiatives, such as the Work Café and the support platform for entrepreneurs.

From an environmental perspective, the Bank provided its customers with actions and products linked to sustainability, understood as a strategic and central axis of its business that transcends the environmental sphere and enables customers to move towards a sustainable economy or lifestyle.



→ Channels of communication with members of society



Pressroom



Sustainability website



Santander Comprometidos:
A three-monthly digital newsletter that reports on sustainability commitment actions.



Bank's social networks:
Instagram, Facebook and Twitter

1. Social dimension

GRI [413-1]

One of Santander's responsible banking strategy pillars is to contribute to society through inclusive and sustainable growth. For this reason, the Bank has focused its contribution in three main areas: Contribution to Education and Social Inclusion, Financial Empowerment, and

Entrepreneurship Support. Each of these focuses is a concrete way to contribute to people's progress and positively impact the direct beneficiaries.

During 2020, with the social crisis and the pandemic, these work focuses were reoriented, restructuring some projects

to meet more specific needs associated with the adverse effects of the health scenario, for example, in education and entrepreneurship, while also strengthening the areas of social work and work with communities.



Globally, Santander Group allocated EUR 100 million to the fight against Covid-19 and the adverse effects it has generated. In education alone, Santander mobilised EUR 30 million through Santander Universities, promoting various initiatives to benefit those most affected by the health crisis and research and develop solutions.



The projects developed by Santander Chile and described below are the result of dialogue with various civil society, public and academic organisations, which have a long-term relationship with the Bank.

Focal points



Contribution to education and social inclusion

Santander Group has allocated more than EUR 1,800 million to academic initiatives since 2002 through Santander Universities and has awarded more than 430,000 university scholarships and grants since 2005. It was recognised as the world's largest investor in education¹, with 1,000 universities and institutions in 22 countries.

103,793

People helped through our initiatives to help communities (not considering Santander Universities).

1. Varkey report / UNESCO / Fortune 500

→ Programa de Apoyo a la Educación Superior (PAES)

The Support Program for Higher Education (PAES), promoted by the Santander Group more than 20 years ago, has so far benefited more than 4,000 students in Chile. Promoted by Santander Universities, it consists of fostering projects in higher education, promoting young entrepreneurship, forming collaboration agreements with educational institutions, providing study grants and international mobility.

| Objective:

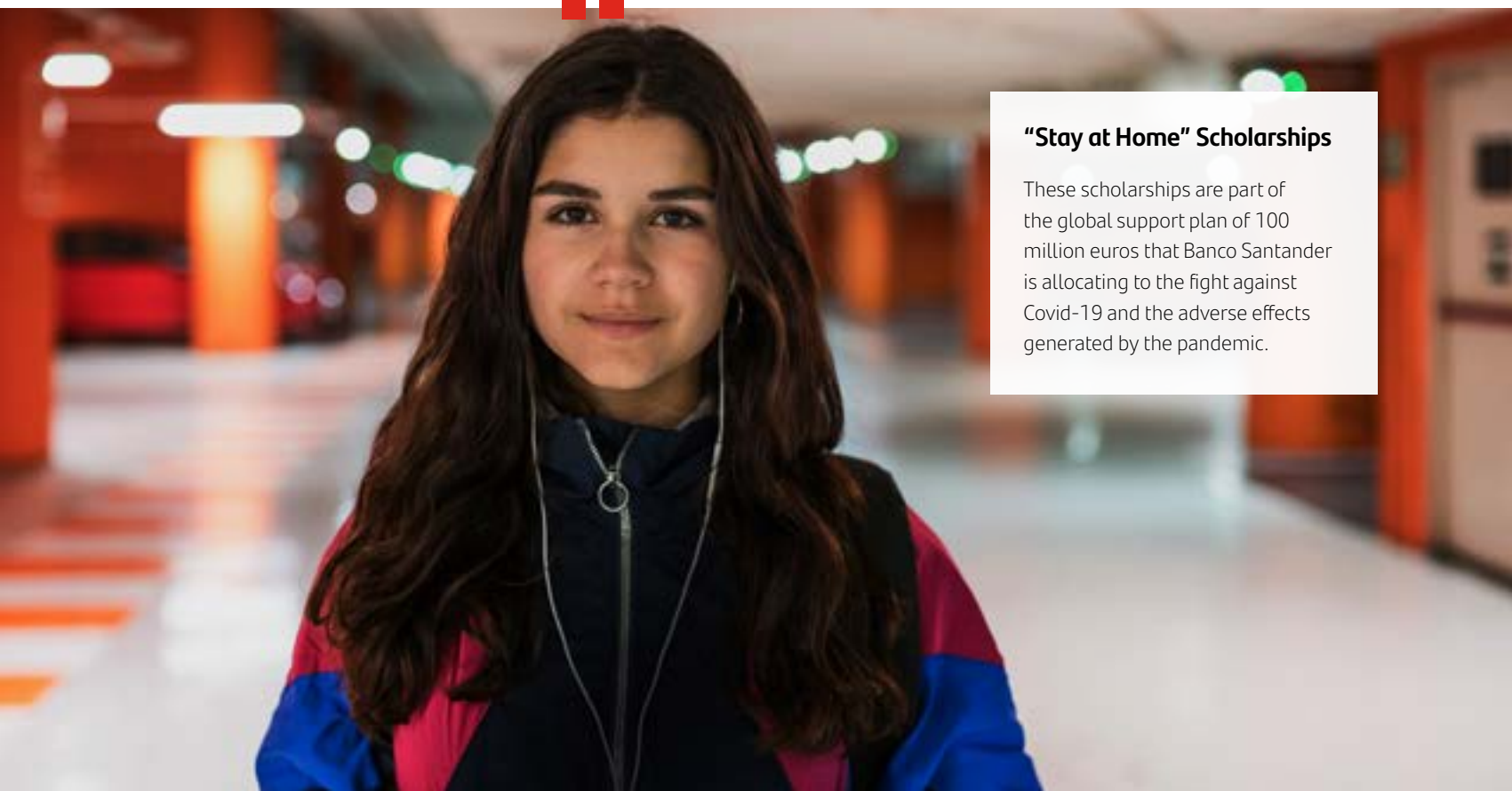
To contribute to the preparation of future professionals in the context of globalisation, generating international experiences that allow them to broaden their vision of the world and acquire new tools.

| Milestones 2020:

- The number of entrepreneurship and scholarship beneficiaries tripled from 1,000 in 2019 to 2,951 in 2020, far exceeding the target of 2,000 beneficiaries for the reporting period.

| Goal 2021:

To exceed 2020, reaching at least 3,500 beneficiaries of entrepreneurship and scholarships.



“Stay at Home” Scholarships

These scholarships are part of the global support plan of 100 million euros that Banco Santander is allocating to the fight against Covid-19 and the adverse effects generated by the pandemic.

English language scholarships

These scholarships, aimed to support young non-native English-speaking students interested in advancing their careers in a global market, are designed for university students and graduates living in Spanish-speaking countries such as Chile, Argentina, Spain, among others, as well as in Poland, Germany, Portugal and Brazil.

The initiative was launched in collaboration with the University of Pennsylvania (UPenn), one of the world's best in language teaching, especially English and literature. UPenn is also part of the Ivy League, the network of leading American universities.

The 100% online course will equip students with the necessary skills to use English confidently in professional environments such as interviews or networking events, interpreting job offers accurately, or using the correct terms to prepare a CV, cover letter, professional emails and social media messages.

| Objective:

To provide tools to help young students in their job search and interview process in English-speaking countries and contribute to achieving their professional goals.

| Milestones 2020:

500

scholarships awarded to recent graduates and professionals from 11 different countries.

Santander Tech Scholarships

Digital technologies are revolutionising the way problems such as cybersecurity or the digital economy are solved. The impact they are having on society positively affects young people with skills in this field.

In response to this, Santander Group answered the need to promote specialised training in digital transformation by launching Santander Universities the Santander Tech Scholarships in collaboration with the Massachusetts Institute of Technology (MIT) Professional Education. These scholarships are aimed at students, graduates and professionals between 20 and 35 years of age from 13 countries (Germany, Argentina, Brazil, Chile, Colombia, USA, Spain, Mexico, Peru, Poland, Portugal, United Kingdom and Uruguay), with 50% of the places reserved for women.

The programme, which will be delivered 100% online and can be taken in English, Spanish or Portuguese, will last eight weeks and include training in four emerging technologies: Blockchain, Machine Learning, Cloud & DevOps and product design strategies.

| Objective:

To improve young people's employability through training in emerging digital technology to be properly inserted in a labour market that is becoming more and more dominated by digital technologies.

| Milestones 2020:

400

scholarships awarded to students, graduates and professionals from 13 different countries.



“The fourth industrial revolution, characterised by automation and digital transformation, is leaving many workers' skills obsolete and revealing a growing demand for new skills associated with emerging technologies. This new collaboration with MIT Professional Education aims to give university students and young professionals the opportunity to have a quality immersion in this reality and place them in better conditions to face their professional development,” said Matías Rodríguez Inciarte, President of Santander Universities at Banco Santander.



Matías Rodríguez Inciarte

President of Santander Universidades at Banco Santander.

Universia

Promoted by Santander Group, Universia is the largest Ibero-American university cooperation network, bringing together more than 1,300 higher education institutions. In Chile, 60 public and private universities participate in the programme.

Thanks to this network, students can access information about higher education institutions, national and international university studies, scholarships, courses, employment options and news from the university world.

In 2020, Universia Chile had to migrate its traditional face-to-face events to virtual formats, achieving remote participation of more than 900 higher education managers from 50 education institutions that are partners

of Chile's network. The topics addressed were the impact and challenges caused by the Covid-19 pandemic, online education and connectivity, the situation of undergraduate and postgraduate studies, the role of communications and links with the environment, international relations in the context of the health crisis, and the current economic situation, with the areas of finance, among others.

| Objective:

To be the largest Ibero-American university cooperation network that contributes to the progress of higher education institutions and their communities. Its main lines of action focus on academic guidance, employment and supporting the digital transformation of universities.

| Milestones 2020:

- Holding four major managers' meetings, with an average attendance of 120 representatives.
- An international conference on trends in higher education was held, with 131 participants.
- 11 lectures were held with managers, with an average of 15 participants from different areas.
- Support for Metared Chile's webinars and virtual meetings, an initiative that is driving digital transformation.



→ Awards supported by Santander Universities

1. Award for teachers

Santander recognises the teachers' efforts in Chile, who confronted the pandemic's effects while continuing to teach their students. Special recognition was given to Professor José Luis Bravo González, from the Bethel Evangelical School, who received a scholarship from Santander Universities and the Andrés Bello University for a Master's degree in Curriculum Development and Educational Projects at the University.

2. Young Art Award of the University of Valparaíso

Financial support for the Painting and Art Award, which benefits young artists.



14,554

beneficiaries

54

volunteers in tutoring

405

hours donated



Belén Educa Foundation

As part of Santander Chile's commitment to supporting primary and secondary education, the effort continued in 2020 with the Belén Educa Foundation. During the 20 years of joint work, the Bank's cooperation has translated into monetary contributions through cross-cutting academic programmes that impact all the children and adolescents belonging to the Foundation. Besides the financial assistance, various initiatives are carried out that involve the active participation of the Bank's collaborators, which have made possible the progress and development of students at the Foundation's schools in the districts of Puente Alto, Maipú, La Pintana, San Joaquín, Quilicura, Pudahuel, Santiago and Cerro Navia in the Metropolitan Region, and La Unión, in the Los Ríos Region.

| Objective:

To promote quality education in vulnerable sectors through community investment programmes in Belén Educa Foundation schools.

The following projects were implemented in 2020:

- **Internship**

Banco Santander Chile welcomed 50 students in their last year of high school specialising in Administration, who, faced with the impossibility of carrying out face-to-face activities, migrated to a digital modality. This new format consisted of a training course financed by the Bank, with the requirement to carry out a project for the school as part of the practical component. Upon completion of the process, they obtained their technical-professional degree, in addition to their high school degree.

For almost two decades, more than 400 students from the Foundation have completed their internships at the Bank.

- **Mentoring**

In 2020, 54 Bank collaborators from different areas accompanied an equal number of fourth-grade students from the San Damián de Molokai, Oviedo and Vicuña schools to choose a career to continue into higher education. Due to the health emergency, this programme

was conducted 100% online for the first time, allowing volunteers from different regions of the country to participate. For six months, these collaborators guided and accompanied the young people, sharing professional and personal experiences, encouraging them to continue studying and thus improving their living conditions in the future.

- **Santander scholarship for Academic Excellence**

Since 2004, the Bank has awarded the Santander Academic Excellence Scholarship every year to students who have graduated from the Foundation and who stand out for their academic performance, commitment, leadership, responsibility and contribution to the community, enabling them to progress to higher education. In 2020, six former students benefited.

Since the advent of free university education, the scholarship finances the maintenance and personalised support of scholarship students, with the primary objective of preventing them from dropping out of higher education.



Compromiso País Programme

Santander has been part of this initiative, coordinated by Chile's Presidency since 2018, which aims to solve problems affecting the country's most vulnerable population through joint work between the public, private, academic and civil society sectors. To this end, 16 working groups were established, each addressing the different problems identified, with Banco Santander Chile participating in Working Group 8, which seeks to reduce the high number of adults who have not completed their schooling. According to the CASEN 2017 survey, 4,910,000 people have not completed all 12 years of school in Chile.

In addition to Banco Santander, this Working Group is also integrated by the Ministry of Education, AIEP, Escuelas del Cariño, Crece Chile and the Cámara Chilena de la Construcción (Chilean Chamber of Construction).

• **Santander Presente**

Responding to the need to support those who have not completed their schooling and understanding the transformative role that education plays in people's lives, Santander Chile continued in 2020 with its "Santander Presente" programme, which aims to enable these people to complete their secondary education successfully.

The participating students were allowed to choose whether to take the exam for employment purposes or to continue their higher education and in both cases, they were given access to a web platform for online content preparation with the support of tutors. Given the pandemic situation, the volunteers guided and motivated the students remotely not to give up this opportunity.

| Objective:

To support people over 18 years of age who are not in the education system to complete 12 years of schooling.



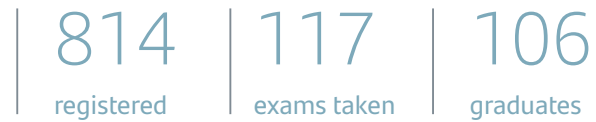
• **Aprende Mayor**

This programme is focused on people over 60 years of age to complete their primary and/or secondary education. During 2020 the programme was carried out in conjunction with the National Service for the Elderly (SENAMA), the Ministry of Education, the Fundación de las Familias and the Programa Adulto Mayor UC.

The students were given tutors to accompany them over the phone, and they received a textbook with all the contents.

| Objective:

To support or prepare people over 60 years of age to complete their schooling.



• **Cumpliendo un Sueño**

The programme is focused on supporting women to complete their studies and thus generate more job opportunities. This initiative is supported by Banco Santander and implemented by teachers from the Good Neighbors Foundation, who assisted women who were part of PRODEMU's programmes for four months.

| Objective:

To support women participating in PRODEMU ² programmes to complete their schooling.



1. Fundación para la Promoción y Desarrollo de la Mujer (Foundation for the Promotion and Development of Women)

Working with TECHO-Chile

During 2020, Santander continued to support education through the "Un Techo Para Aprender" learning centres and the Santander Technical Studies Scholarships programme, which adapted its range of courses, providing 300 online training scholarships to teach digital literacy, planning and administration techniques.

- **Un Techo para Aprender Learning Centers**

Banco Santander and TECHO-Chile created these centres that provide learning opportunities in a non-formal education context for children and adolescents living in highly vulnerable contexts. These centres offer recreational, educational programmes that complement formal education and promote collaboration, personal and social responsibility, critical thinking and communication, and coexistence values. It should be noted that the centres are run by educational managers from the communities themselves, who are trained for this work and participate in the transformation of their environment.

En 2020, 14 new learning centres were established, bringing the total to 24 operational from the north to the south of the country. As a result of the pandemic, the programme offer was reformulated, and services to support communities' education were incorporated, such as printing points and remote school reinforcement developed by volunteers.

| **General objective:**

To generate learning opportunities in the context of non-formal education for children and adolescents living in encampments and villages.



→ **Other initiatives with TECHO-Chile**

1. Contribution of transitional housing for TECHO beneficiaries

Middle Market collaborators carried out a new fundraising campaign with their customers to construct transitional housing, raising a total of \$120 million, which enabled 89 transitional homes to be built in different parts of the country.

Banco Santander also joined the massive campaign launched by TECHO-Chile, raising funds for 102 homes, in addition to the Middle Market's efforts.

2. Give Education for TECHO-Chile's children

For more than two decades, Santander's employees have supported families in the encampments and villages where TECHO-Chile is present through various initiatives. In 2020, the Bank's collaborators contributed gifts for the children participating in the Techo Para Aprender programme, educational spaces that seek to enhance children and adolescents' education through games and recreational activities.



³ 358 contributors to the Regala Educación campaign, which was carried out entirely digitally thanks to the creation of the "Regala Educación" website, where Bank collaborators were able to donate school kits, materials for manual activities and even tablets.





Financial empowerment

GRI [203-2]

One of Santander Chile’s ways of positively impacting people is through financial empowerment, either through financial education initiatives that help them make responsible decisions regarding the management of their finances or by offering products and services that encourage good financial behaviour.

Sanodelucas

Sanodelucas is a digital platform that provides financial literacy information for both individuals and entrepreneurs. Through it, the Bank seeks to improve people’s decision-making in this area, providing training in the use of banking products and the management of personal finances, a pioneering initiative in the financial industry in Chile.

| Objective:

To provide individuals and SMEs with financial tools and knowledge.

453,656

beneficiaries of the platform.

Santander Life

As part of its commitment to financial inclusion, Santander Chile launched the Life Account Plan in 2019. This 100% digital, savings-focused system makes services more accessible to those usually excluded from the financial system, such as low-income families and the most vulnerable groups. Regarding the number of account openings, the pandemic had a positive effect, as it accelerated the digitalisation of banking, with more than 485,000 new customers by the end of 2020.

In addition to its digital opening, some of the Life Account’s main features are a single monthly fee of 0.21UF, no fees for transactions or withdrawals at national ATMs, and no overdrafts to avoid over-indebtedness.

Financial Education Programme at School with the Public Policy Centre of Universidad Católica

For the past five years, Banco Santander Chile has been working in alliance with the Public Policy Centre of the Universidad Católica de Chile to investigate the levels of financial literacy of the Chilean population and, in turn, to train educational communities on these issues.

In its fifth version in 2020, the programme developed two initiatives, a research and a series of webinars.

7,582

beneficiaries in 2020

• **“El Futuro es Ahorra”**

It consists of a digital platform for financial education, aimed at secondary school students focusing on the first year of secondary school, which seeks, through a gamified interface and using playful and straightforward language, to facilitate the learning of concepts, economic processes and



financial techniques. This is in response to Law 21.092, enacted in May 2018, which amends the General Education Law (LGE), incorporating the compulsory teaching of financial education content for students at this level.

Thanks to this initiative, in 2020's pandemic context, the young people who used this platform continued learning from the safety of their homes. The programme involved 32 schools from the regions of Antofagasta, Valparaíso, Metropolitana, Libertador Bernardo O'Higgins, Maule and Aysén, totalling more than 3,700 students who now have knowledge that will help them make more informed financial decisions in the future.

- **"Financial Education for All" e-learning course**

Anyone over the age of 18 interested in learning about different topics related to personal finance was able to enrol in this free online course, which consists of videos and quizzes, and covers topics such as savings, borrowing, credit and interest rates, among others. Also, those who passed the course received a certificate from the Pontificia Universidad Católica de Chile.

- **Webinars**

In 2020, Santander and CPP UC held two webinars, seeking to bring various financial education topics closer to the country's people, taking advantage of the benefits of technology.

1. **Webinar "Challenges of financial education in schools in times of economic crisis",** with the participation

of 250 people from Santiago, Arica, Temuco, Chillán, San Pedro de la Paz, among other locations. It included the participation of representatives from the Central Bank and the Education Quality Agency.

2. **Webinar "Economic behaviour of households in Chile: the role of financial education in times of crisis",** in which the study and the results of the research carried out by the University on this subject, within the framework of this programme, were presented. Participants included the Social Services Undersecretary of the Ministry of Social Development and Family, Sebastián Villarreal; the advisor to the Community of Solidarity Organisations, Alejandra Pizarro; and the first vice-president of the Board of Directors of Banco Santander and former president of the Central Bank of Chile, Rodrigo Vergara.

→ Joint study between the UC Public Policy Centre and Banco Santander: "Evolution of households' financial behaviour in Chile".

To analyse and describe the evolution of the country's households' financial behaviour between 2007 and 2017, the UC Public Policy Centre carried out this study during 2020. This research indicates that, although the 10 years analysed showed the financial inclusion of Chilean households has grown on average, there has been an asymmetric evolution by income quintile. Thus, the highest income quintile has seen the highest growth in financial inclusion - almost 20% - while the lowest income quintile has stagnated over the decade.

The study also shows that, compared to other OECD and regional countries, Chile is 9 percentage points above the expected level of development in

terms of bank account ownership, making it the regional leader in financial access. According to the research, this situation makes it imperative to educate the population financially to use these tools in a prudent and informed manner. According to various studies and reports by the Financial Market Commission (CMF), this area's efforts should concentrate on older people, women, and young people.

Specifically, the study revealed:

- Poor debt management practices, acquiring credit to pay off previous debts.
- High monthly financial burden in comparison to monthly household income.

To address this reality, the study proposes:

- Seek to improve the information asymmetries faced by consumers.
- Promote regulations that encourage inclusion.
- Generate measures to safeguard people's levels of indebtedness, such as a consolidated debt register, an issue that has been debated for many years without significant progress.



Support for entrepreneurship

Banco Santander Chile supports and promotes innovation and entrepreneurship so that people can develop their projects and create value. Initially focused on SMEs, the programme has moved on to support young entrepreneurship, strengthened in 2020 given the pandemic's consequences on employment generation. The Bank's invitation consists of providing guidance and tools for the development of their business ideas.

Santander Universities has more than 50 collaboration agreements with Chilean public and private universities and supports more than 1,200 universities worldwide.

Santander X

It consists of a global university entrepreneurship community that connects young entrepreneurs and the main actors in the entrepreneurship ecosystem: universities, companies, teachers, mentors and other entrepreneurs. This platform allows the development of projects at an international level and access to a network that informs about events, calls for proposals, news, and other interest contents.

There are 20 member institutions in Chile, 11 organisations that have developed university entrepreneurship initiatives and 1,020 applications received.

Ideas X

In 2020, the second edition of the Ideas X programme was launched, a competition aimed at undergraduate students seeking to support and provide seed capital to entrepreneurs who stand out for their innovative ideas. Applications were made through Santander X, and initiatives from 31 higher education institutions were selected, with a total of \$40,000,000 in funding awarded to improve their projects.

Once this part of the process was completed, two months of training and mentoring took place for those selected.

The winners are part of the Academy X, receiving intensive training with renowned experts from the ecosystem.

145

projects received in 2020, of which 25 sought to combat Covid-19.



Santander
Universidades
has more than
50 collaboration
agreements with
public and private
universities in Chile
and supports more
than 1,200 institutions
for education around
the world.



→ Pandemic initiatives

1. Santander Tomorrow Challenge

Santander Group launched this initiative to support projects that seek to address the challenges arising from the pandemic and provide solutions to the post-Covid-19 challenges. The Bank allocated EUR 1 million to the best 20 projects from 14 countries that presented the best solutions, responding to four challenges: job creation, adaptation of personal skills, reinvention and reopening of businesses and industries, and new business opportunities.

Lexgo, a Chilean startup, was one of the 20 winners in the new business opportunities category, winning 20,000 euros to develop its initiative. Furthermore, they obtained support through mentoring, roadshows to access funding and media outreach.

2. Open Bridge Covid-19

Santander X, Know Hub Chile and OpenBeauchef of the Universidad de Chile organised this call for innovation, which gave an award to Medical Shield Staffing, an initiative created by a team from the Instituto Sistemas Complejos de Ingeniería, which has reduced infections in healthcare personnel by up to 25%. This technology has been tested at the Clinical Hospital of the Universidad de Chile and the Herminda Martín Hospital in Chillán.

Brain Chile

The programme, created in 2015 by the Universidad Católica de Chile, seeks to promote transferring science and technology-based ventures from laboratories and classrooms to different industry sectors. In 2020 there were a record 338 project applications, achieving a 40% participation from universities abroad. Twelve teams were selected, with eight representing Chile, Argentina, Ecuador and Peru in the final stage: Braillear, Biomateriales Nativos, Dragon BioMed, Ilico Genetics, Mosy, Naturannova, Palpa and Yaku.

After a four-month acceleration process, they exhibited at the online prototype fair and presented their projects via zoom in the programme's final, with Biomateriales

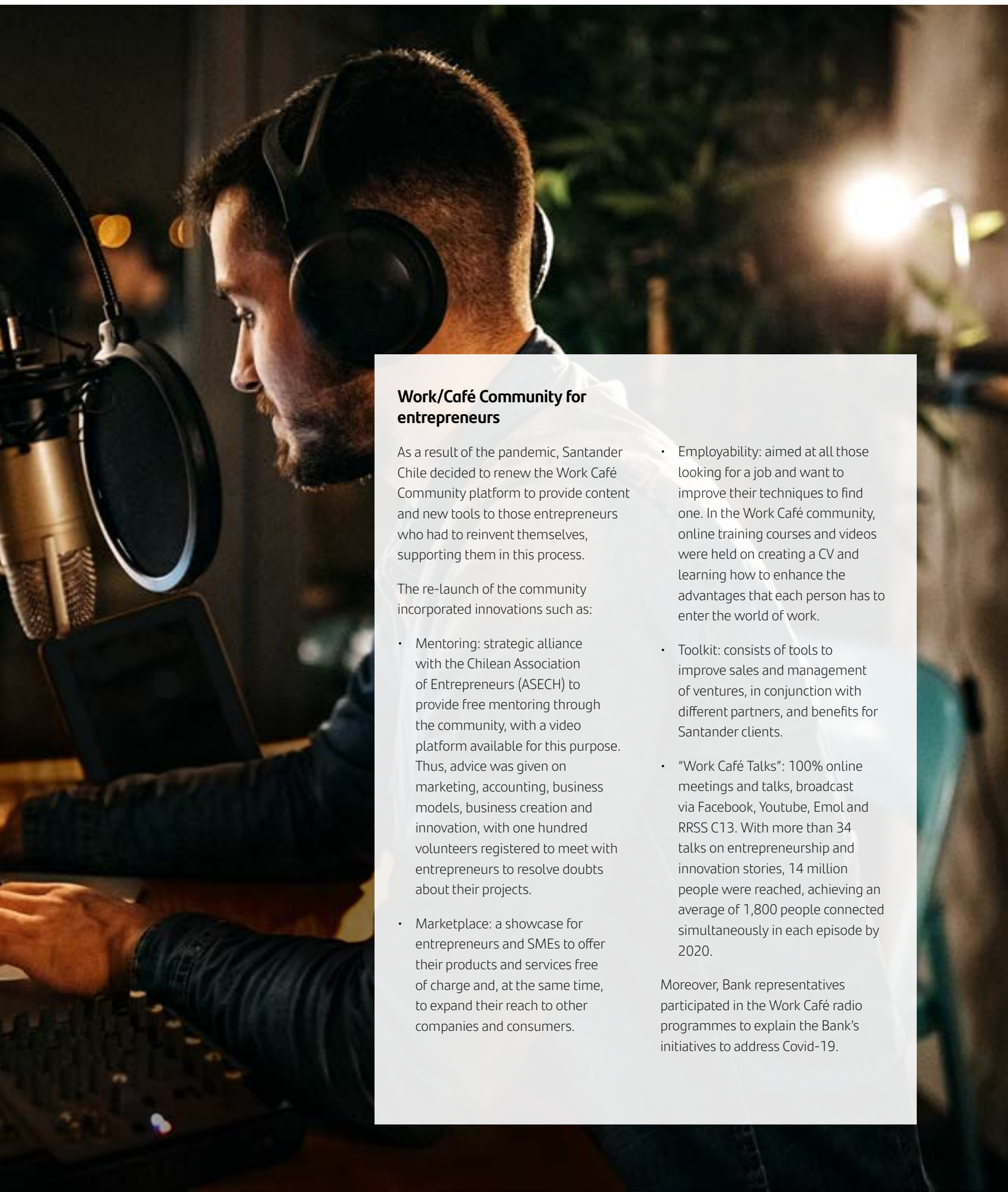
Nativos from Chile being recognised as the best venture of the year, with a prize of 19 million Peso. This project consists of the development of new materials based on elements native to the Chilean Patagonia.

The runner-up, which also won the audience award, was Dragon BioMed, a venture from Ecuador that develops a new mitochondria-based therapy to treat wounds and diseases for veterinary use. They won a total prize of 11 million Peso.

Third place went to Naturannova, a Chilean project that proposes a new ingredient for the food industry: a sweetener of natural origin to replace sugar and with better acceptance among consumers.

\$70,000,000

distributed in total.



Work/Café Community for entrepreneurs

As a result of the pandemic, Santander Chile decided to renew the Work Café Community platform to provide content and new tools to those entrepreneurs who had to reinvent themselves, supporting them in this process.

The re-launch of the community incorporated innovations such as:

- Mentoring: strategic alliance with the Chilean Association of Entrepreneurs (ASECH) to provide free mentoring through the community, with a video platform available for this purpose. Thus, advice was given on marketing, accounting, business models, business creation and innovation, with one hundred volunteers registered to meet with entrepreneurs to resolve doubts about their projects.
- Marketplace: a showcase for entrepreneurs and SMEs to offer their products and services free of charge and, at the same time, to expand their reach to other companies and consumers.
- Employability: aimed at all those looking for a job and want to improve their techniques to find one. In the Work Café community, online training courses and videos were held on creating a CV and learning how to enhance the advantages that each person has to enter the world of work.
- Toolkit: consists of tools to improve sales and management of ventures, in conjunction with different partners, and benefits for Santander clients.
- "Work Café Talks": 100% online meetings and talks, broadcast via Facebook, Youtube, Emol and RRSS C13. With more than 34 talks on entrepreneurship and innovation stories, 14 million people were reached, achieving an average of 1,800 people connected simultaneously in each episode by 2020.

Moreover, Bank representatives participated in the Work Café radio programmes to explain the Bank's initiatives to address Covid-19.

Santander Technical Studies Scholarships: Digital literacy and support for micro-entrepreneurship

In 2020, Santander and TECHO-Chile jointly launched the Digital Literacy and Business Planning and Management Techniques courses as part of the Santander Technical Studies Scholarships training programme, which seeks to strengthen the labour skills and entrepreneurship of people from vulnerable areas of the country.

These new scholarships aim to reduce technological gaps and provide tools for the development and management of small businesses among people who, due to the pandemic's effects, were forced to carry out their activities online without having the necessary knowledge to do so.

Thanks to this project, 200 students, mainly women, were trained in basic computer concepts and skills, and another 100 in Business Planning and Management Techniques, both of which will contribute to their search for new social and economic opportunities.

Santander also launched the corporate volunteering programme Micro-entrepreneurship, through which 30 of

the Bank's collaborators advised and accompanied the training and business development process of an equal number of residents of encampments and villages. As part of the programme, the micro-entrepreneurs received seed capital to finance their initial investment plan and have the possibility of financing to continue scaling up their projects.

| General objective:

to develop and enhance people's employment skills in the country's most vulnerable areas, providing tools that encourage self-employment and entrepreneurship.



"I am pleased with this course that TECHO-Chile and Santander have given us. Thanks to these programmes, I am building my small business, and this course has helped me a lot to start creating a website. Programme beneficiary.



Beneficiary of the program

200

Digital Literacy Scholarships

100

scholarships in Business Planning and Management Techniques





Corporate volunteering

An essential part of the Bank's contribution through its social initiatives is made by its own collaborators, who participate every year in various activities, materialising the organisation's commitment and the staff in actions involving a wide range of issues.

In 2020, this commitment was reinforced due to the pandemic's consequences, which severely hit the most vulnerable social sectors. Faced with this unfortunate situation, Banco Santander Chile's collaborators took part in various initiatives to help those most in need. This year, more than 190,000 food rations were donated, benefiting more than 16,000 people in the encampments and villages where TECHO-Chile is present. The Bank's volunteers also tutored 54 students from the Belén Educa Foundation, guiding them in their study decisions, managed 25 solidarity projects and supported 160 people in preparing for their exams to finish high school.

Proyecto Mesa

An initiative developed in alliance with TECHO-Chile, where 6,600 Santander Chile collaborators, represented by 170 ambassadors, supported 60 community kitchens in different regions of the country. The project aimed to supply the food needs in encampments and villages as a result of the pandemic.

This was the gateway for volunteers to identify and work to address other needs of the communities, such as the implementation of community kitchens and essential services such as toilets, water towers, and lighting.

190,000

food rations were collected

Solidarity projects

More than 830 Santander Chile collaborators participated in a new version of the Solidarity Projects National Contest, presenting their ideas to benefit communities or organisations in greater vulnerability situations. In this way, 119 projects were received, focusing on different areas such as health, welfare and social inclusion of vulnerable people, education, financial inclusion, entrepreneurship and migrants.

25

projects implemented, each receiving \$800,000 for their execution.

Volunteering programme to support micro-enterprises

To support the most vulnerable families in the country, a volunteer programme was launched together with TECHO-Chile to support micro-enterprises to solve some of the problems experienced in villages and encampments, such as excessive formal and informal debts, limited and rigid work options and insufficient income.

During four online sessions, 30 volunteers from the Bank's commercial areas provided basic knowledge on entrepreneurship and helped resolve doubts and share experiences.

Warmth to the most vulnerable households

Santander collaborators coordinated to buy gas refills and deliver them to the most vulnerable families in the country who have been hard hit by the pandemic, especially those living in encampments.








A total of 2,048 gas refills, worth approximately \$18,000 each, were delivered, enabling families to cook, bathe and heat their homes during the cold winter months.

Pro Bono Foundation

Pro Bono is a non-profit organisation that promotes and facilitates access to justice for socially vulnerable people.

Santander's Legal Department has supported Pro Bono Foundation since 2018. During these years, the Bank's lawyers have been involved in more than 60 cases, and during 2020 they supported 17 of them. Subjects covered include the revision of contracts, by-laws, the constitution of NGOs, family and civil cases, and talks to schools, foundations and civil society institutions.

→ Corporate volunteering in Santander 2020

	2019	2020
 Initiatives	24	31
 Volunteers	2,411	646
 Beneficiaries	11,554	26,641
 Volunteer hours	4,917	6,287
 Working hours	2,807	3,572
 Non-working hours	2,110	2,715
 Volunteer hours valuation (\$)	\$37,402,701	\$54,717,754



Social contribution in pandemic

Following the containment measures imposed by the health emergency, Banco Santander Chile has worked together with universities, research centres, and foundations in the fight against the coronavirus. The Bank reorganised its focus, paying particular attention to the vulnerable groups most affected by the pandemic.



During 2020, Santander Group provided almost EUR 100 million in all markets where it operates for research and initiatives to address Covid-19, under the slogan "Santander All Together Now".





Santander Chile collaborated with the most affected by the sanitary crisis in 2020 through various initiatives.



In Chile, the Bank participated in the Private Health Emergency Fund, coordinated by the Confederation of Production and Commerce (CPC), which in 2020 exceeded \$94 billion, to purchase health supplies, diagnostic tests, equipment and other necessary medical instruments.

The following initiatives were also carried out in the country:

Contribution to Teleton 2020

Teleton is the institution that helps rehabilitate children and adults with disabilities throughout the country. Santander participated in the 2020 version and contributed \$1,200 million to the cause. Moreover, for the first time, all the banks joined this cause, making a virtual button available on their respective websites to facilitate user contributions. Through this initiative, Santander alone raised some \$3.1 billion thanks to customer contributions, receiving around 136,000 transfers.

Website “Esto lo Superamos Juntos” (“We Overcame This Together”)

The website www.estolosuperamosjuntos.cl, open to all, was launched, which aims to gather in one place all official information from the authorities on the pandemic. It also includes other content such as courses, workshops, libraries with art books, the status of services, aid campaigns and leisure alternatives for the quarantine period.

“¡Vamos chilenos!” Campaign

Santander joined the “Vamos chilenos” campaign held on 18 and 19 September to help those who have been hit by the socio-economic effects of Covid-19, mainly the elderly.

“Chile Comparte” Campaign

Santander joined #ChileComparte, a TECHO-Chile campaign to help the most vulnerable families in the country, who suffer the most from the coronavirus's consequences. The Bank invited customers and collaborators to support these families by delivering food boxes. The Bank donated 8,424 solidarity food boxes to an equal number of families, providing a 15-day supply. Also, customers and collaborators were invited to participate in this initiative, which benefited families in 57 communities nationwide.

60 TECHO-Chile community kitchens

Thanks to the Bank's collaborators' commitment, different Santander teams accompanied and sponsored 50 community kitchens in encampments and villages.

Boxes of joy

More than 600 collaborators helped families in encampments, neighbourhood councils and churches affected by the pandemic. With the Territorial North collaborators' contribution, we bought “Boxes of Joy”, made up of essential food items for 260 families, including

46 cleaning assistants from the different branches located between Arica and La Serena, thus benefiting close to 1,000 people.

Santander supports the work of the Temuco Hospital

Santander contributed to the medical teams' work with the delivery of 25,000 N95 masks for the Dr Hernán Henríquez Aravena Hospital staff in Temuco.

The Bank also supported the municipalities of Pichidegua, Sagrada Familia, Molina, San Rosendo, Teodoro Schmidt, Puerto Saavedra and Futaleufú by delivering 120 computers to the health areas of these areas.

Soy Más Foundation of La Pintana

To help bridge the digital gap, the Bank provided 23 students and single mothers from the Soy Más Foundation with internet access for seven months to continue their online classes. This contribution benefited around 115 people.

Social investment

GRI [415-1]

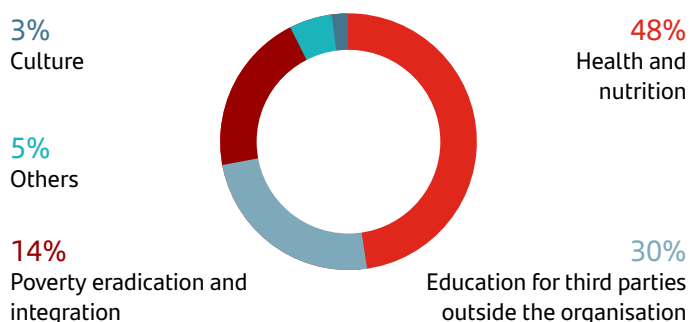
As part of the Responsible Banking commitments, there are targets associated with the coverage of social programmes. The target was 76,313 people helped through community initiatives, including contributions to TECHO-Chile, Belén Educa, Compromiso País, Teletón, Volando en V Foundation, support for entrepreneurship, among others, and 103,793 people were reached.

On the other hand, in terms of financial empowerment, including the Financial Education at School and Sanodelucas programmes and Life Account customers, the target for 2020 of 560,815 was met, with 728,540 people financially empowered.

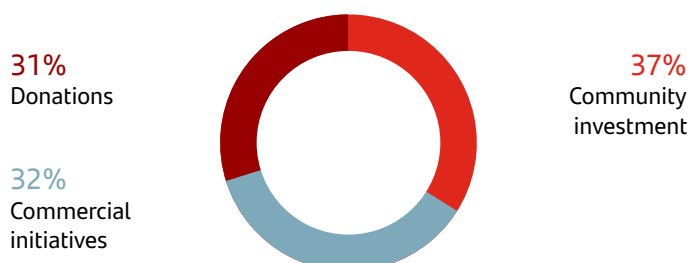
Banco Santander Chile's General Sustainability Policy, which defines the principles and commitments for creating stakeholder value, provides guidelines on the organisation's contributions in terms of social investment and donations. It should be noted that the Bank does not donate to political campaigns. Still, it does contribute to certain think-tanks to contribute to the promotion of critical thinking and the development of the country's human capital. It also contributes to various associations for the same purpose, such as: Libertad y Desarrollo, CEP, CIEPLAN, ABIF, CAMACOES, UC Public Policy Centre and Paz Ciudadana.

Type of contribution	Total 2020
Cash contributions	\$5,191,866,863
Cost of hours per volunteer	\$54,717,754
Donations of goods	\$86,967,417
Project management costs	\$255,500,000
Total	\$5,589,052,034

Social investment by type of programme



Social investment by category



Category	2017	2018	2019	2020
Contributions to lobby institutions	0	0	0	0
Contributions to local, regional and national political campaigns	0	0	0	0
Contributions and support to trade organisations, think tanks and/or other tax-exempt organisations	\$397,250,225	\$580,990,000	\$495,458,610	\$605,599,297
Annual contribution	\$397,250,225	\$580,990,000	\$495,458,610	\$605,599,297

2. Environmental dimension

In its quest to build a more sustainable financial system, Banco Santander continues to progress in initiatives that strengthen its internal environmental management and enable its customers to contribute to the environment's care and protection. In this way, it contributes to the sustainable growth of the communities in which it is present.

For this purpose, the Bank has a solid governance and action framework based on policies and principles, which ensure responsible behaviour that also takes into account its most relevant stakeholders.

The main areas of Santander's environmental management are:



→ Santander Verde¹

Santander Verde, an integral value offer for customers, was launched in 2020 to promote eco-friendly products and investment in socially and environmentally responsible companies. This offer includes several initiatives or products that contribute to the environment, both in terms of the product's nature and the Bank's contribution to environmental projects and the purchase of carbon credits.



Green mutual fund



Green mortgage loan



Commitment to the planet



Green carbon footprint



Green Benefits



Sustainable Finance

The Bank's commitment to inclusive and sustainable growth, which enables progress in the development of Responsible Banking, as well as the transition to a low-carbon economy, is materialised through various financial products and services, as well as financing instruments that incorporate environmental, social and corporate governance (ESG) variables, aimed at its different customer segments. In this way, it introduces incentives that promote its customers' sustainable behaviour, thus achieving a positive impact on society's sustainable development and responding to the growing interest that exists between shareholders, investors, and customers for this market.

Santander develops solutions of this type through the Sustainable Finance area, which has managers at the global level and in each country, and which includes two main product areas: Green Finance, both in the form of loans and bonds, and Sustainable Finance linked to ESG variables, which also exists in the form of loans and bonds.

In Chile, the Bank offers Green Finance products under Green Credit, Green Project Finance and Green Bonds for the local and international

market. On the other hand, it also provides Sustainable Finance products, under the ESG Linked Loans format, applicable to all types of loans and Social or Sustainable Bonds, which together account for approximately 10% of the portfolio.

Sustainable products and benefits

Under the umbrella of Santander Verde, the Bank offers its customers specific solutions and benefits that take into account Environmental, Social and Governance (ESG) variables to help care for the planet:

- **Green mutual fund:** Santander GO-Global Equities ESG Mutual Fund, the first mutual fund in Chile to invest in companies with a pronounced sustainable component, is committed to the environment, society and good corporate governance practices.
- **Green mortgage loan:** focused on sustainable housing that has a low environmental impact, which also considers the Bank's contribution to one of the foundations that are associated with the Carbon

Footprint programme and purchases one tonne of CO₂ in carbon bonds for that credit to mitigate the impact generated by the product itself, in addition to a preferential interest rate. Projects that have MINVU's Sustainable Housing Certification (CVS) or LEED Certification qualify for this product.

- **Green benefits:** this is a series of benefits and discounts in sustainable businesses, a pioneering financial industry initiative. Noteworthy in this category is Santander Consumer's promotion focused on hybrid car purchasing, with an offer of a 0% interest rate automobile loan, which also enables us to contribute to the Carbon Footprint Offset NGOs Programme. The one-off contribution is equivalent to six months of Carbon Footprint offsets to projects that support Chilean ecosystems' conservation.

Customer carbon footprint compensation

Under the Santander Verde² initiative since 2019, the Bank offers voluntary compensation of the carbon footprint associated with the products purchased with its credit or debit cards as a way to contribute and provide a concrete space for customers who want to contribute to the protection of the environment and the fight against climate change. Customers who choose to offset their footprint can do so directly from the Bank's website, by purchasing carbon bonds or by direct contributions to Chilean environmental projects. Carbon bonds come mainly from renewable energy projects, forest conservation in countries with legislation that ensures their proper implementation and verification. Regarding environmental projects, the contribution is directed to non-profit organisations that work to preserve ecosystems in protected areas in Chile and contribute to the maintenance of the surrounding communities.

In 2020, the Santander Carbon Footprint programme was consolidated, achieving almost 6,000 offsets, completing the financing and construction of the first milestone of the Llampangui Foundation in the Hacienda el Durazno Park. In this way, a degraded area was restored, protecting the ecosystem and the native fauna. From the second quarter onwards, customer contributions were directed to the Huilo-Huilo Foundation project, completing the first milestone and a large part of this project's second milestone. Thanks to the footprint's compensation, cameras were purchased to implement a monitoring system for the huemules that inhabit the reserve, which helps to evaluate their behaviour and strengthen the strategy of their reintroduction into wild ecosystems and thus reduce the danger of extinction in which they find themselves.



5,912
customer compensation
in 2020

45%
of compensations
payments are
contributions to Chilean
environmental projects

55%
of compensations
allocated to the
purchase of Carbon
Bonds

1,733
tonnes of CO₂
compensated in certified
Carbon Bonds

Chilean environmental projects receiving carbon footprint offset contribution



2. <https://banco.santander.cl/informacion/santander-verde>

Boosting green and sustainable lending

Santander has been one of the main drivers of sustainable financing since 2019, as more and more customers choose to link their financing to ESG variables. In this respect, the Bank aims to support companies that have sustainability in their DNA.

Santander intends to build a more responsible banking model. To this end, it has set a series of global goals, reflecting its commitment to contribute to the United Nations Sustainable Development Goals and ensure that it responsibly conducts its business. These include supporting customers in the transition to a green economy, mobilising EUR 120 billion from 2019 to 2025 and EUR 220 billion between 2019 and 2030 in green finance to help address climate change.

In a booming market, two pioneering transactions in Chile in 2020 stand out:

- **Syndicated ESG loan to Cristalerías Toro for \$31.5 billion.** In July 2020, Banco Santander Chile led the structuring of a syndicated ESG loan to Cristalerías Toro for CLP 31,500 million. The first financing of this type formalised with a Chilean-owned company. It is structured so that the funding's interest rate is linked to the company's compliance with indicators related to ESG variables, recognising and rewarding companies that develop their business more sustainably.
- **Committed ESG credit line linked to reducing Aceros AZA's carbon footprint for \$16 billion.** Banco Santander Chile and Aceros AZA signed an ESG structured committed credit facility related to carbon footprint reduction for \$16 billion in December 2020. The product is structured so that the financing's interest rate is connected to reducing

CO₂ emissions per tonne of crude steel produced, which is a strategically relevant indicator for the company.

Vigeo-Eiris acted as the Sustainability Agency for both financings, assessing the proposed indicators' relevance and ambition.

Green and sustainable bonds

It is a significant market at a global level, with around US\$ 989.72 bn accumulated to 2020. Santander is also one of the market leaders, particularly in Latin America, where it has been the leading player in the region's main countries:

- First Green Bond issued for a Chilean Corporate (CMPC, in 2017).
- First Green Bond in Argentina (Jujuy Province, in 2017).
- First Green Bond in Brazil (BRF, in 2015).
- First Transition Bond (Marfrig, in 2019).
- First Green Bond (Rumo, in 2019).
- First Sustainable Bond (Suzano, in 2020).
- First Sustainability-Linked Bond (Suzano, in 2020).
- First Sustainable Bond (Banco Continental de Paraguay, in 2020).
- First transition bond originated in Chile, which financed an ambitious decarbonisation plan of a mining company in Chile for US\$ 417.2 million.

Chile is a market leader and benchmark in the field with the placement of four Green Bonds in 2019:

1. CMPC's Local Bond for UF 2,5 million
2. Sonda's Local Bond for UF 1,5 million
3. Arauco's Bond for US\$ 1.000 billion
4. AES Gener's US\$ 450 million Hybrid Bond.

Santander began the year 2020 with the placement of the Sovereign Bond for the State of Chile, which is articulated in two segments, the EUR segment for a total of EUR 1,960 million and the Euroclearable bond in Pesos for an equivalent sum of US\$ 2.1 billion, to execute an ambitious programme of reforms and investments, all of them with environmental and social impact.

Project Finance with ESG Impact

This is a type of financing for large-scale investment projects, usually under a concessional framework for infrastructure-type projects or under a Power Purchase Agreement (PPA) for renewable energy generation, water treatment or other purposes. In these cases, Banco Santander carried out an exhaustive analysis process of environmental and social risks associated with each project before deciding the funding approval or rejection. This includes an assessment using the Equator Principles, in a specific process verified under political risk and with specific application to the local and global level in the Bank. In this area, some relevant projects stand out, such as:

- **Renewable energy parks USYA, Tolpán, Malgarida I and Malgarida II:** Construction of four renewable energy parks, consisting of three photovoltaic plants and a wind farm, which will contribute 336 MW of clean energy to the country's energy matrix. US\$ 350 million investment.
- **Huemul Portfolio:** Portfolio comprising five renewable energy projects, three wind farms and two photovoltaic plants, located in the north and south of the country, which will serve the PPAs of the distribution companies, to inject 621MW of renewable energy into the country's energy matrix. US\$ 922 million investment.





Environmental and social risk analysis

GRI [102-11] [201-2] [102-15]

Socio-Environmental Policies

Globally, the Socio-Environmental Risks area exists as part of the Bank's Risk Division. In Chile, the function is implemented from the Portfolio Manager BEI & CIB, which operates in the same division locally. The environmental and social risk analysis process is framed within the Sustainability, Climate Change and Environmental Management Policies. It includes a thorough analysis of the client, the project, if applicable, and its industry.

All structured finance projects require a series of due diligence processes that consider detailed analyses of various aspects such as technical, environmental, market, insurance and financial modelling. Furthermore, environmental studies based on the Equator Principles and IFC Standards are carried out by external consultants, who ensure compliance and recommend measures to close the identified gaps. In the case of CIB customers, the Know Your

Client (KYC) process must be evaluated or renewed as appropriate to know each of the customers with whom the Bank works in this area, ensuring its activities' legitimacy.

As part of its relationship mechanisms, Banco Santander Chile considers ESG issues as part of the dialogue with its customers, including the associated risks and opportunities, national and international trends, the Bank's position and leading initiatives, the evolution of ESG variables in the industry and the practices of its competitors in this area. Moreover, the Bank's solutions align with their characteristics, specific industry and sustainability objectives, seeking to incorporate financing solutions that consider ESG factors aligned with their corporate plan and strategy.



Financing Policies for Sensitive Sectors

GRI [102-11][201-2]

Santander has Financing Policies for Sensitive Sectors to assess and take decisions on the Group's participation in certain sectors, the potential impact of which could generate reputational risks. Sensitive sectors, considered as such because of their own social reason, political or cultural implications, are associated with the following activities:

- Media
- Gambling
- Club and sports associations
- Religious institutions, congregations and orders
- Trade union, business and professional associations
- Non-Governmental Organisations (NGOs)
- Cannabis industry

The financing operations involving sensitive sectors can only be approved by the Bank's higher Credit Committees and reported quarterly to the Group.

Equator Principles

As a corporate mandate and since the Group's accession in 2009, all structured finance projects greater than US 10 million must necessarily go through the evaluation of the Equator Principles as part of the process of assessing social and environmental risks.

Number of projects assessed according to the Equator Principles	2018	2019	2020
Total number of projects evaluated	7	10	7
Percentage of projects evaluated, out of a total number of projects	86%	83%	100%
Number of projects approved	6	6	7
Number of rejected projects	0	1	1

→ Santander Asset Management adheres to the Principles for Responsible Investment supported by the United Nations

Mutual fund manager Santander Asset Management (SAM) officially signed up to the Principles for Responsible Investment supported by the United Nations on a global level in 2020, thereby committing to include environmental, social and governance factors in its investment decisions.

Santander understands that incorporating these criteria in the management of investments is part of its duty to customers, adding

sustainable value and reducing risks to their portfolios.

In Chile, concrete progress was evident as SAM launched its first ESG (Environmental, Social, and Governance) mutual fund domiciled in Chile. Santander GO-Global Equities ESG offers both retail and institutional clients an investment instrument in companies with a strong focus on sustainability. The fund has more than \$59,775 million under management.



As part of its relationship with clients, Santander Chile considers ESG themes.





Environmental footprint

Santander Chile is aware of its operations and activities' environmental impacts, which is why it reaffirms its commitment to protecting the environment, defining goals, monitoring progress, and strengthening its management in this area. To achieve this objective, the Bank measures, calculates and controls consumption, waste management and greenhouse gas emissions at its facilities and implements improvements to meet the commitments established in the short term.

→ Environmental footprint reduction commitments to 2021

Reduce electricity consumption in the period 2018-2021 by

7%

Reduce paper consumption by

15%

Reduce CO₂ emissions by

5%

To recover

40%

of the waste generated in central buildings, thus avoiding landfill disposal.

Environmental Management

Santander has an Environmental Management System (EMS) certified under ISO 14001:2015. The EMS governance is part of the Responsible Banking, Sustainability and Culture Committee, which is headed by the CEO and is composed of managers from the different divisions of the company. This committee ensures the alignment of environmental initiatives with the Bank's sustainability strategy and is a facilitator of their implementation.

Carbon footprint

GRI [305-1][305-2][305-3][305-5]

One of the main challenges in the fight against climate change is the reduction of greenhouse gas emissions. To meet the goal of reducing the carbon footprint by 5% by 2021, the Bank continued to implement the initiatives of the energy efficiency and emissions reduction plan launched in 2018, including the remote monitoring and control of energy consumption in

the branch network. Furthermore, the installation of panels in two branches contributes to this goal.

Through its environmental management system, Banco Santander Chile has also introduced improvements in handling its carbon footprint, achieving a continuous reduction and compensation.

	2017	2018	2019	2020
Direct GHG emissions Scope 1 (tCO ₂ eq)	230.3	225	627	463
Coverage Scope 1	-	79%	79%	85%
Indirect GHG emissions Scope 2 (tCO ₂ eq)	14,277.0	13,776.0	12,090.0	9,602.0
Coverage Scope 2	-	88%	92%	85%
Indirect GHG emissions Scope 3 (tCO ₂ eq)	-	4,376.2	3,441.0	1,078.0
Business travel - External passenger transport	-	-	1,981.0	135.0
Business travel - Urban Transport	-	-	162	420
External transport of materials - Transport of valuables	-	-	1,165.0	432
Fuel Procurement	-	-	123	90
Coverage Scope 3	-	-	92%	85%
Total (tCO ₂ eq)	-	18,377.2	16,158.0	11,143.0
Intensity (tCO ₂ eq)/No. of branches	-	48.36	42.86	37.02

Calculation of emissions in process of verification. Final report available at www.santander.cl starting May 2021.

Santander's Corporate Carbon Footprint Compensation

From 2019, Banco Santander Chile began offsetting its annual carbon footprint under the umbrella of the Group's goal to be Carbon Neutral. Along these lines, in 2020,

Banco Santander offset its entire carbon footprint through carbon credits issued and verified by internationally recognised standards.



Operational eco-efficiency

Water

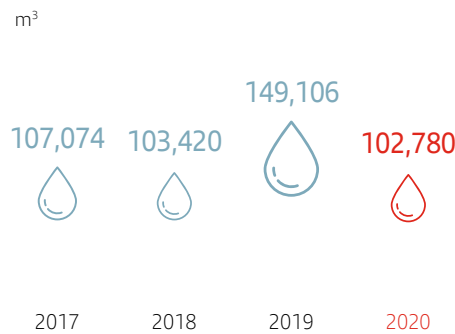
GRI [303-5]

Banco Santander Chile's facilities are supplied with drinking water from authorised water companies' public services without directly affecting protected areas or other types of sources.

In 2020, due to the effects of teleworking and fewer employees in the Bank's branches and corporate building, water consumption decreased by 31% compared to 2019.

	Unit	2017	2018	2019	2020
Water consumption in all areas	m ³	107,074	103,420	149,106	102,780
Data coverage (as % of dominator)	% of m ²	52%	52%	87%	84%

Water consumption in all areas



31%

decline in the consumption of water compared to 2019, due to teleworking and the decrease of employees in branches and corporate offices.

Energy

GRI [302-1] [302-3] [302-4]

Banco Santander Chile has continued to progress in energy efficiency management through a system for monitoring and remote control of its branches' consumption. An additional group of approximately 50 branches was added under this system in 2020 to generate greater consumption efficiency.

Similarly, installing a self-generation system in two branches with photovoltaic solar energy through solar panels is noteworthy. These facilities are the Panamericana Norte and San Joaquín branches, both in the Metropolitan Region.

The Bank, consistent with its commitment to energy consumption, intends to further advance the implementation of a model allowing for greater energy efficiency and increased energy consumption originating from Non-Conventional Renewable (NCR) sources. At present, 28% of the energy consumed by Banco Santander Chile comes from NCR sources, thanks to the agreement

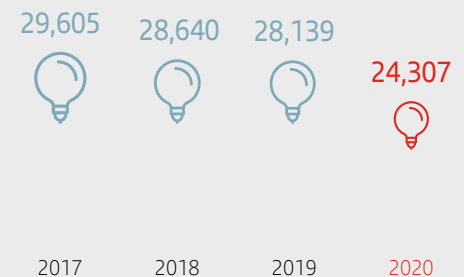
reached with the company AES GENER for the supply of around 8 million kWh from 100% wind power generation projects.

Energy consumption

MWh

14%

In 2020, electricity consumption was 14% lower than in 2019, partly explained by the implementation of energy efficiency measures in the office network. Regarding consumption from non-renewable sources, 153.49 MWh corresponds to diesel and 1,005.56 MWh to natural gas.



Energy consumption	2018	2019	2020	2021 Target
Electricity consumption (MWh)	28,640	28,139	24,307	26,635
Data coverage (as % of denominator, m ²)	88%	88%	86%	
Energy intensity (MWh / number of branches)	75	75	67.8	

Paper

GRI [301-1]

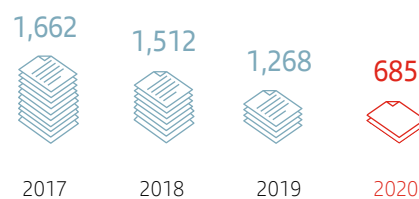
In 2020, Santander continued to drive the reduction of paper in its operations as part of its strategy towards a "paperless" digital bank. As a result, paper consumption fell by 9,119 reams, a 47% decrease and an eco-equivalence of 570 trees.

This drastic reduction allowed it to exceed by far its 2021 target of reducing consumption of this material by 15%. This decline can be explained by the digitalisation of the Bank's processes, mainly the Life Current Account product, which has a digital contracting process that saves much paper as it does not require printing documents in the office.

Non-renewable materials used	2017	2018	2019	2020	2021 Target
Paper (ton)	1,662	1,512	1,268	685	15%

Paper consumption

Ton



46%

decrease of paper consumption compared to 2019, surpassing the 2021 target.





During the year 2020, as a result of the reduction, reuse and recycling measures implemented, the Bank managed to reduce waste sent to landfill by 63% compared to 2019, meeting the target set at the time of joining the Cleaner Production Agreement: 40% reduction of waste going to landfill.



Plastics

The work that started in 2019 to replace plastic water bottles with glass containers in central buildings and eliminate soft drinks continued in 2020. As a result, the total amount of plastics sent for recycling decreased by 75%, equivalent to 0.432 tonnes less. These figures reflect significant progress on the global commitment to eliminate single-use plastic waste in facilities such as casinos, cafeterias and vending machines.

Waste management

GRI [306-2]

Banco Santander continues to promote reuse and recycling to reduce consumption, reduce waste and avoid landfill. Since 2020, the organisation started collecting organic waste from its composting facilities, which adds to the zero-waste goal after adopting the Cleaner Production Agreement.

In 2020, the Bank achieved a 154% increase in organic waste sent for composting, thanks to its recovery from the casinos. It should also be noted that almost all the paper and cardboard waste produced by the Bank is recycled, mainly from the central buildings and the larger branches in the Metropolitan Region.

Non-hazardous waste	2018	2019	2020	Disposal
Total waste generated (ton)	814.5	1,451.7	937.5	-
Total waste reused, recycled and sold (ton)	682.0	1,295.3	881.7	-
Electronic waste (ton)	148.0	32.4	22.8	Reuse
Paper and cardboard for recycling (ton)	534.0	1,255.5	840.1	Recycling
Organics sent for composting (ton)	-	7.4	18.8	Composting
Total waste disposed (ton)	132.5	156.4	55.8	Landfill
Data coverage	24%	29%	21%	

Total waste disposed (ton)

Ton



59.1%

Reduction of waste sent to landfills compared to 2019, thanks to the implementation of measures to reduce, reuse and recycle. Meeting target established under Acuerdo de Producción Limpia (Clean Production Agreement): Reduce by 40% waste sent to landfills.

Clean production agreement

In 2019, Banco Banco Santander Chile joined the Clean Production Agreement (CPA) –Zero Waste for Disposal, signed between Acción Empresas and the Agency of Sustainability and Climate Change of the Ministry of the Environment.

This CPA comprises 45 companies, and Santander was the first bank in Chile to adhere to this agreement and receive the “Zero Waste” Seal awarded by this entity.

This initiative seeks to reduce the volumes of solid waste by introducing circular economy practices to avoid their generation and increase their value.

Santander’s agreement covered all three corporate buildings, with the goal is to achieve a 40% reduction in waste going to landfills. This goal was exceeded by 23%, demonstrating the organisation’s commitment to reduce, recycle and reuse its waste.

Santander’s work was crucial for achieving this goal, involving the entire organisation

in its achievement, identifying the types of waste it was generating, and seeking the best alternative for final disposal.

In March 2020, Santander Chile had the follow-up audit of the Clean Production Agreement CPA - Zero Waste to Disposal, meeting 100% of the objectives and targets established in the agreement.

The following initiatives were implemented during 2020:

- A change in internal culture regarding waste disposal by removing around 2,500 individual waste bins from workplaces.
- Implementation of 82 clean points in central buildings.
- Management of the following volumes of waste generated in the Central Buildings:

19,350
kg of organics

330.75
kg of tetrapak

628.76
kg plastic PET, PP, HDPE

1,595.5
kg of glass

769,387
kg of paper

264.5
kg of aluminium cans and metal jars

Excellence in execution

1. Technology and innovation

The Covid-19 pandemic posed a significant challenge for the Bank's ability to strengthen its internal operations and respond to its clients. As a result of its commitment to digital transformation even before the health crisis, the swift adaptation of its processes made it possible to provide the necessary continuity to the organization's management and services, strengthen its operations, and optimize its excellence in customer service.



MM\$ 39,819

investment in technology and
innovation

↑ 5.0% (2019)

810

points in BitSight cybersecurity rating

Rate of 0.21

technology incident per day

↓ 28.0% (2019)

→ Pandemic management approach

In the immediacy of the coronavirus emergency, the Bank focused on three short-term areas:

1

To ensure business and operational continuity and guarantee the quality of service to customers, with the least possible impact. Milestones focused on enabling remote working, connectivity and the development of security standards in line with Santander's strategy in a new scenario. The implementation and strengthening of remote working used the latest generation of tools and robust and secure access for customers and the Bank itself.

100+

robots to streamline operations and operational flows

9,200+

employees enabled to work remotely in record time

2

To implement solutions for clients, with a focus on simple, digital operations. The necessary digital enablers were created through our different business process channels, complying with the authority's regulations, to provide the support required by individuals and companies at the forefront of Chile's needs. The Bank began April with the generation of deferrals for consumer and mortgage loans. In May, it began the Guarantee Fund's credit process for Small Entrepreneurs (Fogape COVID), with digital solutions for SMEs and enterprises. In July meanwhile, the organization opened a second mortgage deferral process. In August, the Bank emerged as a pivotal contributor to the payment of the first 10% withdrawal of pension funds by their administrators (AFPs). In September, it implemented the financial portability law, easing the process of changing financial institutions for people by following a model similar to that used for mobile phone number portability. This possibility applies to people with savings accounts, demand deposit accounts, electronic chequebooks, credit lines, credit and debit cards, mortgage, consumer and car loans, among others.

300,000+

digital consumer credit and mortgage deals through digital solutions

35,000+

legal entities benefiting from Fogape Covid credit process with digital solutions

1,200,000+

payment procedures for customers and non-customers (first withdrawal of AFP funds)

500,000+

digitally-created view accounts for withdrawal of funds 10% AFP

3

To refocus the systems, plan on the development of digital solutions to replace face-to-face processes. This enabled the Bank to offer its customers the possibility of carrying out banking transactions remotely. In this area, it is worth highlighting:

- massification of the Santander Pass application
- derivation and creation of digital flows for cash transactions
- notarisation of documents
- electronic signatures and digital flows of authorizations and requests
- chatbots and virtual assistants
- digital collection and renegotiation tools
- creation of Life, a 100% digital current account in opening and operation

→ Digital solutions in pandemic



EMPLOYEES

Capacity for more than 8,000 collaborators was considered in infrastructure, connectivity and security. About 5500 laptops were acquired, VDI pandemic enablement in OHE (1,554 desktops), and 99% of workers migrated to Office 365.

In the case of secure remote access, the following were considered:

- 9,660 Double Authentication RSA Token
- 5,600 secure VPN deployments
- exclusive VPN enablement for VOX

Concerning solid remote access:

- split-tunnel enablement
- bandwidth increase (1 GB to 7 GB)
- firewall e IPS (1 GB a 10 GB)
- purchase of 850 MIFI for internet connection
- 117 total bots (75 new bots and 7 per contingency)



CUSTOMERS

In 2020, the Systems Plan was reorganized to make customer access more feasible. In this way, the digitalization of processes and products was accelerated, favouring channels and the incorporation of products, facilitating customer processes, such as:

- **Santander Pass:** eliminates the need for a co-ordinates card for enrolment and strengthens it with facial biometrics.
- **App:** payments for current and recovery operations.
- **Online payment solutions:** the possibility to pay overdue debts or write-off recoveries using web pay was added to the public website www.Santander.cl. This allows customers to pay even without a four-digit code or current account.
- **Web booking:** implementation of a web-based scheduling solution and application for booking customer service in branches.
- Opening of Life current account with more than 318,271 new customers by the end of 2020. The Life account represents an example of a more efficient digital platform for the customer.
- Simple and advanced electronic signature.
- **Digitization of documents and contracts:** improving the experience through digital procurement.
- **Chatbot:** 100% digital, where a virtual assistant guides the customer to the area of the Bank they are looking for or where the assistant can answer any queries they may have.
- **Renegotiated loans:** self-service in apps and home banking channels for customers, consolidating consumer debt, credit lines and cards (write-off agreement and renegotiated online).

Technology and innovation strategy

The Technology and Operations Division is responsible for the technology and innovation aspects of the Bank, in compliance with the Bank's Innovation Policy. This area acts as an enabler of the organization's strategy through technological advances, and innovation in line with the objectives set out in the organization's strategic pillars: customers, employees, shareholders, society and excellence in execution.

The 2020 strategic focuses of this Division were: Cloud, Agile and DevOps, Technology (Core evolution), Operational Excellence, Data Management and Cybersecurity.





The combined management of technology and operations was, in 2020, a critical factor in achieving the Bank's objectives. The Bank had to maximize its capabilities and resources to ensure continuity in its operations and customer relations and solve its customers' financial problems due to the crisis.

This, together with the flexibility to redirect the Bank's activities to creating digital solutions, has enabled it to distinguish itself from the competition by winning first place in terms of industry preference and increasing its market share in an environment of industry decline.

In the area of payments, which requires high customer interaction, the strategy was focused on the launch of Superdigital in 2020, an application that has seen heavy growth due to the simplicity of the login procedure, universal biometric authentication and the fast adaptation of customers to the digital world due to the pandemic.

The organization has also strengthened the One Pay FX system for small international payments and the Getnet acquiring network, which started with a massive pilot programme in 2020.

130,000+
customers in Superdigital

Enterprise architecture

In 2020, the IT Architecture area continued with a cutting-edge plan to support Banco Santander Chile's digital transformation.

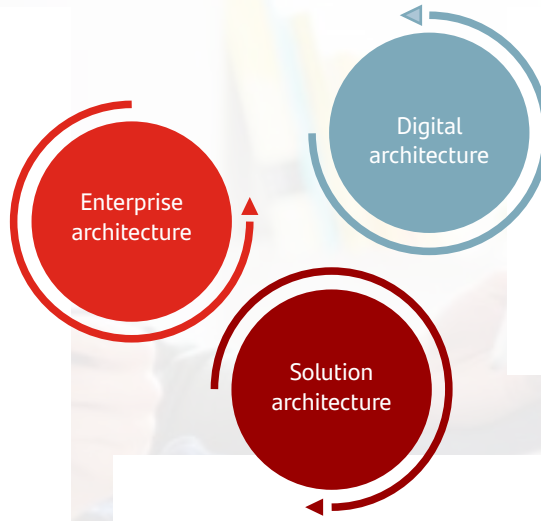
The strategy considered adherence to the Agile plan promoted by Santander; complemented by the adoption of reference standards, such as BIAN (Banking Industry Architecture Network) and ISO 20022, for the electronic exchange of data between financial institutions, as well as configuring a tech stack and common architecture, fundamental assets to move forward with the integral design of technological solutions.

A key area of emphasis in this area is the generation of technological enablers maintained during this period. The support of various initiatives to these enablers resulted in standardization, efficiency (through reuse of parts), improved Time To Market (TTM), and adherence to new technologies.

To reinforce its primary objective, Design Authority has taken a consistent approach throughout the software lifecycle, forming the IT Architecture Centre of Excellence, composed of three units with a high level of specialization and a specially established focus.

→ The three units and their main pillars are:

- Strategic Vision/High level.
- Establishment of architectural pillars.
- Establishment of technical/functional architectural guidelines and principles.
- Participation in the Business and Bank strategy, with a focus on innovation and critical projects.
- Interaction with Business and Santander Architecture Review Board (SARB).
- Governance and maintenance of functional domains (map of systems).



- Technological evolution and innovation.
- Generation of technological enablers.
- Highly specialized support.
- Good practices for software development (guidelines and implementation patterns).

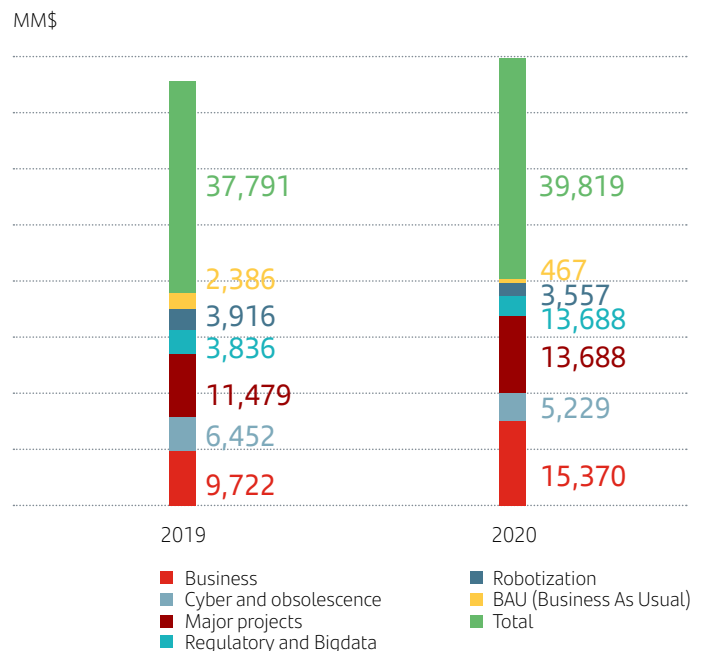
- To achieve adherence to the tech stack and common architecture.
- To be a technological benchmark for delivery tribes in achieving their objectives.
- Design authority role models.
- Technical debt custodians.

Investment in technology and innovation

Banco Santander invested heavily in the digital transformation process during 2020, which had greater emphasis given the pandemic context. This fact is shown in 39% investment in the business and 35% investment in the organization's major projects.

Investments by priority (MM\$):	2019	2020
Business	9,722	15,370
Cybersecurity and obsolescence	6,452	5,229
Major projects	11,479	13,688
Regulatory and Big Data	3,836	3,557
Robotization	3,916	1,508
BAU	2,386	467
Total	37,791	39,819

Systems Plan Evolution



Developed projects

Technological incidents

To optimize the quality of the service experience for customers, Santander Chile promotes ongoing management to detect and resolve technological incidents by monitoring all its platforms, channels and services.

In the last three years, technological incidents' evolution has tended to decrease, going from 0.33 per day in 2018 to 0.21 in 2020.

Technological incidents	2018	2019	2020
Incidents per day	0.33	0.29	0.21
Days with incidents <=1	95%	96%	98.6%
Objective	85%	90%	95%

Summary of indicators	2019	2020
Investment in technology and innovation (MM\$)	37,791	39,819
Investment in robotic automation of processes (MM\$\$)	3,916	1,508
Number of points in BitSight's cybersecurity rating (Portal)	790	810
Number of technological incidents	108	76



The resurgence of tribes to interconnect teams under common objectives, has allowed an improvement in the understanding, velocity and learning experience to find better solutions, always centered on the client.



Agile

The Agile transformation's massification during 2020 meant profound changes in the structure of delivery and its relation to the organization. The creation of tribes as an entity that interconnects teams with shared missions has allowed the improvement of understanding, speed, and learning to deliver better customer-centric solutions.

The Agile transformation has helped deliver greater value to customers and the Bank and increase the speed of project delivery and the quality of solutions. This change has strengthened team productivity and people's motivation.

7

tribes

49

units in Organic

91

teams transformed to agility

9

Definition of agile positions

29

supervisors with agile roles

22

clans

1,000

users created in Jira

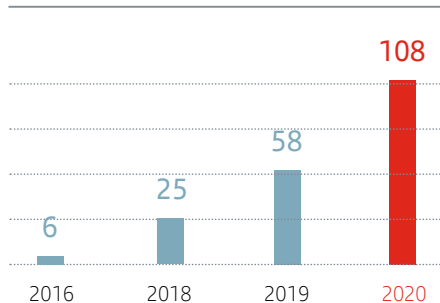
313

employees with new positions in agile

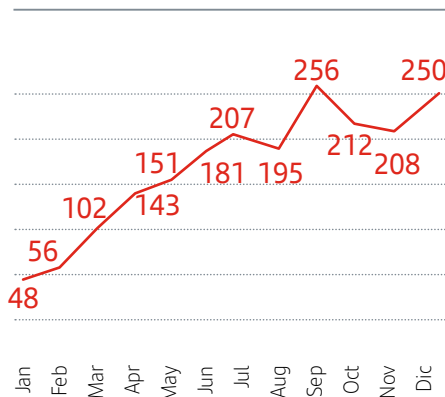
As a result of this new scenario, the number of agile teams increased, making a considerable growth in the number of releases.



Number of teams in cells



Releases during 2020



Regarding compliance with the Development Plan, by changing to Agile methodology, there is no growth in the number of deliverables or baseline to measure compliance for the year reported.

Compliance with the Development Plan		2019	2020
Number of deliverables per quarter	1Q	131	15,370
	2Q	182	5,229
	3Q	175	13,688
	4Q	229	3,557
Total		717	39,819
		98%	-

2020 Highlights

Interoperability

During the year, Banco Santander created the acquiring subsidiary Operadora de Tarjetas de Pago Santander Getnet Chile SA, approved to exist on June 30th, 2020. On January 29th, 2021, Getnet was registered in the Registro Único de Operadores de Tarjetas de Pago (Single Register of Payment Card Operators).

Thus, the transition to the four-party model in the country's payment industry was consolidated, ending the year with almost all issuers operating under this framework.

In this scenario, Getnet successfully conducted a pilot with around 250 businesses during the last months of 2020, which allowed the systems to be tested and fine-tuned, obtaining excellent approval rates for their transactions.

The arrival of Getnet brought a new payment alternative to the acquiring market, bringing competition and innovation to both retailers and consumers.

Automation and process robotization

In 2020, automation and robotization processes had a strong emphasis, consistent with the process that had been developing since the previous period. 75 new bots were implemented at Banco Santander,

134% more than in 2019. This brought the total number of bots in operation to 117, meeting the annual targets by 114%.

Additionally, the processes or tasks performed by the stock of bots at Banco Santander increased by 327% compared to 2019, supporting traditional business and the needs that arose amid the health contingency.

Leading the way in cybersecurity

The Bank has pioneered cybersecurity and data protection in the industry to prevent cyber-attacks and potential fraud; therefore, there are no relevant events in this area. Santander has a corporate culture where cybersecurity is understood as a vital part of digital operation. Thus, the Bank works to ensure, through constant monitoring, safe environments for its operations and its customers.

Santander has classified more than 100,000 businesses on their level of cybersecurity. BitSight is a cybersecurity rating company that analyses companies, government agencies and educational institutions. BitSight's cybersecurity ratings are used by banks and insurance companies, among other organizations.

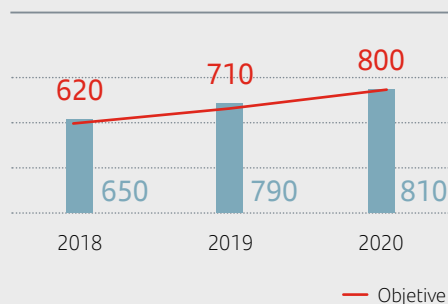


Organizations are classified into three levels depending on the security index they obtain: basic (from 250 to 640 points), intermediate (over 640 to 740 points), and advanced (over 740 up to 900 points).

Banco Santander Chile achieved the advanced cybersecurity level in October 2019 and has remained in that category.

BitSight Portal Summary	2018	2019	2020
Santander Chile	650	790	810
Goal	620	710	800

BitSight Portal



Data protection

According to the corporate guidelines, Santander Chile is committed to securely obtaining, storing and processing personal data based on a compliance programme that considers the following points:

- The existence of a **series of corporate criteria that set out general lines of action** concerning regulatory requirements.
- **The local units' obligation** to comply with different local regulations applicable to the matter.
- **A robust governance model**, based on:
 - a corporate policy of reference and the various local transpositions;

- the designation of a data protection officer (DPO) and/or responsible persons in each unit, formally appointed and communicated to the local supervisory authorities;
- a corporate monitoring programme based on a biannual monitoring forum chaired by the Group's chief compliance officer, reporting on the status of the units; management indicators (KPIs); and a biannual review programme.

Besides, other measures reinforce Santander's firm commitment to data protection, such as:

- To have a homogenous monitoring and reporting model for the units, including monthly management indicators.
- To incorporate the subject matter into Internal Audit's annual review programme.
- The use of a corporate data protection management tool includes an inventory of processing activities at Group level (approximately 6,000 processing activities).
- To promote corporate initiatives and exchange best practices between Group units, such as workshops and training activities.
- To properly train DPOs and managers in the matter.
- To continuously monitor the regulatory developments to ensure sound and up-to-date criteria, methodologies and documentation.
- To create and promote employee awareness.

Thus, the organization has a body of 16 policies, updated annually. This set of guidelines is grouped in three, considering the target users of these policies: Business Users, Technology Users and Collaborators in general. Banco Santander Chile updated its Personal Data Protection Policy in 2020 to raise the standard of personal data processing requirements.

Cloud implementation and diffusion

In 2020, both private (OHE) and public (AZURE) cloud platforms were implemented. Despite the pandemic, it was possible to migrate, towards the end of the year, the previous environments to OHE (2,315 machines) and deploy around 20 applications in AZURE in a secure and controlled manner following the methodology and policies of the Santander Group. Systematic progress was made in cloud automation (IaC), and a comprehensive catalogue of artefacts could be deployed via DEVOPS.

During 2020, private cloud container environments were enabled to implement the system plan's first projects in this technology and thus move to a pure service model. Progress was also made in transforming operational processes to gradually leave behind traditional IT and move towards dynamic IT, a fundamental pillar for operating in a cloud environment.

Furthermore, a set of training and education activities were implemented to teach the use of the cloud and the skills to be developed in the Technology and Operations Division.

The challenge for 2021 is to intensively use the cloud, deploy projects on OHE and increase the use of Public Cloud, start moving production to the private cloud, to adopt new deployment technologies such as ALM Multicloud. Also, to consolidate the new cloud operation model and enable a governance structure that allows the use of these platforms to be controlled, generating the efficiencies expected from this digital transformation.

2. Suppliers

Banco Santander's suppliers are strategic partners whose services support the organisation's ongoing management in answering customer requirements. The Bank incorporates them into the quest of being responsible companies by they have the same commitment the Bank has to the highest corporate standards in social and environmental matters.

The acceleration in digital transformation resulted from the pandemic, forced to adapt quickly to new technologies. Santander digitised almost 100% of the process of contracting, subscription, modification and termination of services that the Bank carried out with suppliers in 2020.



3,358

suppliers in 2020

99%

local suppliers

85%

SME suppliers

7%

critical suppliers

MM \$582,142

supplier expenditure **↑13.0% (2020)**

10.4

days on average to pay suppliers

98%

of invoices paid in less than 30 days

→ Communication channels

The pandemic led the Bank to focus on optimising response conditions and capacities and service delivery. To this end, communication channels and the provision of information to suppliers were strengthened.



Homologation process (service monitoring)



Rewarding Suppliers



Corporate reporting channel



Service manager

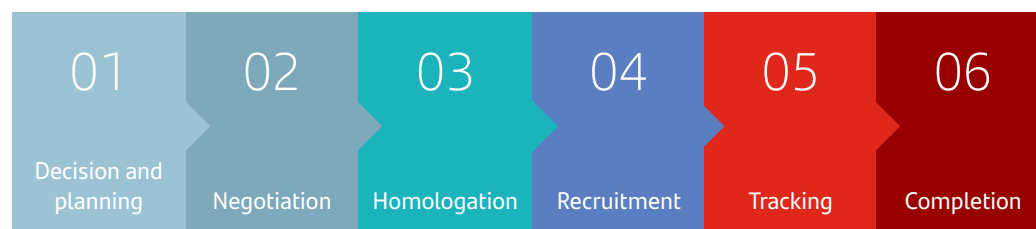


Seminars

Supply chain

GRI [102-9] [204-1] [102-10]

Banco Santander contemplates six major stages in its supply chain, both for the acquisition of goods and services:



The main categories of goods and services purchases are technology, real estate, operations, advertising and marketing, and decentralised spending. In total, the volume of suppliers in 2020 was 3,358, equivalent to MM\$ 582,142. Concerning revenues, the cost/income indicator was 39.8%.

Of the total number of suppliers, 224 are the most relevant for the Bank due to their higher risk level. This number of suppliers is under constant review by the specialised functions (cybersecurity, business continuity, data protection, facilities and physical security) and the Supplier Committee.

98% of suppliers are local, based in Chile. The remaining percentage is in countries such as the United States, Brazil, Mexico and Spain.

Number of suppliers	2019	2020
Total number of suppliers	4,108	3,358
Number of suppliers companies defined as critical	178	224
Number of Tier 1 supplier companies (out of total suppliers)	68	169
Number of local suppliers	4,018	3,323
Number of SME suppliers	3,902	2,840

Expenditure on suppliers (in MM\$)	2019	2020
Total expenditure on suppliers	517,276	582,142
Expenditure on local suppliers	438,323	523,518
Percentage of expenditure on local suppliers	85%	90%
Spending on critical suppliers	144,715	265,171

Outsourcing and supplier management model

This model aims to facilitate the necessary steps for making agreements and controlling suppliers in order to have the appropriate mechanisms in place preventing associated risks, based on the principle of proportionality and comprehensive efficiency.

The practices governing supplier management can be found in the following documents:

- Framework for Outsourcing and Agreements with Third Parties.
- Outsourcing and Supplier Management Model.
- Homologation Policy.
- Strategy Outsourcing Policy.
- Migration Plan.
- Procedure Chilean Standard 3262 on Supplier Awareness.
- Criteria for the Approval and Review of Services and Incidents in Supplier Management



Compliance with the requirements defined in this area is guaranteed through these regulations and guidelines, considering risks associated to the operation with third parties concerning the quality and delivery method of the service or product.

Supplier Risk Management

GRI [102-15]

Consistent with Banco Santander Chile's risk management, the organisation has a model that assigns inherent risk levels to suppliers based on critical, high, medium and low criteria. This scheme remained unchanged, and the monitoring of suppliers that could affect business continuity was reinforced.

The Bank evaluates its relevant suppliers through qualitative questions in cybersecurity, data protection, physical security, physical infrastructure and business continuity. All suppliers are segmented based on their relevance (critical, high, medium and low) and those not relevant are classified according to their annual billing (Tier 1, with billing of more

than \$ 800 million, Tier 2: between \$ 800 million and \$120 million, and Tier 3 with less than \$ 120 million).

The most frequently discussed topic with suppliers in 2020 focused on cybersecurity and data protection, especially about the processing of sensitive information and customer' personal data.

ESG risk assessment of suppliers

GRI [407-1] [308-2] [414-1] [414-2]

Banco Santander Chile strengthened the inclusion of sustainability criteria in its supplier evaluation processes in 2020, consistent with its commitment in this area. Thus, it applied two ways to measure the supplier's sustainability performance:

1. Biannual review of the commercial and social security debts of each supplier companies.
2. Implementation of a supplier questionnaire in the homologation process, which consists of inquiring whether the supplier has ISO

certifications, adherence to the United Nations Global Compact, its own principles on ethical, social and environmental issues, environmental performance indicators, environmental awareness campaigns and recycling programmes, as well as whether it has social frameworks, policies, procedures and/or initiatives. Moreover, the questionnaire reveals whether the company is compliant with the certification of Chilean Standard 3267, which results in recognition of the "Chile Inclusive Seal" and with Law No. 21015, which promotes the recruitment of people with disabilities or those receiving a disability pension. Moreover, it is also considered whether it has policies and/or procedures related to the Code of Conduct, prevention against money laundering and terrorist financing.



Santander Chile seeks to promote sustainability practices throughout its value chain.



Supplier payment policy

Banco Santander's policy stipulates a payment period of up to 30 days from the documentation's receipt, establishing it as good practice within its management.

Banco Santander Chile is currently governed by the new "30-day payment law", which replaces the former Pro-SMEs Seal. Notwithstanding the above, the Bank's average payment period is 10.4 days.

→ New model for supplier assessment

Banco Santander implemented a new model for reviewing suppliers in terms of the service provided. This new modality has been implemented for two years with a thorough review of each service's risk and considers aspects of cybersecurity, business continuity, physical security, data protection management, and facilities.

Banco Santander had a total of 74% of its suppliers assessed between January

2019 and December 2020 (higher-risk suppliers called relevant suppliers).

During the pandemic, these critical providers were continuously monitored to measure the degree of continuity of services. 95% of the suppliers stated that they had adapted to the quarantine changes and the new requirements implied by the Covid-19 contingency.

Award for outstanding suppliers

To strengthen the Bank's ties with its suppliers, a fundamental part of offering the best service experience to customers, Santander Chile continued to reward those who stood out in various categories, particularly in a year of difficulties due to the health context.

The Bank recognised the excellence in service of 24 supplier companies. It also distinguished the six best-rated companies in their category that had incorporated innovative ideas in delivering their services, enabling the Bank to give continuity to its management.

Santander also awarded for the first time the "Commitment Award 2020" to Grupo América Limpieza S.A., for its outstanding support since the beginning of the pandemic with ideas, opportunities for improvement and practical tools to resolve situations arising from the health crisis, highlighting its work given that the cleaning and sanitisation work was essential to maintain the levels of health safety at the Bank's facilities.



Myrian Irrázabal
Operations Manager of Grupo
América Limpieza S.A.



I am very grateful and proud of all the work we have done. For me, this is like home, and this year we had to readjust and reinvent ourselves to continue providing our service from Arica to Punta Arenas. The main thing here has been commitment, teamwork and the will to do things better.



A woman with her hair in a bun, wearing a black sleeveless top, is seen from the back, gesturing towards an audience of diverse people seated in a bright room. The audience members are blurred, focusing attention on the speaker.

→ **Supplier Seminar**

As part of the events organised annually by the Bank to add value and recognise its suppliers, a seminar on business continuity was held in 2020, with a focus on three areas:

- From the economic situation that provides the frame of reference for the work.
- From the systematic way of working and the formal elements of the operation.
- From the point of view of someone who has to deal with a large company.



4

Corporate Governance



- Banco Santander has a solid corporate governance, which meets the highest international standards and is committed to a responsible banking administration. Like this, it has structured its management following values such as transparency and ethics in order to promote mechanisms protecting the company's and the stakeholders' interest, while ensuring value creation and efficient resource use. In tandem, it delivers relevant, timely, complete and factual information, earning people's trust and the market's security, which is the best guarantee to create long-term value. It is headed by a Board actively involved in defining the business strategy and adequate risk management.



Board

Board members

GRI [102-22] [102-23] [405-1]



Claudio
Melandri Hinojosa
President

Rodrigo
Vergara Montes
First Vice-president



Orlando
Poblete Iturrate
Second Vice-president



Félix
de Vicente Mingo
Director



Alfonso
Gómez Morales
Director

Ana
Dorrego de Carlos
Directora



Rodrigo
Echenique Gordillo
Director



Lucía
Santa Cruz Sutil
Directora



Blanca
Bustamante Bravo
Alternate Director

Juan Pedro
Santa María Pérez
Director



Óscar
von Chrismar Carvajal
Alternate Director



27%

women

18%

non-nationals

64%

independent members

12

ordinary sessions

3

extraordinary sessions

99%

average assistance of directors over 75% demanded

5 years

average seniority

8

Directive Committees

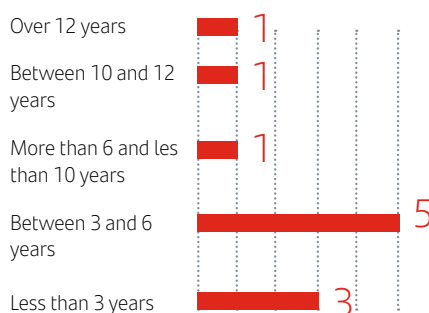
45%

of directors with Risk Sector experience

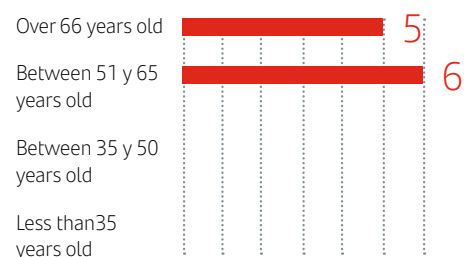
82%

of directors with experience in the banking industry

Board members seniority



Board members average age

**Claudio Melandri Hinojosa**

President

Claudio Melandri is the president of Banco Santander Chile's Board of Directors and Santander Group country head starting 2011. Additionally, he has been the president of Santander Chile Holding S.A. and Universia Chile S.A for four years.

With over 30 years of experience in the financial industry, he was Chief Executive Officer of Banco Santander Chile from January 2010 to March 2018.

His professional career began at Banco Concepcion, joining Santander Group in 1990, where he has held different leading positions, including that of Regional Director, Branch Network Director, Human Resources Director and Commercial Banking Director. He was also Executive Vice President of Banco Santander in Venezuela, where he worked for three years and oversaw the formation of the commercial area of the entity in this country.

Claudio Melandri is an accountant, auditor and commercial engineer. He also has an MBA at Universidad Adolfo Ibáñez.

He has been a member of the Board since February 27th, 2018.

Rodrigo Vergara Montes

First Vice-president

Rodrigo Vergara was president of the Chilean Central Bank between 2011 and 2016. Between 2009 and 2011, he was a member of the Banco Central de Chile Governing Council. He is a researcher associate of the Public Studies Centre (CEP) and Mossavar-Rahmani Centre for Business and Government, of John F. Kennedy School of Government, Harvard University. He is an Economy Professor at Universidad Católica de Chile, a financial consultant and member of the directive board of several companies.

Rodrigo Vergara graduated in Commercial Engineering from the Pontificia Universidad Católica de Chile in 1985. He got a PhD in Economy at Harvard University in 1991. He worked for the Banco Central de Chile between 1985 and 1995, securing the chief economist's position in 1992. He has been the economic adviser to Central Banks and governments of various countries in Latin America, Eastern Europe, Asia and Africa, and an external consultant for the World Bank, the International Monetary Fund, the Inter-American Development Bank and the United Nations. Additionally, he has been a member of, among others, the Presidential Advisory Council for Labour and Equity, the US-Chile Free Trade Agreement Advisory Council, the National Savings Commission, Fiscal Regulation Commission and Covid Economic Plan. Rodrigo Vergara has authored numerous articles published in specialised professional journals and has edited several books.

He has been a member of the Board since July 12th, 2018.

■ ■

The main organism for governance is the Board, which actively participates in the definition of the business strategy and an adequate risk management.

■ ■

Orlando Poblete Iturrate Second Vice President

From 1991 to date, he has worked as a Procedural Law professor at Universidad de Los Andes. He was Dean to the Faculty of Law of that university from 1997 until 2004 when he was appointed Rector, which he would be until 2014. He is a partner of the law firm Orlando Poblete and Company and a member of the Arbitration and Mediation Centre of the Chamber of Commerce of Santiago. Before this, between 1979 and 1991, he worked as a Procedural Law teacher at Universidad de Chile.

He is a lawyer from the Universidad de Chile with a master's degree in Law from the same university. He also graduated from the Senior Management Business Program PADE, from ESE Business School and Universidad de Los Andes.

He has been a Board member since April 22nd, 2014.

Félix de Vicente Mingo

He is a commercial engineer with a degree in Economics from the Universidad de Chile. Between 2013 and 2014, he was the Minister of Economy, Development and Tourism. He previously worked as the Export Promotion (ProChile) director, an organisation belonging to the Ministry of Foreign Affairs.

He started as a fruit exporter in the O'Higgins region and as the Administration and Finance Director of Telemercados Europa.

He started as a fruit exporter in the O'Higgins region and as the Administration and Finance Director of Telemercados Europa, and then served as president and partner of several companies, both in Chile and abroad. He has also been distinguished with the following awards: "Public Man of the Year in the Wine Industry (2011)", "Outstanding Character in the Salmon Industry (2012)", "Member of Universidad de Chile's Circle of Honour (2013)", "Man of

the Year of Software Companies Association (2013)", "Public Character of Engineering Consulting Firms (2013)".

In 1999 he was nominated as "Businessman of the Year" in the youth category of Universidad del Desarrollo

He has been a member of the Board since March 27th, 2018.

Alfonso Gómez Morales

He is a civil engineer from the Pontificia Universidad Católica de Chile, has a PhD at Royal College of Art of London and is an advisor to the Innovation Centre UC Anacleto Angelini, of which he was its first Chief Executive Officer.

His professional career began as an academic at the Industrial and Systems Engineering Department of Universidad Católica de Chile. He became a founding member of Apple Chile, Unlimited and Virtualia, the first social network developed in Latin America.

He has served as director of numerous organisations, including SONDA, the National Council for the Arts and Culture, País Digital Foundation and the Innovation National Council for Development.

He was Dean at the Engineering Faculty and, later, at the Business School of Universidad Adolfo Ibáñez.

He joined the Board of Directors on March 27th, 2018.

Ana Dorrego de Carlos

In 2000 she joined Santander Group, where she held various positions, primarily Financial Planning and Corporate Development, coordinating the organisation's planning process, The Group's M&A operations in different locations, and monitoring multiple units and projects.

Likewise, she was Santander's Director of E-Business Development, with experience as

corporate client relation manager and as the commercial director of Transactional Banking at Bankinter

Ana Dorrego has a Degree in Business Administration from Universidad Pontificia de Comillas ICAI-CADE and also holds an International MBA from de Deusto-Bilbao University, Spain, and from Universidad Adolfo Ibáñez, Miami-Chile.

She has been a member of the Board since March 15th, 2015.

Rodrigo Echenique Gordillo

He has a degree in Law from the Universidad Complutense de Madrid and is a state attorney.

He is president of Banco Santander Foundation, a BSI member (Banco Santander International) council, and Banco Santander Chile's Board.

He is an Independent Advisor for Inditex. He is also part of the Board of Trustees of the Spain-United States Council Foundation, vice-president of Teatro Real Board of Trustees, a member of the Board of Trustees of the Reina Sofia Superior Music School, of the Empresa y Crecimiento Foundation, and of the ProCNIC and CNIC foundation.

He has been managing director, vice-president, and chief executive officer in Banco Santander. He has also been president of Santander Spain and The People's Bank. He was a member of the Santander S.A Board of Directors from 1987 to 2020. He has been a member of Banco Santander International Council and Santander Investments. Furthermore, he was vice-president of Banif Bank S.A., president of Allfunds Bank and SPREA.

He served as a board member of various industrial and financial companies: Ebro Azúcares y Alcoholes S.A., Industrias Agrícolas S.A., SABA S.A., and Lar, S.A. He was president of Universidad Carlos III de Madrid's Social Council. He also held the

position of member and then president of Accenture S.A. Advisory Board, Lucent Technologies, Quercus and Agrolimen.

He was also chairman of Vallehermoso S.A., Vocento S.A., NH Hotels Group, Metrovacesa, S.A. and Merlin Properties SOCIMI.

He has been a member of the Board since March 26th, 2019.

Lucía Santa Cruz Sutil

She is a member of the Directive Board of Universidad Adolfo Ibáñez and Director of the Chilena Consolidada General and Life Insurance Company

She is a historian and has a Master of Philosophy in History at the University of Oxford. She obtained a Doctor Honoris Causa in Social Sciences at King's College, University of London.

She has been a Board member since August 19th, 2003.

Juan Pedro Santa María Pérez

He has been the Legal Corporate Director of the Santander Group in Chile and prosecutor for Banco Santander Chile, Banco O' Higgins and Banco Santiago

He has worked as President of the Legal Committee of the Banking and Finance Commission for over 20 years and as the President Pro Tempore at the Financial Law Committee of the Latin-American Banking Federation (FELABAN).

He is a Member of the Arbitration and Mediation Centre of the Chamber of Commerce of Santiago. Lawyer from the Pontificia Universidad Católica de Chile.

He has been a member of the Board since July 24th, 2012.

Blanca Bustamante Bravo

She is a commercial engineer with a degree in Economy at Universidad Católica de Chile.

Her professional experience includes her position as a financial analyst in the Chilean Central Bank and as a research analyst at Oppenheimer & Co. New York and in IM Trust

In 1998 she entered Viña Concha y Toro as the Head of Investor Relations, a position she held until 2010. In 2001 she additionally became the Assistant Director of Corporate Communications. In 2017 she was named Director of Corporate Affairs, and she holds the position of Director of Investor Relations presently

Since 2013, she is a director in the Centre for Research & Innovation for Concha

She has been a member of the Board since April 28th, 2015.

Óscar von Chrismar Carvajal

He is a civil engineer from Universidad de Santiago with specialised studies abroad in the United States and Europe. He is also the Director of Sinacofi and the Director of the Santiago Stock Exchange since April 2012.

He joined Banco Santander in 1990 as General Assistant Manager in the Financial Division. He later was the General Manager of Banco Santander Perú between 1995 and 1996.

In 1997 he became general manager of Santander Chile, a position he abandoned in December 2009 to join the Board of Directors

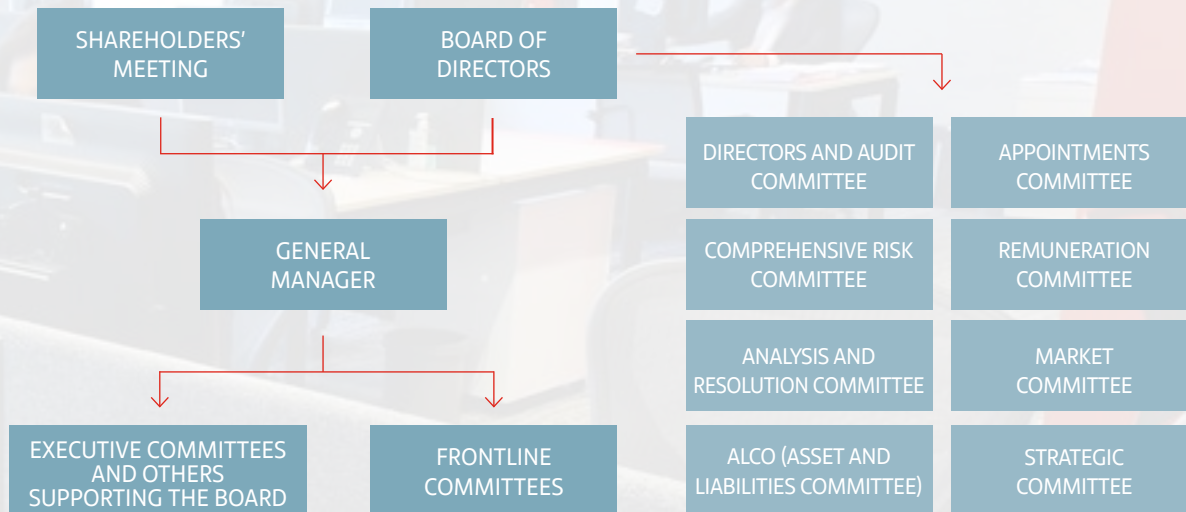
Before entering Santander Group, he worked as the Director of the Financial Division at Morgan Bank and as Director of the Financial Area at ING Bank. He has more than 25 years of experience in banking activity.

He has been a member of the Board since December 22nd, 2009.

Governance structure

GRI [102-18]

Banco Santander Chile Governance structure is organised in three levels:



Roles and activities of the board

GRI [102-20] [102-26] [102-29] [102-30] [102-31] [102-33]

The highest corporate governance body in Santander Chile is the Board of Directors, composed of nine directors and two alternate directors. Their role is the administration of Banco Santander Chile and representing it at a judicial and extrajudicial level. To accomplish this duty, the Board carries out several functions that ensure the organisation's sustainability:

- Establishing and approving policies, general strategic guidelines, corporate values, and lines of responsibility with their respective reporting channels, in addition to monitoring their implementation.
- Approving the individual and consolidated Financial Statements of the Bank and its subsidiaries and presenting them to the Shareholders' Meeting.
- Summoning the Shareholders' Meeting, preparing the discussion agenda and proposing agreements. In this agenda, the Board must integrate all matters that the Law or the Bank's provisions submit to the Shareholders meeting decision.
- Monitoring, controlling and evaluating the effectiveness of the Corporate Governance, Internal Governance, and Compliance Policies as a system, as well as the framework, policies, codes and manuals that regulate them, along establishing confidential reporting channels for those working in the organisation, in order to inform of conducts that contravene the corporate values.
- Approving transactions carried out with related companies.
- Undertaking self-evaluations of the Board's performance and the executive officer's performance and the Senior Management, along with the compliance to policies established by the Board, added to other chores that Law or provisions submit to their knowledge.

→ Remote Shareholders Meeting

Throughout 2020, Banco Santander's Ordinary Shareholders Meeting were carried out in a completely remote fashion. To enable the complete fulfilment of regulatory demands, the Bank hired the EY Firm and EVoting Chile SpA. The former is a worldwide leading audit and advisory company that ensured comprehensive regulatory compliance and supported the step-by-step transfer into the new remote system. In turn, EVoting was responsible for the platform and technical support so that every shareholder and member of the meeting could register and enter both the online videoconferencing and the registering and voting platform correctly.

Likewise, EVoting applied an identity verification system for attendees by crossing databases, National ID data verification,

and personal questions (filiation, civil status, residence, academic degrees, etc.). For the Minute generation, the company emitted the corresponding assistance and voting certificates for each item discussed.

This procedure guaranteed and ensured that the session was undertaken in complete compliance to the highest standards of information security, transparency, correct identity validation of attendees, continuous and simultaneous online voting, and others.

Designation and selection processes

GRI [102-24]

The members of the Board of Directors of Banco Santander Chile are appointed and selected under the guidelines provided by the Group and the regulation outlined in the Chilean Securities Market Law N° 18.046 and the General Banking Law.

Those who integrate this body are highly qualified collectively display ample knowledge on retail, private, wholesale and investment banking; asset, financial and accounting, operational and risk management; insurance; legal, regulatory and public policy matters; marketing, sales and communication; human resources, compliance and auditing; and corporate planning and development.

Likewise, the eleven directors have extensive national and international

experience, both in the financial sector and in other areas related to the banking business that are relevant to the Bank's administration

We note that the 39th Ordinary Shareholders Meeting taking place on April 30th, 2020, corresponded to the election of Board members, which is formed by nine directors and two alternate directors for a three-year period. All of this in agreement with the Bank's applicable regulation and provisions.

In this instance, the directors' election process was carried out through secret online voting and publication immediate to the counting of votes within that same session.



Performance parameters

GRI [102-25]



To guarantee a solid Corporate Governance, Santander Chile establishes a series of parameters that guide the Board and the Administration.



Banco Santander has delineated several parameters based on the Basel Committee principles to support the management of its Corporate Governance. Among them:

- Close supervision from the Board and Senior Management.
- Simple and straightforward organisational structure.
- A robust internal control system.
- Permanent determination and monitoring of risks.
- Independent internal and external audit.
- Subsidiary supervision.
- Executive compensation design with long term plans.

These parameters and the Bank's corresponding compliance to them is based upon:

- Independence of directors: seven of the Board members are independent.
- Participation: directors are active members of the Board's supporting committees as part of the administration management.
- Ethics: all staff submit to Banco Santander's Code of Ethics. Furthermore, employees directly related to stock markets sign an additional code of conduct specially designed for this area.
- Separation of functions: Effective risk management is achieved through the commercial and support areas division.

Risk Management is overseen by teams independent of commercial ones, with primordial credit decisions being undertaken by committees.

- Independent audit: there is an autonomous area within the Bank in charge of monitoring activities.
- Compliance: a compliance area oversees the application of the Bank's codes of ethics, the corresponding Basel criteria, Chile's Corporate Governance regulations and the United States Sarbanes-Oxley Law.
- Supervision: The Bank is monitored by the Superintendence of Banks and Financial Institutions and by the US Securities and Exchange Commission (SEC).

Board Committees

GRI [102-18] [102-22]

In Banco Santander Chile, a total of eight committees supporting the Board meet regularly, all of which count with members of the Board and senior management, intending to strengthen business development, value creation and regulatory compliance. The committees are created and modified by the Board as deemed necessary. Likewise, they meet regularly, with a pre-established frequency, subrogation schemes, statutes and formal minutes, and monitoring bodies, reporting their activity to the Board. They are responsible for decisions taken in financial, environmental and social areas, among others.

Directors and Audit Committee

They oversee the Bank's financial statement creation process and the corresponding management of internal and external auditors to provide adequate and accurate information for shareholders, investors and the general public.

President: Orlando Poblete

Members: Rodrigo Vergara y Felix de Vicente.

Frequency: monthly.

Comprehensive Risk Committee

To propose the risk framework and the general policies necessary for defining the Bank's risk appetite and supervise the correct identification, measurement, and control of all risks faced by the company.

President: Alfonso Gómez.

Members: Óscar von Chrismar, Félix de Vicente, Blanca Bustamante, Juan Pedro Santa María, Claudio Melandri y Lucía Santa Cruz.

Frequency: every 15 days.

Analysis and Resolution Committee

To outline and control the compliance to the general and specific policies, rules and objectives concerning the prevention of money laundering and the funding of terrorism under local laws and regulations, as well as those of the Santander Group.

Presidente: Juan Pedro Santa María.

Members: Óscar von Chrismar y Lucía Santa Cruz.

Frequency: monthly.

ALCO (Asset and Liabilities Committee)

To know and approve, depending on the case, the risks and positions adopted and managed by the Financial Management Area of the Bank and its subsidiaries in Chile.

President: Rodrigo Vergara

Members: Claudio Melandri, Óscar von Chrismar, Félix de Vicente y Alfonso Gómez.

Frequency: monthly.

Appointment Committee

Constant review and implementation of appointment policies and processes of "key positions" and the revision of these provisions concerning other organisation members.

President: Blanca Bustamante.

Members: Claudio Melandri y Óscar von Chrismar.

Frequency: quarterly.

Remuneration Committee

Constant review of the policy documentation regarding the evaluation and remuneration of "key positions" and other organisation members.

President: Orlando Poblete.

Members: Alfonso Gómez y Claudio Melandri.

Frequency: quarterly.

Market Committee

To oversee the trading investment portfolios; to make estimates of both the national and international situation that can be used for taking positions; to review with the business managers the Bank's risk appetite and approve the risk limits established on an annual basis.

President: Óscar von Chrismar.

Members: Rodrigo Vergara, Lucía Santa Cruz, Claudio Melandri y Alfonso Gómez.

Frequency: monthly.

Strategy Committee

To assess and outline the main goals and guidelines of Santander's Strategic Plan elaboration. To approve the plan defined by the senior management for the Group as a whole and for the different business units and regularly monitor their progress.

President: Claudio Melandri.

Members: Rodrigo Vergara, Félix de Vicente, Alfonso Gómez, Lucía Santa Cruz, Blanca Bustamante y Óscar von Chrismar.

Frequency: quarterly.

Additionally, the Bank has 12 frontline committees, some of which report to Senior Management, the Board of Directors and/or other committees. These are:

- Direction Committee
- Global Compliance Committee
- Customer and Quality Committee
- Risk Control Committee
- Risk Management Committee
- Grants Committee
- Disclosure Committee
- Responsible Banking and Sustainability Committee
- Technology and Operations Committee
- Credit Executive Committee
- Local Marketing Committee
- Regulatory Archives Committee

Within the Legal Division of Banco Santander Chile, there is an area of Internal Government that is in charge, among other matters, of providing advice and following up the different committees already mentioned, and to be in constant coordination with the Group to achieve its objectives and guidelines, in compliance with the highest international standards on the subject.



Directors and Audit Committee Report

Background

Law 18,046 of the Chilean Securities Market Law (Ley de Sociedades Anónimas) requires companies to have a Directors Committee whose functions are determined under article 50.

Chapter 1-15 of the Updated Compilation of Norms (RAN) of the former Superintendency of Banks and Financial Institutions, now the Financial Market Commission (FMC), requires that banks must have an Audit Committee, which reports to the Board of Directors, the functions of which are specified under these same norms.

Additionally, the Sarbanes-Oxley Act of the United States of America requires that companies registered in that country, such as Banco Santander de Chile, have an Audit Committee.

In turn, the former Superintendency of Banks and Financial Institutions, now FMC, allowed banks to have both Directors and Audit committees to function as a single entity, an option Banco Santander de Chile.

decided to adhere to, under the agreement of its Board. Accordingly, the Statutes of the Directors and Audit Committee approved by the Board of Directors specify the functions of this body, the tasks that Law.

18,046 requires, the regulation of the former Superintendency aforementioned and the provisions the Sarbanes-Oxley Act postulates concerning audit committees.

Composition

According to the Directors and Audit Committee's Statutes, the Committee is composed of (3) three independent directors, who during 2020 were:

- Mr. Orlando Poblete Iturrate, president
- Mr. Rodrigo Vergara Montes
- Mr. Felix de Vicente Mingo.

Acting as secretary was the director Juan Pedro Santa María Pérez.

These are paid positions with a remuneration agreed in the Ordinary Shareholders Meeting in its 2020 April session.

The Committee meets monthly, and accordingly, in 2020, they held 16 meetings, 12 ordinary and 2 extraordinary meetings during

the months of March, April, July and October, respectively. These sessions usually last three hours on average and are held at a date prior to the Board meeting, in which a review of the session is reported. It must be noted that as a consequence of the Covid-19 pandemic, the Committee held their meetings remotely, through the "Teams" videoconferencing platform, from March until December, with complete regularity and no inconvenience. An annual report is submitted in January of each year to the Board summarizing the issues addressed in the Committee during the previous year.

Issues covered during 2020

Internal and External Audit

The Bank's Internal Audit is led by Mr Oscar Gomez Llorente, who proposed an Annual working plan approved by this Committee in December 2019. Said annual program contemplated the activities to be undertaken by the credit risk, compliance, financial risk, technological risk and operational risk areas, and detailed how resources would be distributed for each audited risk. Notwithstanding, Covid-19 Pandemic forced the revision of this plan to adapt to the new reality and its demands. These adjustments counted with the timely approval of the Board, and the program was deployed fully in accordance with what had been projected.

During the different sessions held by the Committee, the General Audit Manager explained in detail the planning execution along each of the issued audit reports, summarising the conclusions and assessing the unit or audited processed with a corresponding rating. He also informed of the compliance to recommendations the Committee delivers, monitoring its progress continuously.

During the December meeting, the Committee assessed the performance of the Internal Audit Manager.

Concerning external auditors during 2020, the committee recommended the firm PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, which had worked as an audit firm during 2019. Having been elected by the Ordinary Shareholders Meeting in the April 2020 session, PwC presented in July to the Board the Audit Plan for the Bank and its subsidiaries, which was carried out accordingly. The audit firm gave its opinion on the financial statements of the Bank and its subsidiaries and the state of internal control. The audit firm's final report's observations are strictly followed up and monitored by the Committee every month.

By the end of the year, all of them had been implemented.

It is worth noting that the demands imposed by the pandemic forced both the Bank and PwC to work remotely, which involved the introduction and greater use of technology. This innovation created a substantial improvement as it facilitated and enabled 100% data revisions, unlike traditional auditing, which is carried out using "samples."

Risk Classifiers

The committee learned about the evolution and management of risk classifiers Feller y Fitch Chile, which operated throughout the year and approved the proposal of incorporating ICR Chile as a new private risk classifier, which was approved in the Extraordinary Shareholders Meeting held on November 2020. We note that Fitch Chile ceased its services on January 1st, 2021, ultimately remaining Feller and ICR Chile as classifiers of risk up to date.

Financial Statements and Internal Control

One of the most critical functions of the Committee is to know, analyse and provide its opinion regarding the Bank's financial statements, the state of internal control and, in particular, the sufficiency of provisions. This includes both the interim and the annual financial statements issued at the end of the period. Thus, during the months of April, July and October, all pertinent information regarding interim financial statements and corresponding considerations were generated.

Furthermore, considering that the Bank is registered in the United States, the 20-F document was issued, which presents the Bank's financial information to that country's authorities

Regarding Internal Control, during the year, the Committee received from the responsible management the corresponding information on the progress of the different processes that concluded in the statement, methodologically verified, that the internal control in the Bank is satisfactory.

Audit Follow-up

The Committee continuously monitors the progress and timely implementation of all recommendations formulated by the various audit authorities as a result of their annual visits. During 2020 the Committee received a monthly report from the management in charge of coordinating the different responsible areas, regarding the Audits made to the Bank by the former Superintendence of Banks and Financial Institutions (2019 - 2020), and the Bank's monthly audit report on behalf of the PricewaterhouseCoopers Consultores Auditores SpA auditing firm, which progress according to plan.

Subsidiaries Reports

During 2020, the Committee learned of the year's performance of each of the Bank's subsidiaries, presented by each manager in different sessions throughout the year. The companies that exist up to date and reported are as follows: Santander Consumer Finance Limitada, Santander Corredora de Seguros Limitada, Santander Corredora de Bolsa Limitada, Santander S.A. Sociedad Securitizadora, Klare Corredora de Seguros S.A. and Santander Asesorías Financieras Limitada.

Operations with related parties

One of the roles of Law 18,046 of the Chilean Securities Market Law (Ley Sociedades Anónimas) is to make a statement regarding the operations conducted by the Bank with other companies or individuals that are related by property or management, in the terms defined by the Law. This analysis's goal is that those transactions are carried out at market conditions or that agreed-upon terms are fair.

During 2020, the Committee devoted considerable time to analyse these operations and their background information, particularly concerning technology service contracts for the Bank. For each procedure submitted, the Committee demanded a reasoned and professional explanation to back it and, in particular, objective background information regarding the fees to be paid for the service requested.

The contracts reviewed were presented to the Board to approve of them in the cases it deems it. To this effect, the Committee's Chairman did each Board session a formal record of the Committee's presentation of corresponding contracts and their final approval.

Compliance

In 2020, the Committee received monthly reports of all matters derived from the Volcker Rule regulatory framework in force.

Likewise, it learned and was informed by Compliance Management of crucial aspects that have been subject to the Bank's Global Compliance Committee, which oversees the adequate management of compliance risks to which the Bank is exposed, including reputational risk, the compliance plan, the product governance and the regulatory compliance.

Complaints Box

The Committee has enabled for Bank employees and suppliers a confidential communication channel, managed by an external provider leading in this matters internationally, and through which they can directly address the Committee to inform irregular, conflicting or potentially dangerous situations directly. Thus, Audit



presents monthly to the Committee the submitted claims, the evolution of cases and their results. This year, the transfer of this complaint channel to the Bank's Compliance Area was approved, which entailed that after the month of December, this one began reporting concerning its new Open Complaint Channel, comprising the Bank's employees, suppliers and subsidiaries.

Remuneration System and Compensation Plan for Directors.

The Human Resources Management informed The Committee about different aspects concerning the compensations received by the Bank's directors, and about the Remuneration Policy, in particular concerning achieved goals, types of remuneration, the system of collective deferral of variable remuneration of management in agreement to European policies about banks and remuneration trends in the industry. It also informed the Committee regarding internal evaluations where the Bank appears in a good position and specific demographic indicators and Human Resources.

Legal Proceedings that may affect the Bank

Every three months, the Committee is thoroughly informed about the judicial processes' status that affects the Bank. The Judicial

Through the Complaints Box, employees and suppliers can communicate confidentially any irregular situation, conflict, or any situation that could be potentially dangerous.

Defence area of the Bank's Prosecutor's Office details those issues that may be riskier for the Bank and the eventual provisions that should be made to face an adverse outcome. Due to the importance of reputational risk, this area has divided each lawsuit presentation by amount and reputational risk. This information includes all issues, in Santiago and regions, with their respective procedural status

Finally, in attention to the importance of Law 20,720 application regarding restructuring and business liquidity, the Committee learned the reality of people and companies linked to the Bank and affected or compromised in this area.

Self-assessment of the Board

GRI [102-28]

Annually, the Board conducts a self-assessment process to comply with the Chilean banking authority rules, which can be undertaken internally or commissioned by a third party.

The 2020 self-assessment was carried out internally through a questionnaire; the results were informed to the Board, who approved a 2021 Plan for cybersecurity training, digital transformation, and new technologies, models and products.

Induction and training of the Board

GRI [102-27]

To accomplish prompt and efficient incorporation of new members into the Board of Santander Chile, the Bank has implemented an Induction Procedure for New Directors. It comprises the presentation of all documentation of interest for the proper performance of positions held and a series of meetings with divisional managers of each area to acclimate to these units' roles and responsibilities within the organisation.

Given the circumstances that marked 2020, the Board's main focus was to monitor the country's political, economic, and social situation and, therefore, be adequately informed and prepared. To this effect, several lectures and meetings with external experts on health, economy, and politics were held to gather various perspectives into the national contingency. Likewise, several meetings with the Bank's internal economist were held, who kept them updated on

the country's economic and political matters, the sanitary crisis evolution, and the corresponding analysis of different law projects relative to the financial industry, especially related to the pandemic. A total of 10 hours of training were undertaken on this topic, with 6 hours overseen by external assessors and 4 by an internal assessor.

Concerning skill strengthening, an improving process of the "Skills Matrix" was undertaken by the Board in 2020. This consists of a skill matrix that schematically represents the knowledge that all Board members share to perform the different activities allowing the correct execution of processes within the Bank. Particularly in the Board, this tool has been used to review diversity aspects such as gender, knowledge, nationality, among others. In this way, relevant information regarding the Board's composition is given, from which new opportunities for improvement are created.

Changes to the Board Policies

The Boards regulations are reviewed constantly to ensure its coherence to both the applicable legal provisions for open and/or banking corporations (that is, Law N° 18.046 and its regulations, the General Banking Law, the Chilean Securities Market Law, etc.), and to the internal Group's provisions and guidelines. In 2020, this

regulatory framework was reviewed in two instances (appropriately approved by the Board), in terms of urgency situation meetings, extraordinary sessions, and the Board's functions, all regarding Responsible Banking.

Relevant topics

GRI [102-34]

Among the most essential topics reviewed by the Board in 2020 were:

1

Acquisition business

The business refers to a payment scheme in which four actors intervene: commerce, acquirer, brand and issuer. Banco Santander Chile decided to enter into the acquisition business and therefore operate cards of all issuers, both banking and non-banking in nature. In 2020 the creation of an acquirer subsidiary company approved by the Board in 2019 was under process by adapting internal processes and managing the corresponding authorisations of governing bodies.

2

Cybersecurity

After tending to various cyberattack events, Banco Santander Chile continued with exhaustive monitoring of cybersecurity-related matters through the approval of policies and procedures, regulatory compliance and periodical reports of indicators, among other initiatives.

3

Responsible Banking and Sustainability

in line with the work that Grupo Santander develops as one of the founding members of the Responsible Banking initiative of UNEP-FI, during 2020, the Board reinforced their commitment to sustainability, being informed periodically by Senior Management over progress concerning the Responsible Banking Principles. Furthermore, they have been informed of the Governance creation to approach these matters, contemplating the Sustainability Committee's reviewing to transform it into the Responsible Banking, Sustainability and Culture Committee. It also oversees the updating of policies and training, among other aspects.

4

Covid-19 Pandemic

Given the global pandemic context arising from Covid-19, Banco Santander Chile's Board has permanently monitored the economic, social and other impacts created at a national, regional and international level. In this scenario, moreover, upholding the continuity of services and security protocols, it has been responsible for the permanent revision of the Bank's different areas and divisions' management.

5

Corporate Governance

In 2020, Santander Group, in line with the best practices for Corporate Governance, carried out meaningful progress and adjustments at a global level. In this line, Banco Santander Chile made progress by strengthening even more its Internal Governance system, working on related matters such as lifting the regulatory tree across all the Bank, creating a permanent interaction among the different areas, to advise them in the correct implementation of internal regulations.

Board Remunerations

GRI [102-35] [102-36]

The remuneration of Board members is decided annually by the Shareholders' Meeting. 2020's payment scheme corresponds to the same agreed upon at an Ordinary Shareholders' Meeting held on April 26th, 2017 and ratified since then. Monthly fees for each director attending are UF 250, which is doubled for the Board's president and increases by 50% for the vice-president. Similarly, directors receive remuneration for being part of one or more

committees –except for the Directors and Audit Committee and the Comprehensive Risk Committee– amounting to UF 30 for each session of the respective committee they attend.

The Risk Committee members, whose frequency is two sessions per month, receive a UF 15 remuneration for each session they attend, while the president of this committee receives twice for each attendance.

According to Article 50 bis of the Chilean Securities Market Law, the Directors and Audit Committee members must receive an additional remuneration not less than one-third of the fee they receive as directors. In compliance with the Law, the president's fee amounts to 230 UF, while the other directors receive 115 UF for attendance at each session.

Remuneration details

Name	Monthly payment as Board member	Additional payment as a committee member
Claudio Melandri Hinojosa (President)	500 UF	30 UF ALCO Committee (monthly) 30 UF Remuneration Committee (quarterly) 30 UF Market Committee (monthly) 60 UF President of Strategy Committee (quarterly) 30 UF Appointment Committee (quarterly) 15 UF Comprehensive Risk Committee (every 15 days)
Rodrigo Vergara Montes (first vice-president)	375 UF	60 UF President of ALCO Committee (monthly) 115 UF Directors and Audit Committee (monthly) 30 UF Strategy Committee (quarterly) 30 UF Market Committee (monthly)
Orlando Poblete Iturrate	375 UF	230 UF President of Directors and Audit Committee (monthly) 60 UF President of Remuneration Committee (quarterly)
Félix de Vicente Mingo	250 UF	30 UF ALCO Committee (monthly) 115 UF Directors and Audit Committee (monthly) 30 UF Strategy Committee (quarterly) 15 UF Comprehensive Risk Committee (every 15 days)
Lucía Santa Cruz Sutil	250 UF	30 UF Strategy Committee (quarterly) 30 UF Analysis and Resolution Committee (monthly) 30 UF Market Committee (monthly) 15 UF Comprehensive Risk Committee (every 15 days)

Alfonso Gómez Morales	250 UF	30 UF ALCO Committee (monthly) 30 UF President Comprehensive Risk Committee (every 15 days) 30 UF Strategy Committee (quarterly) 30 UF Market Committee (monthly) 30 UF Remuneration Committee (quarterly)
Juan Pedro Santa Maria Pérez	250 UF	60 UF President of Analysis and Resolution Committee (monthly) 15 UF Comprehensive Risk Committee (every 15 days)
Rodrigo Echenique Gordillo*	250 UF	
Blanca Bustamante Bravo (suplente)	250 UF	30 UF Comprehensive Risk Committee (every 15 days) 30 UF Strategy Committee (quarterly) 60 UF President of Appointment Committee (quarterly)
Óscar Von Chrismar Carvajal (suplente)	250 UF	15 UF Comprehensive Risk Committee (every 15 days) 60 UF President of Market Committee (monthly) 30 UF ALCO Committee (monthly) 30 UF Strategy Committee (quarterly) 30 UF Appointment Committee (quarterly) 30 UF Analysis and Resolution Committee(monthly)

*Rodrigo Echenique is not part of any director Committee. *Ana Dorrego is not part of any Board Committee and does not receive compensation for being a director of Banco Santander, SA (Madrid).

Delegation of authority process

GRI [102-19]

The process of delegating to authority economic, environmental and social issues of the Board consists of establishing the Senior Management functions, comprised of the executive manager and the managers of each Division (see in more detail at <https://banco.santander.cl/nuestro-banco/informacion-corporativa/administracion>), with the special

participation of the respective division authority (dependent upon case and issue). Furthermore, the Bank maintains a solid internal Corporate Governance that counts with diverse committees (both from Senior Management and the Board) that approach relevant matters in various areas.

Senior Management

Miguel
Mata Huerta
Chief Executive Officer



Oscar
Gómez Llorente
Director of Internal Audit



Matías
Sánchez García
Director of Retail
Banking



José Manuel
Manzano Tagle
Director of Middle-
Market Banking

Franco
Rizza
Director of Risk



María Eugenia
de la Fuente Núñez
Director of Human
Resources, Communications
and Sustainability



Fred
Meller Sunkel
Director of Santander
Corporate & Investment
Banking



Ricardo
Bartel Jeffery
Director of Technology
and Operations



The Board of Santander Chile delegates its authority for the administration and management of the Bank to the CEO and the top management of each division, who are designated according to the needs of the business.



Carlos
Volante Neira
Director of Client Service
and Quality



Sergio
Ávila Salas
Director of Administration
and Costs

Emiliano
Muratore
Chief Financial
Officer



Guillermo
Sabater Maroto
Financial
Controller



Cristián
Florence Kauer
General Counsel



Cristián
Peirano Novoa
Director of Corporate
Products

Compliance

In an uncertain scenario that entailed several challenges to several areas throughout 2020, maintaining an upright conduct was critical to ensure the continuity of daily activities. To achieve this, the Bank has a solid structure made of policies, procedures and principles that demand adherence to good conduct, guiding the interest of shareholders, customers, collaborators and society in general. Hence, the Compliance and Conduct

Management is responsible for overseeing the implementation and compliance of laws, international regulations and internal manuals; the approval and monitoring of products; the prevention of money laundering; and reputational risk management.

In line with the corporate strategy and business model, the following four risks are managed:

→ Regulatory compliance risk

It is the risk of not complying with the normative policy that could derive into legal or regulatory sanctions.

→ Reputational risk

Defined as the risk of negative current or potential economic impact caused by harm to the Bank's perception on behalf of its groups of interest, thus being considered as cross-sectoral risk.

→ Prevention of money laundering and funding of terrorism risk

It is the risk Banco Santander or one of its subsidiaries has of being used as a vehicle for money laundering or financing of terrorist groups.

→ Conduct Risk

This risk arises from actions, processes or behaviours that are inadequate or transgress the internal regulation, legality or supervision requirements.

Governance and Organizational Model

Compliance and Conduct Management reports hierarchically to the Risk Division, and functionally to the Board of Banco Santander Chile, and the Executive, Audit, Comprehensive Risk and Global Compliance Committees.

Compliance is audited by the Internal Audit Management, which periodically evaluates

that the compliance area's policies, methods, and procedures are adequate and effective. It also carries out the necessary tests and reviews to verify that the appropriate controls and monitoring elements are in place and that the rules and procedures defined by the Bank are respected.

The Governance Bodies in which the Compliance and Conduct Management participates are the following:

→ Committees Supporting the Board

- Analysis and Resolution Committee (ARC)
- Directors and Audit Committee
- Comprehensive Risk Committee

→ Senior Management Committees

- Global Compliance Committee
- Local Marketing Committee
- Pre-ARC Committee
- Risk Executive
- Risk Control
- Responsible Banking and Sustainability Committee

→ Other Committees and Working Roundtables

- Regulatory Follow-up Committee
- Suppliers Committee
- Information Security Committee
- Volcker Committee
- Non-Financial Risk Committee
- Irregularities and Ethics Committee
- RNF Newsletter Committee
- Formation Committee
- Recovery and Resolution Committee
- Ibor Project Working Roundtable
- Risk Pro Roundtable
- Basic Plan Committee
- Third Parties Committee
- Profile Deviation Committee
- Product Committee
- Institutional Committee
- Reputational Risk Roundtable

The Global Compliance, Local Marketing and Regulatory Follow-up Committees are organised directly by the Compliance Management, in which they have a voice, vote and power to manage proposals and improvements.

Likewise, the first line of control comprises the business and support areas and periodically reports to the Compliance Management on incidents that have occurred. The latter, in turn, informs the Senior Management to implement the necessary corrective and mitigation measures.

Annual Compliance Program

GRI [205-1]

As part of the annual Compliance Programme, an exclusive space for Banco Santander Chile's collaborators and suppliers was created during 2020, through the renovation of the complaint channels to enable reporting, in a fully confidential and anonymous manner, situations that could affect the Bank and its Simple, Personal and Fair Culture.

Concerning the Unit Preventing Money Laundering (UPBC), new policies were implemented to strengthen control of controls related to crypto-assets operations.

Moreover, there was a solidifying of external trade policies, controlling documentation, routes and products of the Trade Finance operations in the Corporate Investment Banking (CIB) segment, and digitisation projects C57 /FATCA /CRS forms were developed through Home and Office Bank.

Ethical Training

Mandatorily, all Bank collaborators must conduct e-learning training courses on the General Code of Conduct and the Manual for the Prevention of Money Laundering and Funding of Terrorism. The former course was reinforced during 2020, creating specific modules to supplement the content according to the functions within the Bank.

Also, to safeguard internal compliance with regulatory policies and measures, the Bank oversees a results contest for the Branch Network and the Contact Centre, which involves incentive payments to its employees. At the training level, these incentives relate to the following:

- The successful completion of the e-learning courses "General Code of Conduct and Corporate Defence" and "Prevention of Money Laundering and Funding of Terrorism."

- The acceptance and signing of the following manuals: General Code of Conduct, Corruption Prevention Policy, Money Laundering Prevention Manual, Manual of Conduct in the use of ICT, Crime Prevention Policy.



Transparency and consumer rights

Concerning the approval of products during 2020, novelties centred primarily on optimising the circuit, defining the operational execution of the Bank's pilot plans and their formalisation in the corresponding Committee, along with the migration to the approval corporate platform Opera.

Concerning Consumer Rights, the year centred on the local implementation of the corporate guide on attention to vulnerable customers received in early 2020. Based on the accepted guidelines, a lifting of the Bank's different areas was carried out, and a local definition of this type of customers was determined considering the national reality and what actions exist to support them, such as specific policies, procedures and projects. This will enable working in initiatives that complement existing activities throughout 2021.

Due to the pandemic and derived projections for the next period, a lifting was undertaken related to customers' conduct risk in the area of Recovery. Results were shared with the Corporation, and an action plan was established that could accomplish the standard required in this area, including new e-learning exclusive to this collective, to be launched in 2021.

Regulatory Changes

During 2020 a series of regulatory modifications were made, some of which were directly related to the sanitary context derived from the pandemic and therefore of relevance for compliance and prevention.

National Regulations

Laws

- **Law 21,229:** Due to the sanitary emergency, the Guarantee Fund for Small Entrepreneurs (FOGAPE) was increased by a capital extension of US\$ 3,000 million. Its main objective was to dispense the guarantee fund capital for small and medium businesses and provide temporary flexibility to loan application requirements.
- **Law 21,234 concerning Payment Means Fraud:** In 2020, a Law was published limiting the responsibility of holders or users of payment cards and electronic transfers in case of loss, theft, robbery or fraud. The new legal framework modifies current Law 21,234 by allowing users to report operations they do not recognise in their report or up to 30 working days after it. The complaint only comprises operations carried out within the 120 calendar days prior to the report.





In a complex year due to the sanitary emergent, Santander Chile was able to adapt and adjust to the new norms in 2020.



- The Law includes the exception wherein the issuer collects evidence that proves the existence of malice or gross negligence, they will be able to exert all the provisions the Law mandates, in which they will be able to retain the amount superior to UF 35. Also, payment card issuers will not offer users risk-insurance hiring, which they themselves will have to assume conforming to the Law.
- **Law 21,236 of Financial Portability:** Law 21,236 was published in the Official Newspaper on the 9th of June 2020, regulating financial portability to facilitate the exchange of financial providers for natural and legal persons. It also establishes two modalities.
 - a. Standard portability or without subrogation: it demands guarantees related to the products the customer had with the initial provider
 - b. Portability with subrogation: It creates a loan subrogation or substitution aiming for the new financial provider to pay the loan the customer kept with the initial provider.

Regulations

- **Creation of Conditional Loan Easing:** The Central Bank of Chile (BCCh) created measures to ease loan access for banking companies through the Loan Easing conditional to Placement Increments (FCIC). This is a special financial line for banking companies that contains incentives so that the banking industry continues to fund and refinance loans for businesses and natural persons, particularly for those that do not have access to the capital market. For the FCIC correct functioning, the BBCh established a set of requisites, such as the FCIC being of open access for all banking companies with commercial or consumption placements and establishing a base portfolio that adds commercial placements to consumption ones reported to the CMF.
- **Modification to International Exchange Regulations (CNCI):** The BBCh council decided to modify the Compendium of International Exchange Standards (CNCI), first chapter, Annex 1, to authorise new operations undertaken in Chilean pesos (CLP) to facilitate their processing. The following statements were modified¹.
 - a. Hiring derived products where settlements or payments contemplate the physical delivery of pesos in national currency .
 - b. Opening and holding of banking current accounts in national currency on behalf of people not living or residing in Chile
 - c. Handing of loans in national currency from Chilean people or residents in Chile to people residing abroad.
 - d. Deposit or investment operations abroad in national currency carried out by people living or residing in Chile.
 - e. Loans, deposits, investments, and capital contributions in national currency of people not residing or living in Chile.

International Regulations

- **Volcker Rule Modification:** Volcker Rule is a regulatory framework that prohibits banks, subsidiaries and related parties from carrying out Prop Trading (activities on their own account) and participate in Covered Funds. During 2020 the Volcker Rule Compliance Program went from an enhanced to a moderate level of requirements. By December 2020, the changes to the program in accordance were fully implemented.

1. <https://www.bcentral.cl/web/banco-central/areas/compendio-de-normas-de-cambios-internacionales>

2020 Milestones

1 Foreign Account Tax Compliance Act (FATCA) y Common Reporting Standard (CRS)

Within the regulatory framework for the automatic exchange of tax information between States (FATCA and CRS), we highlight in 2020 due to its relevance the timely and adequate compliance of all units to reporting to their corresponding authorities, the integration of digital forms to comply with regulation and the strengthening of second-line controls to ensure information quality.

2 Free Competition GRI [206-1]

In 2020 Banco Santander undertook the monitoring and creation of controls related to the Compliance of Free Competition Defence Program, which seeks to strengthen the regulations and guidelines outlined in Law 20,945 that perfects the system of defence of free competition and that amended the Law Decree 211, granting new powers to the National Economic Prosecutor and hardening the penalties associated with crimes against the competition.

It is essential to mention that Banco Santander has a Free Competition Defence Policy that applies to all its subsidiaries and considers a formation and training program for all its collaborators. In 2020 a training regarding Free Competence was included in this program.

3

Complaints Channel

GRI [102-17]

Through the complaints channel, collaborators can confidently and anonymously inform Compliance Management of any acts that are illegal or contrary to the Corruption Prevention Policy provisions.

During this year, Banco Santander Chile set forth the Open Channel, aiming to detect and act upon behaviour that supposes a transgression against the General Code of Conduct or is contrary to corporate behaviour, encouraging simultaneously an environment where collaborators can speak clearly and be heard closely.

Collaborators can enter the Channel through a web platform external to the Bank, managed by an outside provider, to ensure that all information given is treated confidentially.

4

Lawsuits and Legal Procedures

GRI [206-1]

Below are the number of pending or finalised legal actions in 2020 related to unfair competition and monopolistic practices.

Pending:

1. A lawsuit from SURBTC SpA against Banco del Estado de Chile and others (3 cases accrued under C-349-18 role).
2. Transbank S.A. consultation regarding the tariff system implemented by Transbank from 1st of April 2020.

Finalised:

1. Provisional preliminary measure requested by ARCADI SpA., against Banco Santander Chile, finalised the 13th of January 2020. The main results of the finalised legal actions, including decisions and/or sentencing, were: the provisional preliminary measure requested by ARCADI SpA was rejected.

5

Economic and financial performance



Despite a year marked by the pandemic, financial crisis and uncertainty, the Bank managed to maintain its operational continuity and good performance, showing its resilience and ability to adapt to a constantly changing 2020 scenario. In this context, the strength of digital channels was a key element to achieve good results, leading in the opening of digital current accounts and the delivery of Fogape loans. Banco Santander Chile was the private bank that granted the most loans to small and medium-sized companies, resolving their requirements in record time.



Economic environment

Global economy

The year 2020 will be remembered for the Covid-19 pandemic and its severe health, social and economic impact. The containment measures to slow the pace of its advance - and thus prevent the collapse of healthcare systems - and people's own fear of contagion led to an unprecedented contraction of global activity in the second quarter of 2020 and a severe rise in unemployment. During the third quarter of the year, as contagion declined in several regions of the world, activity began to pick up, driven by manufacturing.

Governments and central banks worldwide reacted with significant stimulus measures to help the most vulnerable sectors and contain possible effects of a second wave on activity and employment. Strong liquidity injections pushed back interest rates at all maturities, pushing long rates to all-time lows and boosting riskier assets. Thus, stock markets rallied strongly since mid-year, also helped in recent months by the news on vaccines.

Other conflicts that had been on the agenda before the pandemic were relegated to the background. The trade war between China and the United States showed no significant changes, although the two countries' sources of conflict will remain latent. In Europe, a Brexit deal was reached, and the United Kingdom has left the European Union.

Local context

In Chile, the pandemic had a severe impact on activity since mid-March, even before adopting the most severe containment measures. The population's fear of contagion led to a strong physical distancing, which had a powerful impact on the service sectors and the labour market. Nevertheless, export sectors, particularly mining, were resilient and maintained a relatively stable performance despite the overall contraction in demand.

The Chilean economy began 2020 with slow performance, affected by the external scenario and a relatively weak labour market. Over the months, growth prospects were revised on the downside as the world decelerated. Although consumption remained high, investment rebounded with large projects in mining, energy and infrastructure, and the real estate sector's dynamism.

The Central Bank responded swiftly, cutting the Monetary Policy Rate to its technical minimum of 0.5% at the end of March, followed by implementing a set of quantitative measures. Meanwhile, the government postponed a series of taxes to support households and businesses' liquidity and applied an emergency income programme for the most vulnerable families. An employment protection scheme and a line of state guarantees were also launched to keep credit flowing.

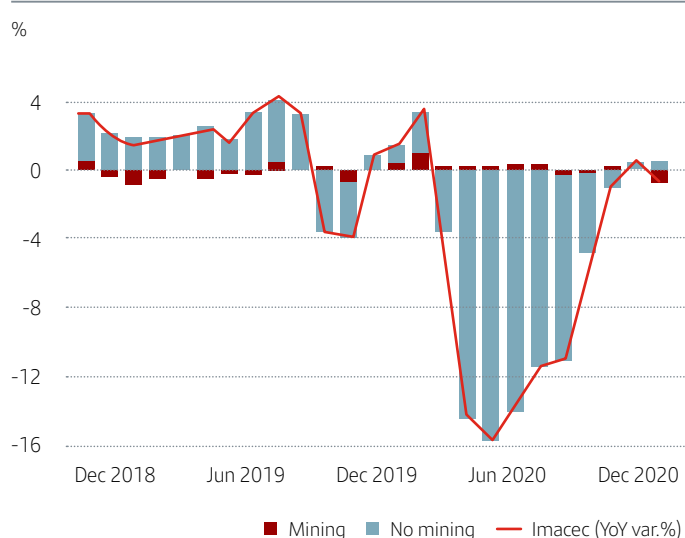
The first constitutional reform authorising the withdrawal of pension funds resulted in households receiving a heavy injection of liquidity between August and September, giving a significant boost to consumption.

At the end of the year, a second withdrawal was authorised, which would have given it additional sustenance, but its effect will quickly fade. Additionally, the country benefited from a sizeable rise in the terms of trade, thanks to a high copper price. Overall, the year closed with a contraction of around 6%, the most significant fall in activity since the financial crisis of the early 1980s.

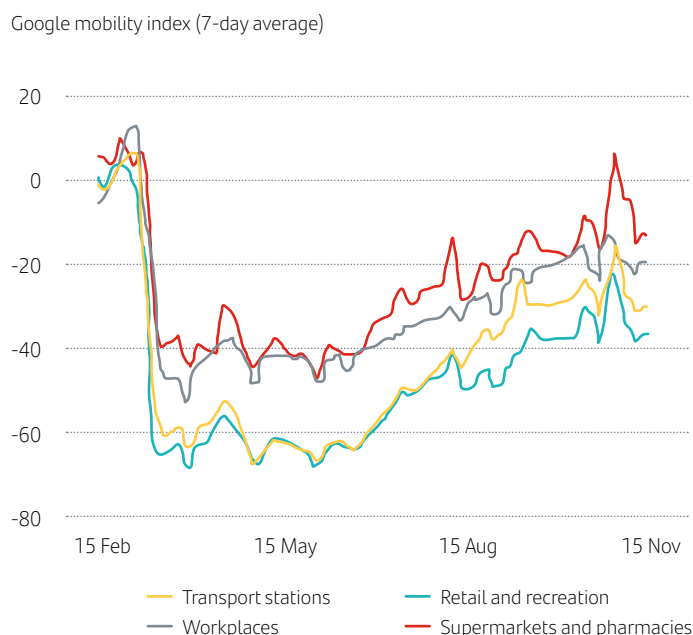
The year was marked by high volatility in inflation. At the beginning of 2020, there was a vast acceleration in prices due to the exchange

rate depreciation at the end of 2019. Then, the fall in activity and the rise in unemployment caused inflation to recede rapidly. This was also influenced by the fact that many prices were not measured through surveys and were imputed by the National Statistics Institute (INE). In the latter part of the year, the increase in consumption due to households' liquidity injections accelerated prices again, bringing inflation, for the second year in a row, to close within the 3.0% target. Additionally, core inflation closed lower at 2.5%.

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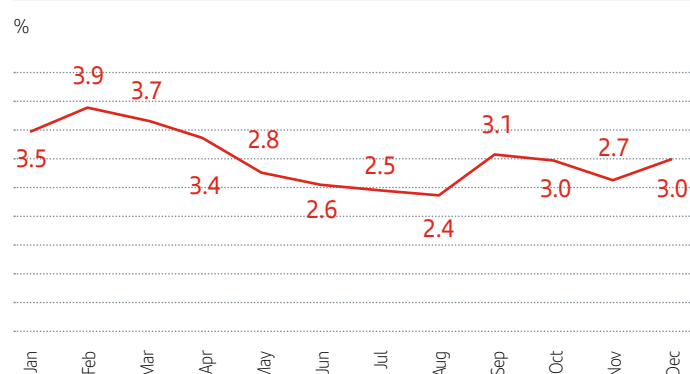


Mobility by economic sector

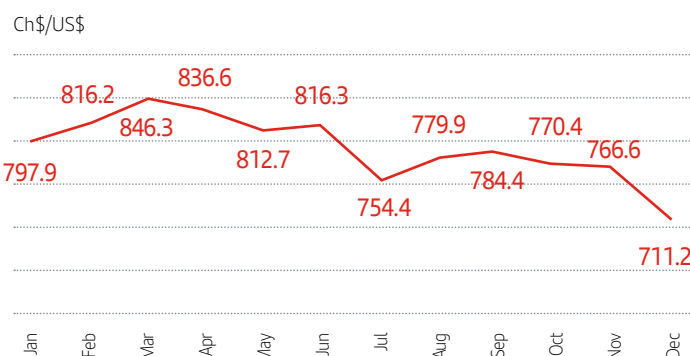


Source: Google and Santander

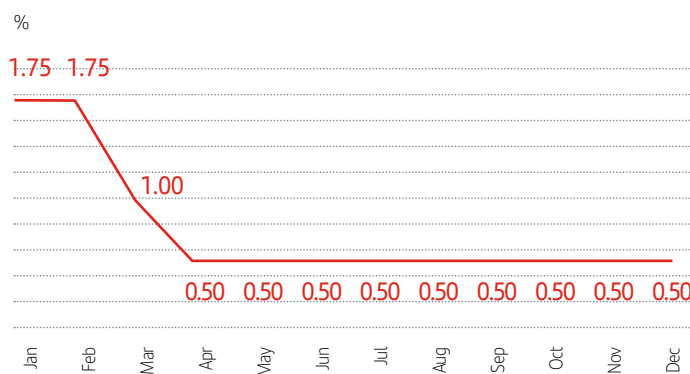
CPI, annual variation



Observed dollar 2020



Monetary policy rate



Source: The Central Bank

Implementation of Basel III

A new version of the General Banking Law was published in January 2019. Among the most relevant changes is the indication of Chilean banks' adoption of the Basel III standards' capital levels. Several final versions of the rules governing the new capital models for Chilean banks were published during 2020.

Under the new version of the law, the minimum capital requirements have been increased in quantity and quality. Total regulatory capital remains at 8% of risk-weighted assets, including credit, market, and operational risk. Minimum Tier 1 capital increased from 4.5% to 6% of risk-weighted assets, of which up to 1.5% may be Additional Tier 1 (AT1), either in the form of preferred shares or perpetual bonds, which may be convertible to common equity. The Financial Market Commission (CMF) also establishes the conditions and requirements for the issuance of perpetual bonds and preferred stock. Tier 2 capital is now set at 2% of risk-weighted assets

Further capital demands are incorporated through a conservation buffer of 2.5% of risk-weighted assets. According to the CMF, the Central Bank may establish an additional counter-cyclical financial buffer of up to 2.5% of risk-weighted assets. Both buffers must be composed of core capital.

On November 2nd, 2020, the CMF published the latest guidance for Systemically Important Banks (SIBs), ranging from 1-3.5% of risk-weighted assets, depending on market share. There are a total of four factors that are then weighted to reach a market share:

1. Size (weighted at 30%): it includes total consolidated assets in the domestic market.
2. National interconnection (weighted at 30%): it includes assets and liabilities with financial institutions (banking and non-banking) and assets in circulation in the Chilean financial market (variable and fixed income).
3. National substitution (weighted at 20%): it includes participation in local payments, assets in custody, deposits, and loans.
4. Complexity (weighted at 20%): it includes factors that could lead to more significant difficulties concerning costs and/or time for

the orderly resolution of the Bank. These include the notional amount of OTC derivatives, inter-jurisdictional assets, and liabilities, and available for sale assets.

The minimum amount of the sum of the systemic factors to be considered is 1,000 bps, equivalent to a weighted share of 10% of the four factors. The additional core capital charge depends on the size of the total factor, as set out in the table below:

Systemic level	Range (bps)	Additional core capital charge (%RWA)
I	1,000-1,300	1.0%-1.25%
II	1,300-1,800	1.25%-1.75%
III	1,800-2,000	1.75%-2.5%
IV	>=2,000	2.5%-3.5%

The Central Bank may also require SIBs: (1) to add up to 2% of core capital to a bank's total asset ratios; (2) a reduction in the capitalised technical reserve requirement from 2.5 times regulatory capital to 1.5 times regulatory capital; and/or (3) a reduction in the interbank lending limit to 20% of any SIB's regulatory capital.

Given the size and market share, the organisation is likely to be classified as a SIB between Tier II or III.

The New General Banking Law also incorporates Pillar II capital requirements to ensure adequate risk management. With at least four votes of its Board, the CMF will have the power to impose additional regulatory capital demands of up to 4% of risk-weighted assets, either Tier I or Tier II. If it determines that previous capital levels and buffers are not sufficient for a particular financial institution. Pillar II also focuses on risks that are not considered in Pillar I, such as reputational risk, concentration risk, liquidity risks and balance interest rate risks.

The following table provides a comparison between regulatory capital demands under the previous law and those under the new General Banking Law:

Capital Requirements: Previous vs new requirements

(% of risk-weighted assets)

Capital categories	Previous law	New General Banking Law
(1) Total Capital Tier 1 (2+3)	4.5	6
(2) Equity	4.5	4.5
(3) Additional Capital Tier 1 (AT1)	-	1.5
(4) Capital Tier 2	3.5	2
(5) Total regulatory capital (1+4)	8	8
(6) Conservation buffer	2% above regulatory capital to be classified as Category A in solvency	2.5
(7) Total capital requirement (5+6)	8	10.5
(8) Counter-cyclical buffer	-	Up to 2.5
(9) SIB requirement*	Up to 6% in case of a merger	Between 1 – 3.5

* Systemically Important Banks

The new regulation will be effective from December 1st, 2021 and will be gradually implemented until it is fully implemented by December 1st, 2025.

Nevertheless, according to the published regulations, Basel III standards' transition is expected to have a neutral effect for Banco Santander Chile.

Financial system

Total lending in the system (excluding banks' investments abroad) grew by 2.8% at the end of 2020 compared to the previous year's same period.

This growth was driven by increases in mortgage and commercial loans, which grew by 8.1% and 4.1%, respectively. The strong growth in mortgage loans was due to the sharp fall in long-term interest rates, which boosted demand for new loans and a high level of refinancing of mortgage loans.

Commercial lending growth resulted from an increase in loaning mainly to SMEs, driven by Fogape loans delivered due to the contingency. In total, the system granted a total of 270,795 loans for US\$ 12.741 billion, with a substantial increase in the second quarter.

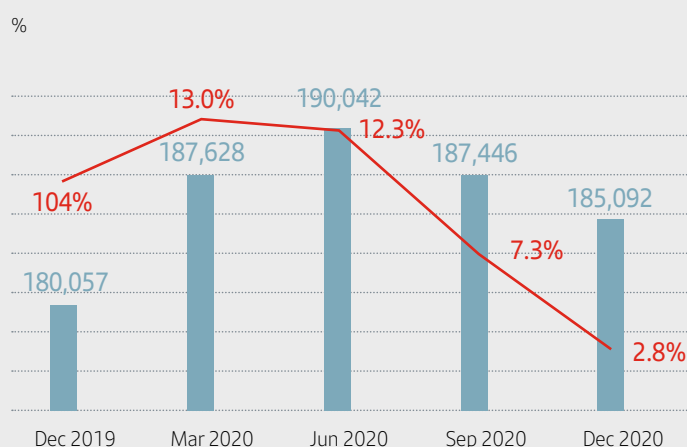
Consumer lending, meanwhile, declined 13.9% in the year due to lower household spending because of the pandemic accompanied by a positive performance-driven payment, in part, by early withdrawals of pension funds in the second half of the year.

Given the increased liquidity in the system due to government support, non-performing loans as a percentage of total loans decreased in 2020 compared to 2019. The end of 2019 was also affected by the social upheaval that increased non-performing loans a few months after the events. Non-performing loans as a percentage of the total portfolio fell from 2.1% at the end of 2019 to 1.6% at the end of 2020. Despite a good performance, banks decided to increase the stock of provisions, with a total of Ch\$1,480,042 million in additional provisions, ending 2020 with a coverage ratio of 218.1%.

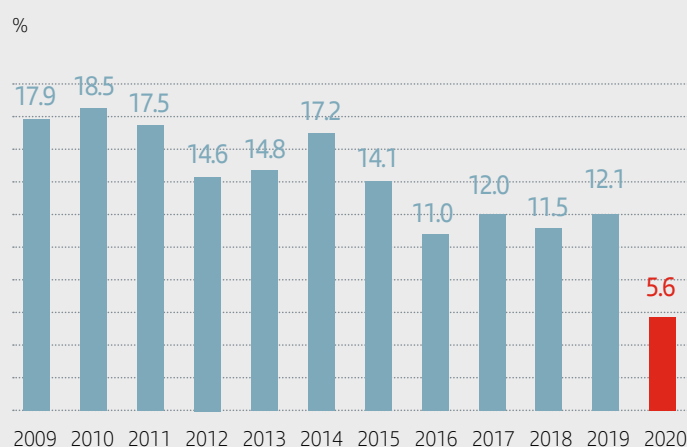
In terms of profitability, banking achieved a higher ROE than in 2019 (12.4%) and a ROA of 1.0% despite the slower economic growth due to the pandemic. Chilean banks also continue to stand out for their excellent efficiency levels of 48% and a solid ratio of effective equity to risk-weighted assets of 14.3%.

At December 2020	Ch\$ Bns	US\$ Bns
Assets	323,127	441.16
Loans	185,092	252.70
Deposits	144,422	197.18
Equity	22,170	30.27
Results	1,242	1.70
MIN	3.6%	
Cost of credit	1.7%	
NPL Ratio	1.6%	
Coverage Ratio	218.1%	
Efficiency Ratio	51.4%	
Return over average assets (ROAA)	0.4%	
ROAE	5.6%	
Core capital	10.6%	
BIS ratio	14.3%	

Total Loans MMM\$, Var% YoY



Financial System ROE



Financial results

Summary of results

Net income attributable to equity holders reached \$517,447 million (\$2.75 per share and US 1.54 per ADR) by the end of 2020, decreasing by 6.3% over the previous year. This is mainly explained by improved results in:

- i. Net interest income which grew 12.5% in tandem with the 5.1% growth in the portfolio during 2020. This was affected by a better funding mix, reflected in the 41.4% increase in demand deposits in the year. The increase in the portfolio was primarily due to the Fogape programme, of which Banco Santander Chile had the largest market share, equivalent to 23%. Demand deposits were driven by growth in current accounts and the organisation's strength in the corporate transaction banking business.
- ii. Support expenses which grew 2.5%, less than inflation, impacted significantly by lower variable incentive expenses. Santander remained the most efficient bank among the large banks in Chile, with an efficiency ratio of around 40%, and continued to invest in new initiatives, greater digitalisation and more cybersecurity.

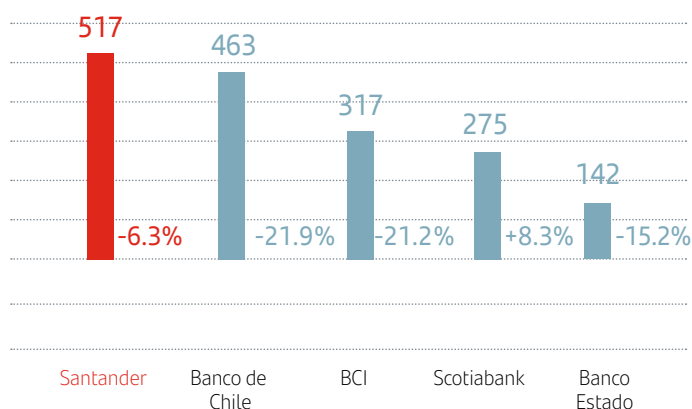
This is countered by:

- iii. Lower commissions due to quarantine impacts and reduced economic activity.
- iv. Lower net trading income, mainly due to cash from financial management and corporate activities. The Finance Division took advantage of several foreign currency bonds and loans prepayments, which have an initial loss but a better funding cost in the future.
- v. Increased provisions due to the pandemic. There was a change in the regulation on the calculation of expected loss on Fogape loans during the year, and the Bank took higher provisions of \$35,897 million. Santander also decided to take additional provisions of \$110 billion during the year for higher credit risks in the future. Nevertheless, portfolio quality improved gradually in the year, with the ratio of non-performing loans to total loans at 1.4% in December 2020.

Furthermore, ROAE decreased by 2.2 percentage points, from 16.7% in 2019 to 14.5% in 2020, while ROAA decreased by 0.35 percentage points, falling from 1.3% to 0.9%. Nonetheless, Santander was one of the banks that lowered its profit attributable to equity holders the least compared to the previous year and achieved the highest ROAE in the banking system.

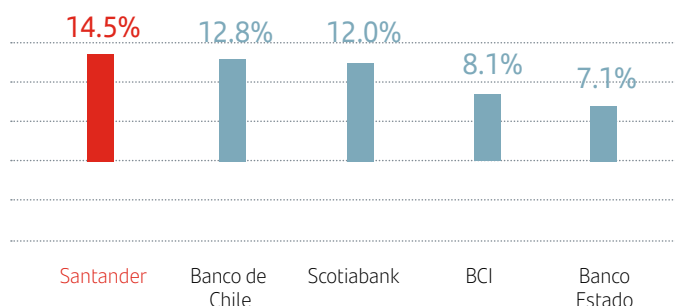
Net income attributable to equity holders / annual change

\$MMM / %



ROAE

%



Summary of results (MM\$)

	2020	2019	2018	var % 20/19	var% 19/18
Financial margin business segments	1,509,997	1,356,989	1,319,398	11.3%	2.8%
Non-customer financial margin ¹	83,851	59,862	94,970	40.1%	(37.0%)
Total net interest income	1,593,848	1,416,851	1,414,368	12.5%	0.2%
Net fee and commission income	267,278	287,086	290,885	(6.9%)	(1.3%)
Total financial transactions	141,585	207,019	105,082	(31.6%)	97.0%
Other operating income	21,652	24,598	39,526	(12.0%)	(37.8%)
Net operating profit	2,024,363	1,935,554	1,849,861	4.6%	4.6%
Provisions	(511,073)	(420,447)	(325,085)	21.6%	29.3%
Net operating profit	1,513,290	1,515,107	1,524,776	(0.1%)	(0.6%)
Operating expenses	(768,546)	(749,861)	(721,933)	2.5%	3.9%
Other operational costs ²	(92,446)	(63,747)	(45,779)	45.0%	39.2%
Net operating profit	652,298	701,499	757,064	(7.0%)	(7.3%)
Net income (post tax)	522,563	554,176	596,262	(5.7%)	(7.1%)
Minority Interest	5,116	2,083	4,360	145.6%	(52.2%)
Net income attributable to equity holders	517,447	552,093	591,902	(6.3%)	(6.7%)
Net income per share	2.75	2.93	3.14	(6.3%)	(6.7%)
Profit per ADR(US\$) ³	1.54	1.57	1.80	(1.7%)	(12.9%)
Total loans ⁴	34,409,170	32,731,735	30,282,023	5.1%	8.1%
Total deposits ⁵	25,142,684	23,490,249	21,809,236	7.0%	-7.7%
Loans / deposits adjusted ⁶	100.3%	95.1%	98.0%	+ 525bps	-289bps
Equity	3,652,599	3,470,317	3,285,709	5.3%	5.6%
Net interest margin ⁷	4.0%	4.1%	4.4%	-12 bps	-32 bps
Efficiency ⁸	39.8%	40.0%	40.0%	-23 bps	-1 bp
Recurrence ⁹	34.8%	38.3%	40.3%	-351 bps	-201 bps
ROAE ⁹	14.5%	16.7%	19.2%	-220 bps	-244 bps
ROAA ¹⁰	0.9%	1.3%	1.6%	-35 bps	-32 bps
Non-performing loans / total loans	1.4%	2.1%	2.1%	-64 bps	-3 bps
Coverage of non-performing loans ¹²	226.7%	133.0%	126.1%	+ 9,367 bps	+ 693 bps
Expected loss ¹³	3.2%	2.8%	2.6%	+43 bps	+15 bp
Core capital ¹⁴	10.7%	10.1%	10.6%	+53 bps	-46 bps
BIS Ratio ¹⁵	15.4%	12.9%	13.4%	+ 252 bps	-55 bps
Branches	358	377	380	(5.0%)	(0.8%)

1. This corresponds to net interest and readjustment income from corporate activities (other). / 2. Includes impairment losses. / 3. The change in earnings per ADR may differ from the change in earnings per share due to the exchange rate. / 4. Gross of provisions. / 5. Includes demand deposits and term deposits. / 6. Net lending (including interbank) minus portion of bond-funded mortgages over total deposits. Mortgages are primarily long-term-fixed-rate loans financed mainly with long term liabilities and not short-term deposits. For this reason, mortgages are subtracted from the numerator to calculate the ratio. / 7. Net interest margin is the total net interest margin over the average interest-earning assets. / 8. Efficiency ratio: support costs, excluding impairment and other operating expenses, over operating income. Operating income = net interest income, commissions, net financial operations results, and other operating income, minus other operating expenses. / 9. Net commissions on support costs. / 10. Profit attributable to equity holders on average equity. / 11. Profit attributable to equity holders on average total assets. / 12. On-balance sheet provisions over non-performing loans. Includes additional provisions of Ch\$16 billion in 2019 and Ch\$126 billion in 2020. / 13. On-balance sheet provisions over the total portfolio. Includes additional provisions of Ch\$16 billion in 2019 and Ch\$126 billion in 2020. / 14. Equity attributable to equity holders of the bank over risk-weighted assets as defined by the CMF BISl. / 15. Effective equity over risk-weighted assets.

→ Fogape

FOGAPE is a State fund destined to secure a pre-established percentage of loans capital, leasing operations, and other funding mechanisms that public and private financial institutions offer eligible Small Entrepreneurs, Exporters, Supporters and Small entrepreneurs Organisations. Medium-sized companies have permanently been incorporated, while big companies that do not have or have

insufficient collaterals have been added temporarily, to present in their funding applications to Financial Institutions.

The FOGAPE management corresponds to Banco Estado, being supervised by the Financial Market Commission (CMF)

It adheres to the 1980 Law Decree 3,472 and the Financial Market Commission Standards, chapter 8 and 9 of reviewed regulations.

Total loans increased 5.1% in 2020 compared to 2019, a variation led by SME loans, which grew by 20.3%. This was significantly bolstered by FOGAPE loans that secured 60-85% of total loans given by banks to eligible companies, with smaller businesses receiving higher collateral. These loans had a preferential rate under the Monetary Policy Rate (presently at 0.5%) +3%, receivable within 24-48 months. Additionally, companies received a 6-month grace period for the FOGAPE loans and other debts they could have with the Bank that were not in default. Banco Santander Chile was the leading banking figure in the market. As of December 2020, funds amounting to MCh\$2.076.000 were

granted under this program, with 12.2% for the commercial portfolio. The Bank was the institution with the highest participation in this programme, representing 23% of the financial system's total. The State collaterals for the portfolio are, on average, around 78% secured. The Middle-Market Segment grew by 0.5% in the year, despite the country's lower economic activity. Santander Corporate Investment Banking (SCIB) had a 2.0% increase, primarily due to working capital lines that helped companies maintain high liquidity levels during the pandemic.

The individual loans had a slower pace of growth in the year than their historical

records, growing 2.8%. As a consequence of the pandemic, there was high demand for consumer loans, which decreased by 10.8% in the year. In turn, mortgage loans had a 10.2% increment driven by lower long-term interest rates, though these have risen compared to 2019. This higher growth concentrated on medium-to-high-income people and was achieved a loan to value ratio below 80%.

Santander Consumer Chile S.A., which was incorporated in November 2019, decreased its portfolio by 5.8%, caused by lower car sales during the year as a consequence of the country's lockdown. This represents 9% of the total consumer loans.

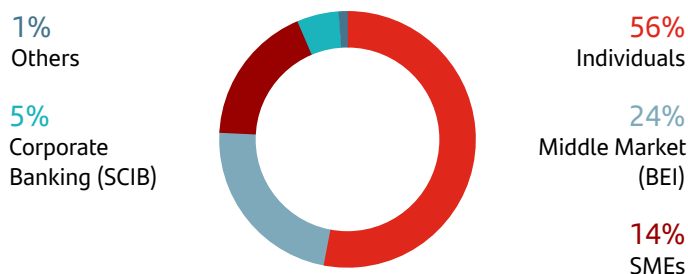
Loans by Segment (MM\$, %)

	2020	2019	2018	var % 20/19	var% 19/18
Individuals	19,363,270	18,833,518	16,921,496	2.8	11.3
SMEs	4,915,978	4,085,049	3,865,141	20.3	5.7
Individuals and SMEs	24,279,248	22,918,568	20,786,637	5.9	10.3
Middle-Market	8,136,402	8,093,496	7,690,380	0.5	5.2
Corporate Investment Banking (SCIB)	1,704,494	1,671,662	1,681,697	2.0	(0.6)
Others	289,026	48,009	123,309	502.0	(61.1)
Total Loans	34,409,170	32,731,735	30,282,023	5.1	8.1

Loan by Product (MM\$, %)

	2020	2019	2018	var % 20/19	var% 19/18
Commercial	17,037,536	15,914,831	15,239,659	7.1	4.4
Housing	12,411,825	11,262,995	10,150,981	10.2	11.0
Consumer + cards	4,940,879	5,539,057	4,876,289	(10.8)	13.6
Consumer	3,814,971	4,161,347	3,459,137	(8.3)	20.3
Cards	1,125,908	1,377,710	1,417,152	(18.3)	(2.8)
Loans and accounts receivable from customers	34,390,240	32,716,883	30,266,929	5.1	8.1
Interbanking	18,930	14,852	15,094	27.5	(1.6)
Total Loans	34,409,170	32,731,735	30,282,023	5.1	8.1

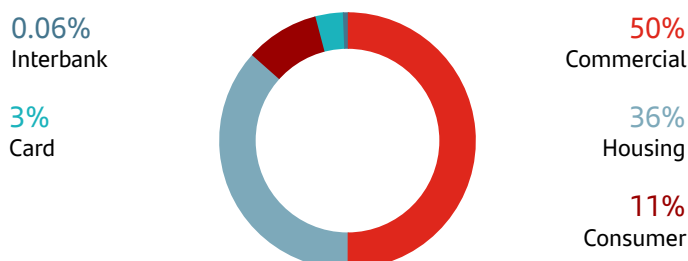
Loans by segment



Covid-19 Fogape Market Share



Loans by Product

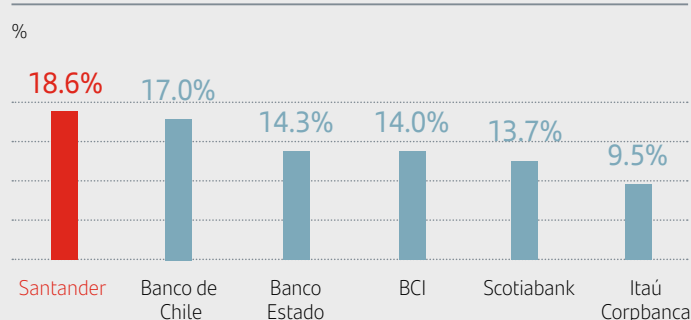


Total Market Share by Product

	Santander	Banco de Chile	Banco Estado	BCI	Scotiabank	Itaú Corpbanca
Total Loans	18.6%	17.0%	14.3%	14.0%	13.7%	9.5%
Individuals	21.5%	16.5%	15.5%	13.3%	16.1%	7.9%
Consumer	21.6%	17.3%	8.5%	14.6%	12.9%	7.5%
Housing	21.5%	16.3%	18.2%	12.8%	17.4%	8.0%
Commercial	16.5%	17.0%	13.3%	14.6%	11.9%	10.9%

Meanwhile, the total loans' market share reached 18.6%, with which the Bank maintained a solid leading position in Chile.

Total Loans Market Share



Customer Funds

Funding Sources (MM\$, %)

	2020	2019	2018	var % 20/19	var% 19/18
Cash Deposits	14,560,893	10,297,432	8,741,417	41.4	17.8
Term Deposits	10,581,791	13,192,817	13,067,819	(19.8)	1.0
Total Deposits	25,142,684	23,490,249	21,809,236	7.0	7.7
Mutual Funds ¹	8,091,566	6,524,098	5,576,243	24.0	17.0
Total customer funds	33,234,250	30,014,347	27,385,479	10.7	9.6
Total issued debt instruments	8,204,177	9,500,723	8,115,233	(13.6)	17.1
Adjusted credit / deposits²	100.3%	95.1%	98.0%	+524 bps	-290 bps

Deposit Market Share (%)³

	Santander	Banco de Chile	Banco Estado	BCI	Scotiabank	Itaú Corpbanca
Total Deposits	17.4%	16.7%	21.3%	12.9%	10.8%	8.6%
Cash	20.6%	21.5%	23.1%	13.4%	9.6%	3.9%
Term	14.4%	12.1%	19.4%	12.5%	12.0%	13.2%

1. Santander Chile is the exclusive loan broker for mutual funds managed by Santander Asset Management S.A. Administradora General de Fondos, a SAM Investment Holdings Limited branch. / 2. Net loans (interbank included) minus portion of mortgage funded by bonds over total deposits. The Bank's mortgages are primarily long-term fixed-rate loans financed with long-term funding and not with short-term deposits. For this reason, the ratio is calculated by subtracting mortgages in the numerator. / 3. Excluding branches and subsidiaries with shares abroad belonging to Banco Estado, BCI and Itaú.

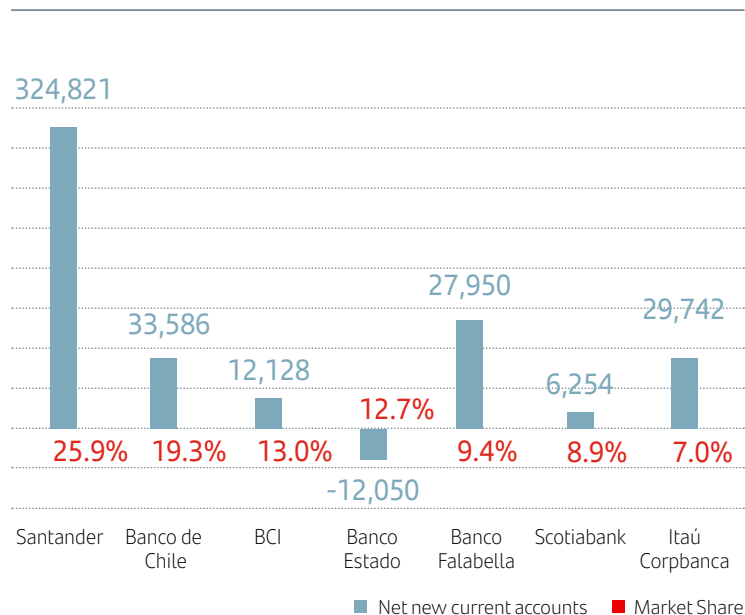
Banco Santander's main funding source corresponds to customer deposits (demand and time deposits), representing 48.2% of the Bank's total liabilities. In 2020, total deposits increased by 10.7%, reaching a 17.4% market share. During 2020, deposit growth was driven by demand deposits, which rose by 41.4%, with high increments in all segments seeking liquidity due to the pandemic. In terms of opening current accounts, it was a year of historical records for the Bank, even higher than 2019, which had already been a robust year for account openings. During 2020, Santander obtained a 75.8% market share in the net new current accounts, raising the total current accounts' share from 21.7% in December 2019 to 25.9% in December 2020. With this, Banco Santander managed to strengthen its market share in cash balances, reaching 20.6% by the end of 2020.

75.8%
net new accounts
market share

25.9%
share of total
current accounts

41.4%
increase in cash
deposits in the year

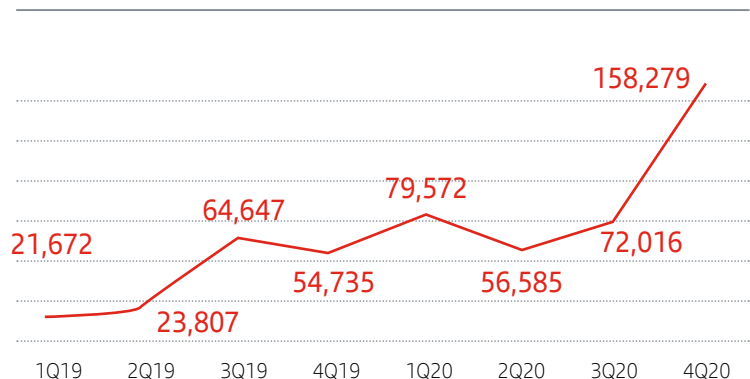
Net new current accounts market share



Meanwhile, time deposits suffered a 19.8% decrease in the balance over 2019. The Monetary Policy Rate (MPR) was reduced to its technical minimum by the Central Bank of Chile, causing this product to become less attractive. To defend the profit margin, the Bank focused on reducing this product's cost, widening the gap with other competitors.

Likewise, the Finance Division is in charge of managing the Bank's other funding sources, which are fundamentally issued bonds and banking lines. The Bank's mortgage portfolio growth in general drives the strategy of issuing long-term assets to synchronise the assets and liabilities terms. In the Covid-19 pandemic context, the Central Bank enabled FCIC AND LCL liquidity lines to ensure banks continued to fund their customers. These lines range from two to four years at the MPR's 0.5% rate, amount subject to the Bank's increment of loans. During 2020, the Bank obtained US\$6.8 billion in these lines at a rate similar to the MPR's one, which was primarily used to fund FOGAPE and mortgage loans.

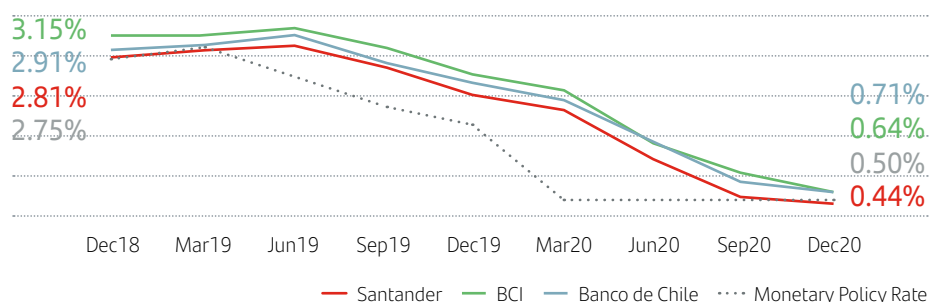
Quarterly opening of net current accounts¹



1. Includes current accounts and Superdigital.



Term deposits' cost evolution in Chilean pesos¹



1. Expenditure per quarter paid for nominal deposits in pesos over a quarterly average of time deposits balance in nominal pesos.

Equity

By the end of 2020, the equity attributable to the Bank's equity holders amounted to \$3,567,916 million, a figure 5.2% above the one recorded in 2019, reaching a core capital ratio (equity attributable to the Bank's equity holders on risk-weighted assets) of 10.7%, higher than the 10.1% recorded by the end of 2019. These levels are already historically high when compared to the last ten years capital levels. For both capital adequacy measures, it should be

considered that risk-weighted assets slightly decreased by 0.1% in 2020 over 2019. The exchange rate depreciation affected 2019's ratios, which reached 7.0% during that year, mainly affected by the social upheaval. 2020 saw this trend reversed, with a 4.5% currency appreciation, which decreased the dollar-denominated assets.

Additionally, for 2020, the CMF changed how State FOGAPE collaterals were

calculated, which at the beginning had a risk weighting of 100%, with the collateral value included within Tier II. However, in August 2020, the weighting of the portion of FOGAPE collateral decreased from 100% to 10%, and was included under Tier I. During the year, the Bank remained active in its issuance of subordinated bonds, issuing a total of UF 11,000,000, which also strengthened the Tier II capital.

Capital Adequacy (MM\$, %)

	2020	2019	2018	var % 20/19	var% 19/18
Core Capital	3,567,916	3,390,823	3,239,546	5.2	4.7
Tier II	1,575,928	913,578	862,119	72.5	6.0
Net effective equity	5,143,843	4,304,401	4,101,664	19.5	4.9
Risk-weighted assets	33,460,744	33,478,951	30,600,177	(0.1)	9.4
Core Capital/ Total Assets	6.4%	6.7%	8.3%	-31 bps	-156 bps
Core Capital/ Weighted Assets (Tier I)	10.7%	10.1%	10.6%	+53 bps	-46 bps
BIS Ratio	15.4%	12.9%	13.4%	+247 bps	-50 bps

The Bank's solvency indicators place above official mandatory figures in Chile and reflect an efficient capital use strategy, assigning the latter to high-profit operations over consumption.

In this sense, it is relevant to note that starting December 1st 2021, the Basel III standards will begin to be implemented in Chile. This transition is expected to be neutral for Santander.

Business Results

The net contribution by business segment grew by 15.5% in 2020 compared to the year before. The net participation of individuals and SMEs had a year-on-year variation of 63.0%, while Middle Market and Corporate Investment Banking (SCIB) decreased by 4.1% and 40.0%, respectively.

The interest income and net readjustments increased across all segments, driven by a 5.1% loan growth and improved funding costs. The segments' provision was reduced by 0.3% compared to 2019 despite the pandemic (excluding additional provisions in the year), caused by a good payment behaviour after grace period

expirations. Commissions were affected by reduced economic activity in the country, while the Treasury's results decreased in the Individuals and SMEs, and the SCIB by 6.8% and 17.5%, respectively, caused by a lower demand of Treasury products and a high comparison base in light of 2019 being a record year on these products' sales. The Middle-Market, however, had a better year indeed in this line, increasing by 6.6%

It is relevant to consider the Bank decided to establish greater provisions for all its portfolios in light of the pandemic, amounting to \$110,000 million in the year, included in Others.

Analysis of Results by Business Segment (MM\$)

	Individuals and SMEs	Middle-Market	SCIB	Total segments	Corporate Activities (others)	Total
Net interest income and readjustments	1,049,543	346,225	114,229	1,509,997	83,851	1,593,848
Var. %	9.3%	16.0%	16.4%	11.3%	40.1%	12.5%
Commissions	213,431	38,335	23,180	274,946	(7,668)	267,278
Var. %	(7.5%)	(1.0%)	(20.4%)	(7.9%)	(32.5%)	(6.9%)
Result of financial operations	28,051	18,311	78,165	124,527	17,058	141,585
Var. %	(6.8%)	6.6%	(17.5%)	(12.3%)	(73.8%)	(31.6%)
Operational income	1,291,025	402,871	215,574	1,909,470	93,241	2,002,711
Var. %	5.7%	13.7%	(2.9%)	6.2%	(17.8%)	4.8%
Net provisions	(253,261)	(105,846)	(49,295)	(408,402)	(102,671)	(511,073)
Var. %	(32.4%)	147.2%	6.403.3%	(2.3%)	4.495.8%	21.6%
Net operational result	1,065,815	315,336	244,444	1,625,595	7,628	1,633,223
Var. %	21.6%	(4.1%)	(22.6%)	6.9%	(95.7%)	(3.8%)
Operating Expenditure	(596,464)	(91,132)	(72,715)	(760,311)	(8,235)	(768,546)
Var. %	3.6%	(6.1%)	11.3%	3.0%	(31.1%)	2.5%
Net Contribution	441,300	205,893	93,564	740,757	(17,665)	723,092
Var. %	63.0%	(4.1%)	(40.0%)	15.5%	(117.8%)	(2.4%)

Operating Income

The Bank's net operating income rose by 4.8% during 2020, driven by a 6.2% hike in the operating income of corporate segments.

Net Interest Margin (MM\$)

	2020	2019	var % 20/19
Net Interest Income from Business Segments ¹	1,509,997	1,356,989	11.3%
Non-Client net interest income	83,851	59,862	40.1%
Net interest income	1,593,848	1,416,851	12.5%
Average interest-earning assets ³	39,800,301	34,382,386	15.8%
Average UF gap ⁴	6,116,974	4,332,142	41.2%
Interest-earning asset yield ⁵	5.6%	6.8%	-114 bps
Cost of funds ⁶	1.6%	2.7%	-108 bps
Net Interest Margin (NIM)⁷	4.0%	4.1%	-12 bps

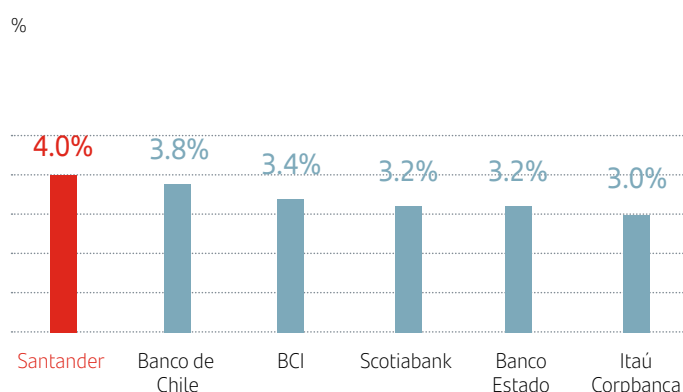
1. Net interest and readjustments income of business segments. It excludes Corporate and Financial Management activities (classified as "Other"). / 2. Net interest and readjustments income of corporate and Financial Management activities (classified as "Other"). / 3. Average of interest-earning assets for the year. / 4. The average difference between assets and liabilities indexed to the Unidad de Fomento (UF), an inflation indexed unit. / 5. Interest and readjustments income divided by average interest-earning assets over the last 12 months. / 6. Interest expense divided by sum of average interest bearing liabilities and demand deposits. / 7. Annualized net interest income divided by average interest earning assets.

Interest income, the Bank's primary revenue, increased by 12.5% in the year, while NIM remained moderately stable, decreasing by 12 bps from 4.1% to 4.0% in 2020. This decline was mainly explained by the decrease in the interest-earning asset yield (interest income divided by interest-earning assets) from 6.8% in 2019 to 5.6% in 2020. The Bank increased its available assets portfolio during the year, growing 78.6% over the year before, which raised primarily the interest generating assets rather than the net interest and readjustment income. The higher inflation also

encouraged the non-client net interest income, including the Bank's structural position in assets adjusted to the variation of the indexation unit UF's inflation.

Interest income coming from business segments, which does not include the effect of inflation, grew by 11.3% during the year, encouraged by the 5.1% loan increment. Despite the general growth of low-interest loans, the Bank achieved good management of funding costs due to the high growth of cash deposits and the liquidity granted by the Central Bank.

Net Interest Income



Fees (MM\$)

	2020	2019	var % 20/19
Card fees	73,297	54,189	35.3
Collection fees	36,277	35,039	3.5
Asset Management	44,072	47,331	(6.9)
Insurance brokerage	39,764	49,664	(19.9)
Guarantees, pledges and other contingent op.	7,428	10,314	(28.0)
Checking accounts	34,825	35,949	(3.1)
Brokerage and custody of securities	10,376	9,154	13.3
Credit Line fees	7,428	10,314	(28.0)
Other	13,811	35,132	(60.7)
Total fees	267,278	287,086	(6.9)

In turn, fees fell by 6.9% during the year, primarily affected by lockdowns and reduced economic activities. Furthermore, in 2020 a new law was enacted, increasing the banks' responsibility to cover customer's cyber-fraud related losses. This law affected the insurance and current account commissions since the Bank had to adjust some plans that had related fraud insurances. This was partially offset by a lower expenditure in cards by changing to the four-part

model that employs exchange commissions imposed by the leading card brands (Mastercard, Visa, AMEX, etc.) and not by the principal acquirer in Chile (Transbank). Also, the number of ATMs was increased from 1,088 in 2019 to 1,199 in 2020, which entailed higher commissions on behalf of customers from other banks using Banco Santander ATMs.

Loyal customers (those with over four products with a minimum level of use and

profitability levels) also increased in the year, growing 1.9% in the high segment, 14.8% in the middle segment and 3.6% in SMEs and Middle Market. Life, the range of products for the massive segment that rewards good payment behaviour, also broadened their offer, with the Life Account becoming a current account rather than just a simple demand one, thus offering more functions such as access to Santander Pass' greater payment capacities.

Total financial transactions, net (MM\$)

	2020	2019	var % 20/19
Net income (expense) from financial operations	90,800	(78,165)	(216.2)
Net foreign exchange gain	50,785	285,184	(82.2)
Total financial transactions, net	141,585	207,019	(31.6)

Total financial transactions, net by business (MM\$)

	2020	2019	var % 20/19
Client treasury services	145,096	142,461	1.8
Non-client treasury income	(3,511)	64,557	-
Total financial transactions, net	141,585	207,019	(31.6)

Results from financial transactions had a 31.6% reduction over 2019. This result includes primarily client treasury services and non-client treasury income, which in turn includes income from the Financial Management Division. It is worth noting that 2019 was a historically strong year in financial operations, which entailed a very competitive comparison basis.

There was a 1.8% hike in the client treasury services during 2020. This reflects the customers demand to limit exposure to volatile exchange rates and uncertain global markets. Simultaneously, the Financial Management Division results, in charge of capital positioning, liquidity, funding and inflation, suffered a loss of \$3,511 million. During 2020 the exchange rate appreciated by 5.4%, which meant a lower provision for those loans in dollars. Nevertheless, this

effect currently has coverage, entailing higher expenditure in the total financial transactions.

During 2020, the Bank prepaid several bonds and loans in foreign currency due to the liquidity increment caused by higher demand deposits and the liquidity lines granted by the Central Bank. These instruments included coverage derivatives, from which it was also necessary to revert, resulting in an initial loss in this line but a better funding cost thereafter. This was partially offset by results affected by the decrease of financial assets at amortised cost. It should be noted that the financial instruments that constitute the portfolio of financial assets at amortised cost are mainly debt instruments issued by the Central Bank of Chile, The Republic of Chile and the Treasury of the United States.

Provisions

Credit Risk Indicators (MM\$)

	2020	2019	var % 20/19
Provisions	511,073	420,447	21.6
Cost of credit	1.5%	1.3%	+20bps
Total in-balance provisions for credit risk	976,821	893,167	9.4
Additional Provisions	110,000	16,000	587.5
Total provisions for credit risk (TP)	1,086,821	909,167	19.5
Non-performing Loans (NPL) ¹	486,435	671,336	(27.5)
Deteriorated Portfolio (DP) ²	1,789,983	1,916,609	(6.6)
Expected Loss ³ (TP/ Loans)	3.2%	2.8%	+43 bps
NPL/ Total loans	1.4%	2.1%	-64 bps
DP/ Total loans	5.2%	5.9%	-65 bps
NPL coverage ⁴	226.7%	135.4%	+9,129 bps

1. 90 days or more NPLs. / 2. NPLs + restructured loans. / 3. Total provision for credit risk in the balance over total loans. Includes additional provisions. / 4. Total provisions for credit risk in the balance over the non-performing portfolio. Includes additional provisions.

Provisions increased by 21.6% during 2020, resulting in a hike in cost of credit (provisions over average loans) from 1.3% in 2019 to 1.5% in 2020. This increase in provisions was mainly due to (i) additional FOGAPE provisions in line with the regulatory change to calculate expected loan loss, and that entailed greater provisions for \$35,897 million; and (ii) the additional provisions taken throughout the year to face the possible credit risk growth due to the pandemic. Additional provisions for \$110,000 million were taken during the year, distributed as follows: \$10,000 million for the consumer portfolio, \$10,000 million for the mortgage portfolio, and \$90,000 million for the commercial portfolio.

Despite this increase in provisions and the cost of credit, the leading indicators of credit risk improved during the year. The NPL ratio (non-performing portfolio over total loans) ended the year at 1.4%, lower than 2019's 2.1% figure. Finally, coverage, measured as loan loss provisions over non-performing loans, reached 226.7% at the end of 2020, compared to 135.4% in 2019. This was largely affected by customers' good payment behaviour throughout the year following the granting of grace periods. For more information, see [Risk Management Chapter](#)

Operating expenses

In 2020, the Bank continued with its investment program in digital products and technology, accompanied by significant productivity and efficiency increases. Total operating expenses grew by only 2.5% in 2020. The year displayed lower personnel costs due to lower expenditure on variable incentives and compensation payments. Operating expenditure increased by 7.2%, primarily caused by larger technology

and communications costs, as many of the Bank's employees started teleworking and new systems were implemented. There were increments to technological costs as new investments were made on new digital services for customers in back-office platforms, creating long-term efficiencies. The new initiatives included: (i) Superdigital, a transactional digital platform with prepaid debit and credit cards; (ii) Santander's Life, a

range of products for the mass segment that rewards good financial behaviour; (iii) Klare, a digital platform for the sale of insurance products; (iv) Getnet, an acquirer platform inaugurated in 2021 (v) other digital processes to back-office functions; and (vi) the opening and transformation of branches with the format of Work Café. As of December 31st, 2020, Banco Santander Chile had 358 branches, of which 56 correspond to

Work Café. Half of the Select branches were closed in the year, as customers favoured attention through other customer service channels of the Bank. With these investments in technology, it was possible to improve the efficiency ratio at 39.8%, once again consolidating the Bank's position as the most efficient among Chile's major banks.

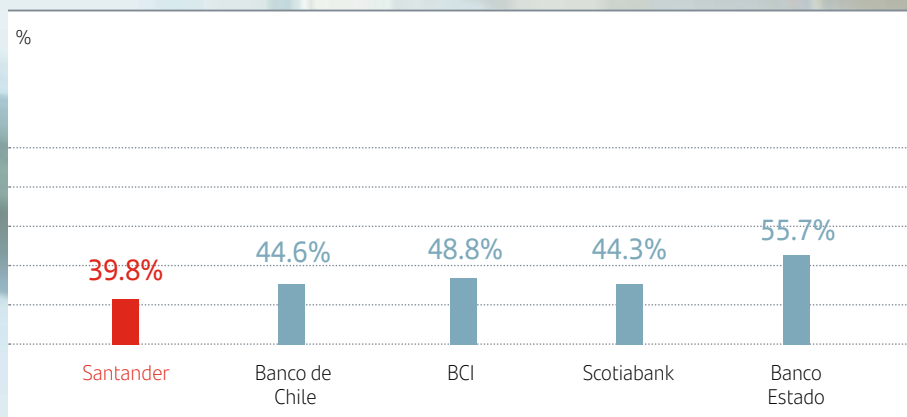
Operating expenses (MM\$)

	2020	2019	var % 20/19
Personnel salaries and expenses	(408,670)	(410,157)	(0.4)
Administrative expenses	(250,450)	(233,612)	7.2
Depreciation and amortisation	(109,426)	(106,092)	3.1
Operating Expenses¹	(768,546)	(749,861)	2.5
Impairment of property, plant and Equipment	(638)	(2,726)	(76.6)
Branches	358	377	(5.0)
Traditional	212	251	(15.5)
Work Café	59	53	11.3
Middle Market Centres	7	7	--
Select	19	38	(50.0)
ATMs	1,199	1,088	10.2
Employees	10,470	11,200	(6.5)
Efficiency Ratio ²	39.8%	40.0%	-23 bps
Volume per branch ³	166,346	149,130	11.5
Volume per employee ⁴	5,688	5,020	13.3
Cost/ Assets ⁵	1.3%	1.7%	-36 bps

1. It excludes deterioration and other operating expenses. / 2. Efficiency Ratio: operating costs excluding deterioration and other operating expenses over operating income. Operating income= net interest income, commissions, net financial operations results, and other operating incomes minus other operating expenses. / 3. Loans deposits over branches number. / 4. Loans + deposits over employees' number. / 5. Operating expenses as defined in point 1, over total assets.



Efficiency Ratio in relation to competitors



Other operating income and expenses

	2020	2019	var % 20/19
Other operating income	21,652	24,598	(12.0)
Incomes of properties received in lieu of payment	19,380	17,210	12.6
Provision releases due to contingencies	503	67	650.7
Fixed asset sale profit	865	2,456	(64.8)
Insurance companies' compensations	255	4,681	(94.6)
Other Income	649	184	252.7
Other Operating Expenses	(91,808)	(61,021)	50.5
Provisions and expenses of properties received in lieu of payment	(18,217)	(21,519)	(15.3)
Contingency provisions	(10,175)	(120)	8.379.2
Other expenses	(63,416)	(39,382)	61.0
Income from investments in associates and other companies	1,388	1,146	21.1
Total	(68,768)	(35,277)	94.9

Other operating expenses throughout the year decreased primarily due to lower compensations of insurance companies. In 2019, the Bank received insurance compensations for the damage some branches sustained during the social upheaval between October and December

2019. In turn, other operating expenses increased by 50.5% caused by further provisions granted in light of the Covid-19 pandemic effects, as well as due to higher insurance premiums the Bank must pay to cover for vandalism and cyber-fraud.

Taxes

GRI [207-1][207-2][207-3]

In 2020, tax expenditure amounted to \$131,123 million, which involved a 12.7% decrease over the \$150,168 million of the previous year. The tax rate remained stable at 27% in both periods, while the monetary correction was 110.3% higher due to inflation growth. According to taxing regulations, the Bank's capital is readjusted by the CPI's variation each year. Together with lower tax credits compared to 2019, these elements led to a decrease in the effective tax rate of 131 basis points.

The Bank's tax management is framed within the Group's

corporate guidelines, which demand the adoption of ethical practices to prevent and reduce both fiscal and reputational risks. At a local level, Banco Santander Chile's Fiscal Policy is approved by the Board, and to ensure its compliance, there is a system of fiscal tax risk management in place.

The principles of the Bank's Fiscal Policy are to cooperate with the competent tax authority, which in Chile corresponds to the Servicio de Impuestos Internos (SII); to provide this body with the information required to fulfil its obligations; to ensure transparency by avoiding the

use of structures of an opaque nature; to respect the rules on transfer prices and to provide customers with tax information regarding the products and services contracted as early as possible. It also dictates contributing to the trade unions to which the Bank is affiliated, as long as such participation does not involve a reputational risk and collaborates with the development and implementation of more equitable and efficient legislation for the simultaneous benefit of general and business interests.

Likewise, the Board of Banco Santander Chile has defined a

catalogue of transactions of special fiscal risk; those that can be included in any of the categories of Special Fiscal Risk should be referred to the Bank's tax advisory team, which is dependent on the Intervention and Control Management Division, which in turn directs them to Banco Santander's Corporate Tax Counsel. In case of a Special Fiscal Risk, the operation is submitted to the Board for its approval through the Audit Committee.

Tax (MM\$)

	2020	2019	var % 20/19
Income before taxes	653,686	702,645	(7.0)
Price level restatement of capital ¹	(122,008)	(58,022)	110.3
Net income before tax adjusted by price level restatement	531,678	644,623	(17.5)
Statutory Tax Rate	27%	27%	
Income tax expense at Statutory Rate	(143,553)	(174,048)	(17.5)
Tax benefits ²	12,430	23,880	(47.9)
Income Tax	(131,123)	(150,168)	(12.7)
Effective tax rate	20.1%	21.4%	-131 bps

1. For tax purposes, capital is indexed to CPI inflation. The statutory tax rate is applied over net income before tax adjusted for price level restatement. / 2. Mainly includes income tax credits from property taxes paid on leased assets and the impact from fluctuations in deferred tax assets and liabilities.

1. The policies of the Bank's fiscal policy can be found at:



Economic value generated and distributed

GRI [201-1]

The economic value generated during 2020 by Banco Santander Chile was \$2,359,649 million; 12.6% less than the prior term; 47.0% of this amount is directed to capital providers payment, 19.8% for the payment of employees' salaries and benefits, 16.6% in operating expenses, 7.0% in payment of State taxes and 0.3% in contributions to the community.

Economic value (MM\$)

	2020	2019	2018
Direct economic value generated	2,061,349	2,359,649	2,314,080
Retained economic value	191,307	197,336	172,651
Distributed economic value	1,870,042	2,162,313	2,141,429
Dividends	331,256	355,141	423,611
Suppliers and other administrative costs	981,017	1,231,837	1,140,991
Human resources expenses	408,404	409,904	397,564
Income taxes accounted for in the year	131,123	150,168	165,897
CMF contribution	12,427	11,043	10,274
Investment in CSR	5,816	4,220	3,092

2020 Economic Value

0.3%

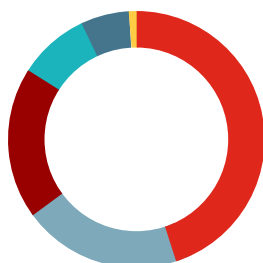
Contribution to the community

7.0%

Payments to the State

9.3%

Retained economic value



47.0%

Payment to capital providers

19.8%

Employee wages and benefits

16.6%

Operational expenses

6

Risk Management



Santander



As the leading banking entity in the country, risk management is essential to the daily activity of Banco Santander. It is the way to ensure that the organisation acts responsibly in the face of economic changes, customer demands and a new social and business environment, always in line with the corporate culture and current legal regulations.

Banco Santander Chile, aware of its leading position in the local banking industry, has placed risk management at the centre of its activity to ensure that the organisation, in its entirety, acts responsibly when facing new social contexts, economic changes, customer demands and business environment, always committed to its unwavering corporate culture and current legal regulations.

The risk management and control model is based on shared principles, a risk culture present in all the Bank areas, a solid governance structure, and advanced risk management processes and tools.



Risk Principles and Culture

Banco Santander's principles of risk management and control are mandatory, must be applied at all times, and consider both regulatory requirements and the best market practices. These are:

1. A solid risk culture (Risk Pro) abided by all collaborators, which covers all risks and promotes socially responsible management that contributes to the Bank's sustainability in the long term.
2. All employees are responsible for risk management and must know and understand the risks their daily activities create, avoiding the adoption of risks whose impact is unknown or exceeds the Bank's risk appetite limits.
3. Involvement of Senior Administration, ensuring coherent risk management and control through their conduct, actions and communication. Furthermore, they will promote a risk culture, assessing its degree of implementation and supervising the profile remains within the levels determined in Banco Santander Chile's risk appetite.
4. Independence between the risk control and risk management functions.
5. A comprehensive and anticipatory approach to risk management and control in all businesses and with all risk types.
6. Adequate and complete information management, which allows identifying, assessing, managing and communicating risks adequately to the corresponding levels.

These Santander Principles, along with a series of interrelated tools and processes in the planning of their strategy, such as the risk appetite declaration, the risk profile assessment, the scenario analysis, the risk reporting structure, and the annual budget processes, all shape a structure of holistic control for the entire Bank

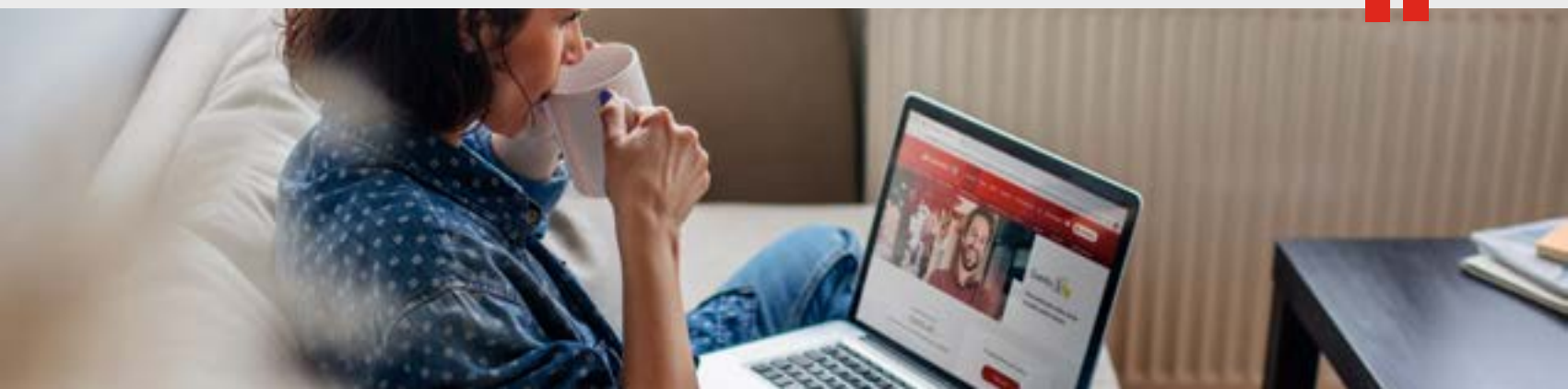
Risk Culture - Risk Pro

GRI [102-15]

Banco Santander Chile has a solid risk culture known as Risk Pro, which defines how to understand and manage risks daily. It is based on the principle that all collaborators are responsible for risk management, where their classification is critical for effective control and administration. All identified risks must be related, therefore, to the risk categories to organise management, control and related information.

In this line, Banco Santander Chile has established the following key risks in its corporate risk framework:

1. Credit Risk: this is the risk of financial loss due to failure or impairment of the credit standards of a customer or third party which the Bank has financed or with which it has undertaken a contractual obligation.
2. Liquidity Risk: It refers to the risk of the Bank not having liquid financial sources necessary to fulfil its obligations by the due date, can only obtain them at a high cost.
3. Market Risk: it is the risk that arises from fluctuations to market conditions that affect the value of the trading portfolio positions and the Bank's structural balance.
4. Operating risks: it is defined as the risk of suffering five losses due to impairment or failure in the internal procedures, personnel and systems, or external incidents, including conduct risk.



5. Reputational risk: it concerns the risk of negative actual or potential economic impact due to a detrimental perception of the Bank by its collaborators, customers, shareholders/investors and society in general.
6. Model Risk: It is the risk of loss from inexact predictions, that provoke a suboptimal decision or that a model was implemented or used in an inappropriate manner.
7. Risk of Regulatory Compliance: It is the risk of non-compliance of legal and regulatory requisites, as well the expectations of supervisors, that could result in legal and regulatory sanctions, including fines or other financial penalties.
8. Strategic Risk: The risk of loss or damages derived from strategic decisions, or its erroneous implementation, that affect the medium and long-term interests of our principal interest groups, or an incapacity to adapt to the evolution of the environment.

Additionally, Banco Santander Chile has identified the risk aspects related to transgressions against legal and regulatory requirements, as well as those supervisors' expectations that could foster legal or regulator sanctions, including fines and other economic consequences, all of which are part of the Bank's compliance field of action.

Likewise, climate change has been recognised as a risk that could aggravate existing others in the medium and long term. Therefore, the Bank has integrated into its management various initiatives to diminish its environmental impact¹.

1. See initiatives in Environmental Dimension section.

Risk Governance

The bank has a solid risk governance structure that pursues the effective control of risk profiles, according to the appetite defined by the Board, and that is based on the distribution of roles among the three lines of defence, and a solid committee structure, which is reinforced by the Risk Pro Culture that encompasses all the organisation.

Lines of Defence

Banco Santander's three-lines-of-defence model seeks to ensure the risk control and management efficacy:

→ 1st line

The first line of defence is comprised of all business lines along with all functions that originate risks.

These functions must ensure that the risks they create align with the approved appetite risk and the corresponding limits. Any unit that creates risks has the primary responsibility for that particular risk management.

→ 2nd line

It includes the Risk, Compliance and Conduct functions. Its objective is to monitor and interrogate independently the risk management activities undertaken by the first line.

These functions ensure risk management follows the appetite defined by the Board and promotes a solid risk culture throughout the organisation.

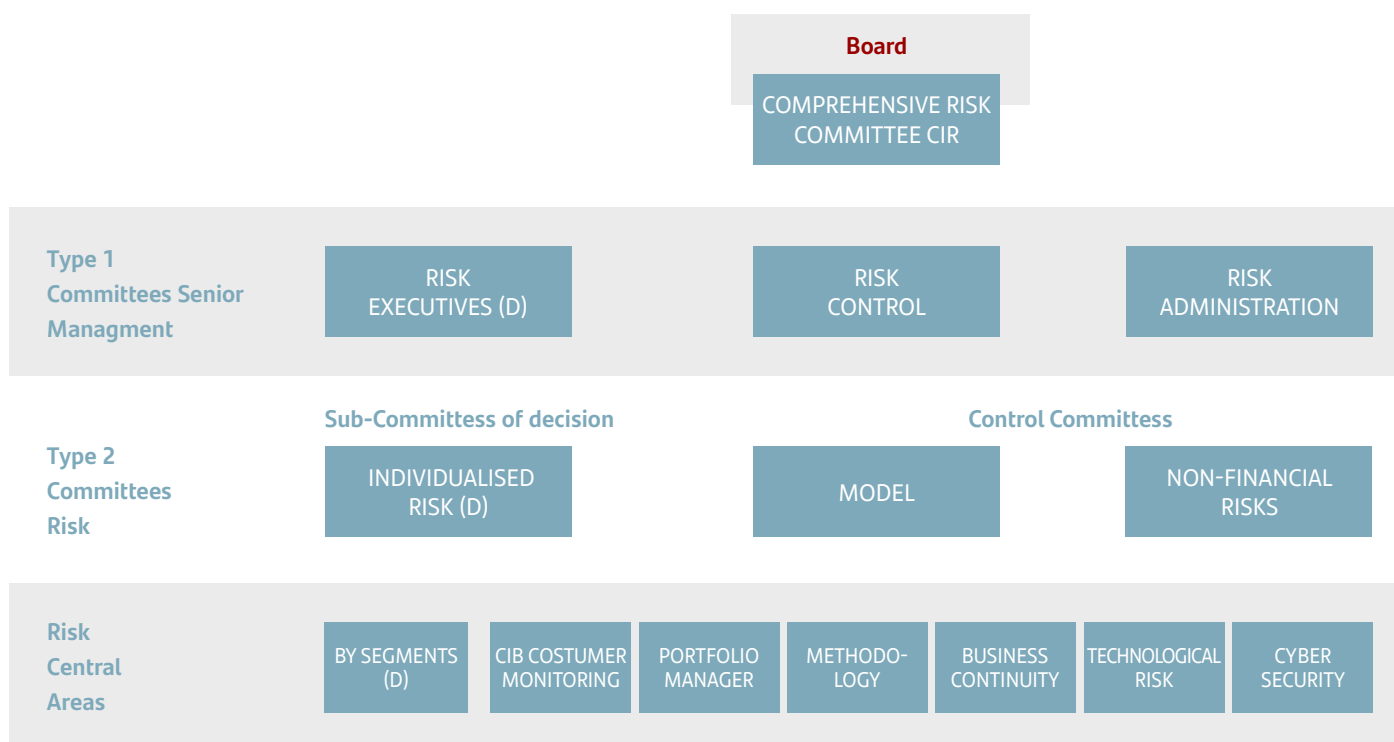
→ 3rd line

It involves the Internal Audit function, which periodically assesses that policies, methodologies, and procedures are adequate and effectively implemented to control and manage all risks.

Risk Committees Structure

The Board is the body responsible for establishing and monitoring the Bank's risk management structure, counting with a corporate governance system in line with the local regulation and international best practices.

Also, it has several high-level committees that are critical to risk management, each of which is formed by directors and executive members of Santander's administration, and which are described in detail in the Corporate Governance Section of this Annual Report. In summary, they are:



1. Comprehensive Risk Committee (CIR) of the Board is the body responsible for defining the risk appetite that the areas of business may incur, along with the revision and monitoring of all risks that could affect the Bank
2. Directors and Audit Committee (CDA) has the mission to monitor internal audit and control systems
3. The Assets and Liabilities Committee monitors and controls structural balance risks such as sensitivity, liquidity and capital.
4. The Analysis and Resolution Committee oversees risks related to money laundering.
5. The Market Committee oversees the market risks produced by the Bank's Treasury

The Risk and Internal Audit functions have an adequate separation and independence level and have direct access to the Board and its committees.

The Board delegates the identification, measurement and control of the various risks faced by the Bank to the Risk Division, an area lead by the Chief Risk Officer (CRO), which directly reports to the general manager. The CRO is responsible for overseeing all risks and interrogating and assessing the business lines with their management. Depending on this division are the areas of credit, market, non-financial, compliance and reputational risk. The director of Internal Audit reports directly to the Board's President to ensure its independence from the Senior Management, and thus, be an effective third line of defence in the internal risk control and management.

Credit Risk

Credit Risk is the most important one Santander has to confront, given the fact that over 80% of assets are loans to individuals and companies in Chile. Each year losses produced by the risk portfolio- including provisions, penalties and recovered cost nets- represent between 1% to 1.5% of all loans and take about 20% to 25% of the Bank's net interest income and readjustments. For this reason, it is vital for the success of a financial institution to count on a Risk area, solid and independent risk governance, a technologically advanced infrastructure, modern human resource management, solid loss models, advanced supervision and efficiency in collection.

Credit Risk Governance

To manage this risk, the Bank has arranged a set of credit approval committees, in which teams from the Board, the Risk Division, and the commercial areas participate to verify each credit applicant's quantitative and qualitative parameters jointly.

The Risk Division and the Risk Committee have the following roles:

- Cultivate a risk culture throughout the organisation.
- Verify the compliance to the Group's strategic objectives, depending on the assumed and potential risks, and alert management about them.
- To review the level of compliance with regulatory requirements and recommendations issued by local and external supervisors, ensuring their implementation on the stipulated dates.
- To review the adequate handling of risk by management areas, formulating, when applicable, any necessary mitigation actions under policies approved by the Board
- The monitoring, analysis and control of the limits defined in the Risk Framework and the key credit risk indicators for each area, segment or product, identifying possible sources of concern.
- The formulation of risk policies, the compliance of collateral requirements, the evaluation of credits, the rating of risks, the sending of reports, and the compliance with legal and internal regulatory requirements.
- To approve or reject credit applications, either individually or as a group, via credit scoring.
- To establish the structure for approval and review of credit applications.
- To determine the risk appetites of the Bank by client and sector, which includes limiting the concentration of exposure that counterparties may face in geographical areas or industries, as well as by issuer, credit rating and liquidity.
- To develop and maintain risk classifications and models to quantify the expected loss.

Mechanisms:

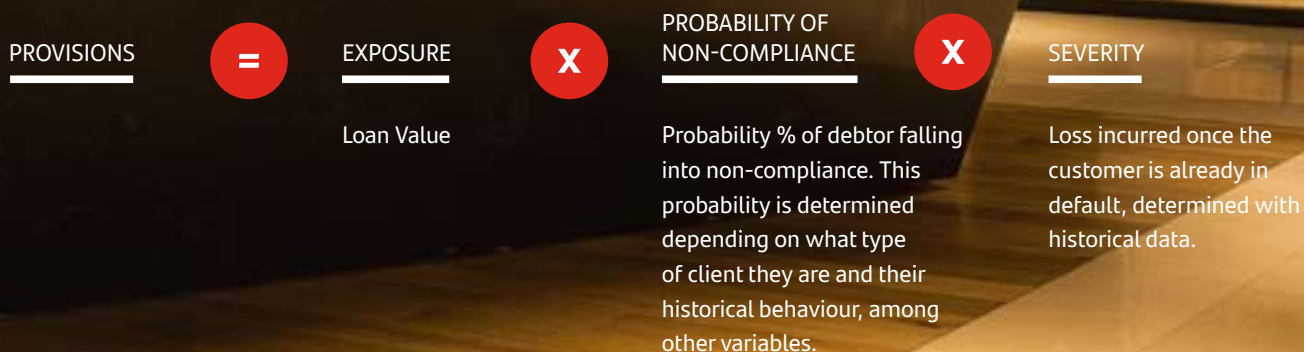
- Assignment of concentration limits to credit risk by a particular debtor, debtor group, industry segment and country. Approval levels are assigned hierarchically and are continually being reviewed.
- Determination of credit risk provisions for probable loan losses, under the instructions issued by the Financial Market Commission (CMF) in the Compendium of Financial Standards, as well as the credit rating and risk assessment models approved by the Board.

Estimation of provisions:

The estimation of provisions is based on expected loss models, in line with Chapter B1 of the CMF's Compendium of Financial Standards. The loan portfolio is divided into Group-analysed loans and loans analysed individually. Each of these has different models of provisions for consumer loans, mortgages, and commercial loans.

Banking

In a simplified way, provisions for most loans are determined using the following formula for expected loss:



Provisions for individual assessments

An individual assessment of commercial debtors is necessary according to the CMF (ex SBIF) in the case of companies that, due to their size, complexity or level of exposure, must be analysed in detail. The debtor's analysis is primarily focused on their credit quality. Then, they are classified in their corresponding risk category and their respective credit operations and contingent loans before being assigned to one of the following portfolio categories: Normal, Substandard and Impaired. Some risk factors considered in this assignation are industry or economic sector, business situation, financial situation, payment ability, and payment behaviour.

In turn, the portfolio categories and their definitions are as follows:

1. Portfolio in Standard Order: It comprises debtors with a payment ability that allows them to meet their obligations and commitments, and where the outlook foresees this condition not to change in relation to their economic and financial situation. The classifications assigned to this portfolio are categories from A1 to A6.
2. Substandard Portfolio: it includes debtors with financial difficulties or significant deterioration of their payment ability, and of which there is reasonable doubt concerning the future reimbursement of the capital and interest within the contractual terms, with limited ability to meet short-term financial obligations. The classifications assigned to this portfolio are categories from B1 to B4.
3. Impaired Portfolio: it includes debtors and related loans where recovery is considered remote, as they display a reduced or null repayment capacity; This portfolio includes debtors who have stopped paying their loans or show clear signs they will stop paying, as well as those who require forced debt restructuring that reduces the obligation or delays the instalment of the primary credit or interests; and any other debtor who is beyond 90 days overdue in his payment of interest or capital. The classifications assigned to this portfolio are categories from C1 to C6.

Standard and Substandard Compliance Portfolio

As part of debtors' individual assessment, the Bank classifies them into the following categories, assigning them a probability percentage of non-performance and subsequent non-performance loss, which results in the expected loss percentages.

Portfolio	Debtor's Category	Probability of Non-Performance (%)	Severity (%)	Expected Loss (%)
Normal portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard Portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

Impaired Portfolio

The impaired portfolio comprises all loans and the entire value of contingent loans of those debtors that by the end of the months are over 90 days overdue on the payment of interests or any credit capital. It also includes debtors who have been granted a loan to refinance placements over 60 days due, as well as debtors who have undergone forced restructuring or partial debt condonation.

Classification	Estimated range of loss	Allowance
C1	Up to 3%	2%
C2	Greater than 3% and less than 20%	10%
C3	Greater than 20% and less than 30%	25%
C4	Greater than 30% and less than 50%	40%
C5	Greater than 50% and less than 80%	65%
C6	Greater than 80%	90%

To constitute the provisions for an impaired portfolio, firstly, the expected loss rate is determined by deducting amounts susceptible to being recovered through available financial collaterals and the present value of recoveries obtained through collection services after related expenses. Once the expected loss range is determined, the corresponding provision percentage is applied over the exposure amount, which encompasses credits and contingent loans of the same debtor.

The provision rates applied over the calculated exposure are as follows:

All of the debtor's loans are to be maintained in the impaired portfolio

until their payment ability or conduct is normalised, irrespective of penalty procedures of each loan, particularly those that meet the conditions of Title II of Chapter B-2 of the CNC. To remove the debtor from this portfolio once the circumstances that led to such classification are overcome, the following concomitant conditions must be met:

- i. The debtor has no obligations with the Bank beyond 30 days overdue.
- ii. The debtor has not been granted refinanced loans to pay its obligations.
- iii. At least one of the payments include the amortisation of capital.
- iv. If the debtor has made partial loan payments within the prior six months, two payments must already have been made.
- v. If the debtor must pay monthly instalments for one or more loans, he has paid four consecutive instalments already.
- vi. The debtor does not appear to have unpaid debts in the CMF (Ex SBIF) information, except for insignificant amounts.

Provisions for Group Assessments

Group evaluations help tackle a high number of operations that have low balances and relate to natural persons or small companies. To determine these provisions, group assessments require the formation of loan groups with similar characteristics in terms of debtor type and loan conditions to establish both the group payment behaviour and the recoveries of their defaulted loans, using technically substantiated estimates and prudential criteria. The model used is based on the debtor's characteristics, payment history, outstanding loans and default, among other relevant factors.

The Bank uses methodologies to determine credit risk based on internal and/or standard models to estimate the group-evaluated portfolio's provisions. This portfolio includes commercial loans with debtors that are not assessed individually, mortgage and consumer loans (including instalment loans, credit cards and overdraft lines). This methodology allows the Bank to independently identify the portfolio behaviour and establish the provision required to cover losses manifested within one year starting from the balance date.

The customers are segmented according to their internal and external characteristics into profiles or banks to differentiate each portfolio's risk appropriately (customer-portfolio model). This is known as the profile allocation method, which is based on a statistical construction model that, through logistic regression, establishes relations between variables such as default, external behaviour and socio-demographic data, among others, and a response variable that determines the client's risk, in this case the over 90-days delay. After this, common profiles are defined and assigned a Probability of Non-Performance (PNP) and a recovery rate based on a historical analysis known as non-performance expected loss (NPEL).

Once the customers have been classified and the loan's profile assigned a PNP and NPEL, the default exposure is calculated. This calculation includes the book value of the loans and accounts

receivable from the customer, plus contingent loans, minus any imports that can be recovered by executing collaterals (for credits other than consumer loans).

Notwithstanding the above, to constitute provisions concerning commercial and housing loans, the Bank must recognise minimum provisions adhering to the standard method established by the CMF (ex SBIF) for this type of loan. While this is considered a prudent minimum base defined by the standard model, it does not relieve the Bank of its responsibility to have its own methodologies for determining sufficient provisions protecting the portfolio's credit risk.

Standard method of residential mortgage loan provisions

Following Circular No. 3.573 issued by the CMF (Ex SBIF), the Bank began applying the standard method of provisions for housing mortgage loans. According to this method, the expected loss factor applicable to residential mortgage loans will depend on each loan's default and the ratio of each loan's outstanding capital over their mortgage collateral value (Loans to Value, LTV) at the end of each month.

The provisional rate applied according to default and LTV are the following

In case a debtor has more than one housing mortgage loan with the Bank, and one of them is over 90 days due, all their loans will be allocated to the impaired portfolio, calculating each of their provisions depending on their respective LTV percentage.

For housing mortgage loans related to residential programs and grants from the Chilean government, as long as they have a contractual housing foreclosure insurance provided by the latter, the provision rate may be weighted by a factor of loss mitigation (LM), which depends on the LTV percentage and the price of the property in the deed of sale (S).

LTV Range	Default days at month closing	0	1-29	30-59	60-89	Impaired portfolio
LTV≤40%	PNP(%)	1.0916	21.3407	46.0536	75.1614	100
	Severity (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	Expected Loss (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40%<LTV≤80%	PNP(%)	1.9158	27.4332	52.0824	78.9511	100
	Severity (%)	2.1955	2.8233	2.9192	2.9192	3,0413
	Expected Loss (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80%<LTV≤90%	PNP(%)	2.5150	27.9300	52.5800	79.6952	100
	Severity (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	Expected Loss (%)	0.5421	6.0496	11.5255	17.6390	22.2310
LTV>90%	PNP(%)	2.7400	28.4300	53.0800	80.3677	100
	Severity (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	Expected Loss (%)	0.7453	8.2532	15.7064	24.2355	30.2436

LTV= Loan capital/ value of guarantee.

Método estándar de provisiones para cartera comercial

In agreement to Minutes N°3,638 and N°3,647, starting the 1st of July 2019, Banco Santander began applying a standard provisions model for commercial loans of group portfolios, as applicable to commercial leasing, student instalments and other types of commercial loans. The primary group models used by the Bank are:

Commercial Leasing Operations.

For these operations, the provision factor must be applied over the commercial leasing operations' real value (including the purchasing option) and will depend on each operation's default, the type of leasing, and the ratio of the operation's real value over the leased asset value (PVB), as shown in the following tables:

Probability of Non-Performing (PNP) applicable according to default and type of assets (%)

Default days at the end of the month	Type of asset	
	Real estate	Non-real estate
0	0.79	1.61
1-29	7.94	12.02
30-59	28.76	40.88
60-89	58.76	69.38
Non-performing Portfolio	100.00	100.00

Non-Performing Loss (NPEL) applicable according to PVB segment and type of asset

PVB Segment*	Real estate	Non-real estate
PVB ≤ 40%	0.05	18.2
40% < PVB ≤ 50%	0.05	57.00
50% < PVB ≤ 80%	5.10	68.40
80% < PVB ≤ 90%	23.20	75.10
PVB > 90%	36.20	78.90

* PVB=actual operation value/leased value of the asset.

The PVB relation will be determined considering the rate value expressed in UF for real estate assets and in Pesos for non-real estate ones, which are recorded at the respective loan consignment, considering eventualities that could at the moment be generating temporary hikes in the asset prices.

General commercial Loans and factoring

For factoring operations and all other commercial loans, the provision rate applicable to the loan amount and the contingent credit exposure will depend on each operation's default and the existing relation between the debtor's obligations to the Bank and the value of their security-rights (PVTG), as shown in the following tables:

Probability of non-performance (PNP) applicable by default and PVTG segment (%)

Default days by the end of the month	With collateral		No collaterals
	PTVG ≤ 100%	PTVG > 100%	
0	1.86	2.68	4.91
1-29	11.60	13.45	22.93
30-59	25.33	26.92	45.30
60-89	41.31	41.31	61.63
Cartera en incumplimiento	100.00	100.00	100.00

Non-Performance Loss (NPEL) applicable by PVTG segment (%)

Collaterals (with/without)	PVTG Segment	General commercial operations or factoring with no responsibility on the transferor	Factoring with responsibility on the transferor
With collaterals	PTVG ≤ 60%	5.0	3.2
	60% < PTVG ≤ 75%	20.3	12.8
	75% < PTVG ≤ 90%	32.2	20.3
	90% < PTVG	43.0	27.1
Without collaterals		56.9	35.9



The collaterals employed to calculate the PVTG relation of this method can be specific or general in character, including those simultaneously specific and general. Collateral will only be considered if, depending on its corresponding insurance clauses, it constituted a first-degree preference in the Bank's favour and only if it secures loans charged to the debtor (not shared with other debtors). No invoices assigned in the factoring operations nor the collaterals related to housing loans of the mortgage portfolio will be considered in the calculation independent of their coverage clauses

For the PVTG ratio calculation, the following consideration must be considered:

- i. Specific collateralised Operations: when the debtor granted specific collaterals for the general commercial loans and factoring, the PVTG ratio is calculated independently to each secured operation, like the division of the loan amount over the contingent credit exposure, and their corresponding collateral value
- ii. General collateralised operations: when the debtor offers general collaterals or general and specific collaterals, the Bank calculates the corresponding PVTG of all known commercial loans and factoring together and not contemplated on the last numeral point (I), such as the division of all loans and contingent loan exposures and general or general and specific collaterals that, applicable to the reach of other coverage clauses, protect the considered credits in the above numeral point.

The number of collaterals employed in the PVTG ratios in the numerals I and II must be determined according to:

- The last collateral valuation, be it rating or fair value, depending on the collateral type. The criteria indicated in chapters 7-12 of the updated Regulation Compendium must be considered to determine the fair value.
- Eventual situations that could be originating temporary hikes in security-rights values
- Limits to the coverage established in their respective clauses.

Additional provisions

According to CMF (ex SBIF) regulation, banks are allowed to establish provisions above the limits previously described, to protect themselves from the risk of non-predictable economical fluctuations that could affect the macro-economic environment or a specific economic sector. According to No. 9 of Chapter B-1 from the CMF Compendium of Accounting Standards, these provisions will be recorded in liabilities.

The Bank's Board has approved the constitution of additional voluntary provisions in 2020, mainly intending to ameliorate the current sanitary crisis's future effects on the Bank's loan portfolio. These are the dates and amounts approved.

- December 2019 for Ch\$16,000 million (social upheaval)
- June 2020 for Ch\$30,000 million
- July 2020 for Ch\$30,000 million
- October 2020, for Ch\$ 25,000 million
- December 2020, for Ch\$25,000 million

The mentioned additional provisions amounting to Ch\$126,000 million were distributed in Ch\$90,000 million for provisions of the loan portfolio, Ch\$10,000 million for the mortgage portfolio provisions and Ch\$26,000 million for consumer portfolio provisions.



→ Covid-19 Solutions

On the 23rd of March 2020, the CMF published a set of measures destined to provide the financial system with more flexibility:

- Regulatory treatment that eases the possibility to delay in up to three instalments the payment of mortgage loans
- Easing for Banks to relax loan terms for SMEs debtors up to six months
- The possibility to use secured mortgage-loans surpluses to guarantee SMEs loans

Meanwhile the 2nd of April 2020, the CMF published additional temporary measures for the treatment of provisions. The new measures seek to offer an accounting framework for loan restructuring, ease their conditions, and avoid higher provisions. This exceptional treatment was in force until the 31st of July 2020 and considered freezing of provisions in the following situations:

- **Mortgage:** maximum grace period or extension of six-month dividends for those debtors that are up to date or have a delay of no more than 30 days within the indicated valid period
- **Commercial:** maximum grace period or extension is of four months for those debtors that are up to date or have a delay of no more than 30 days or an instalment within the valid period
- **Consumer:** maximum grace period or extension of three months for those debtors that are up to date or have a delay of no more than 30 days within the indicated valid period.

On the 12th of April 2020, the Government of Chile announced a programme, prior to an agreement with the major banks

in the country, to give access to COVID-19 Small Entrepreneurs Fund Collateral (FOGAPE) lines that provide working capital funding with improved conditions (rates and grace period) to natural or legal persons that are entrepreneurs or companies that have been affected by the pandemic. Concerning the loans granted under the FOGAPE Covid-19 programme, the provisions of the debtor's loans placements that are reprogrammed and comply with the stated conditions will remain constant throughout the grace period and the restructuring that the financial institution offers them for up to six months. The Bank, in turn, has conducted exhaustive revisions over the restructured portfolio and the FOGAPE operations and has decided to constitute additional provisions.

On the 17th of July 2020, the CMF requested to determine the specific provisions to loans under the FOGAPE Covid-19 security-rights, for which the expected losses shall be determined, estimating each operation's risk, without considering the substitution of the guarantee's credit quality, applicable under the corresponding individual or group analysis, according to the Chapter B-1 from the CMF Compendium of Accounting Standards.

This calculation must be undertaken in an aggregate manner, grouping all those transactions under the same deductible percentage. Therefore, the total amount of expected losses resulting from the aggregate calculation of each operations bank must be contrasted to the corresponding total deductible percentage and proceed as follows:

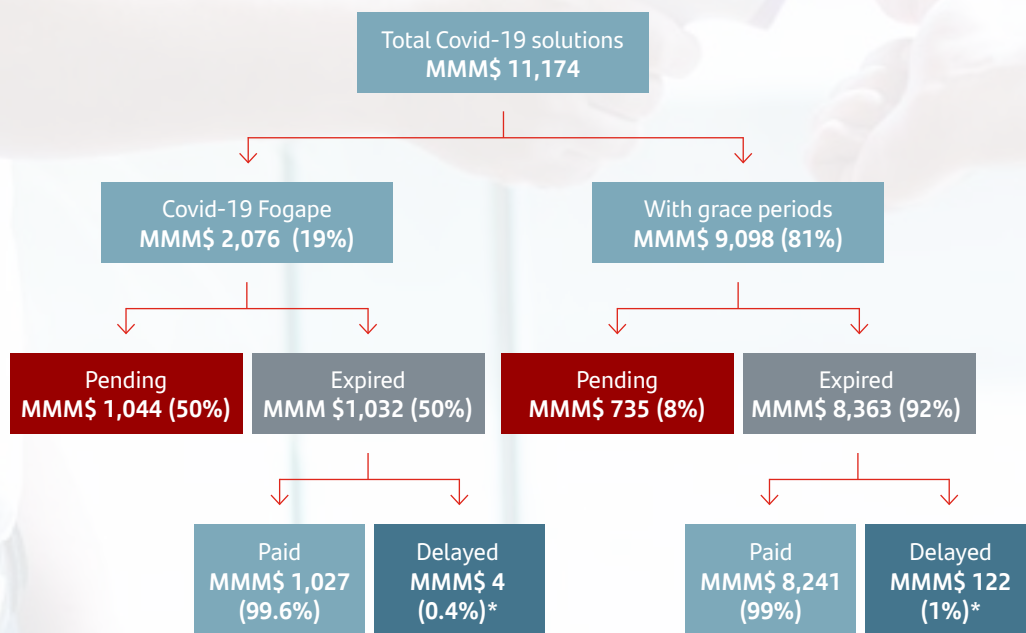
when expected losses of a bank's operations to which the same deductible percentage applies, provisions will be determined without considering the FOGAPE-19 insurance, that is, without substituting the direct debtor's credit quality for the guarantee; when these are higher than the deductible aggregate amount, the provisions will be determined based on a substitution method detailed in numeral 4.1 letter a) of chapter B-1 from the CMF Compendium of Accounting Standards, and will be considered separate to commercial, consumer and

housing provisions. By the 31st of December 2020, the Bank had constituted provisions amounting to MCh \$35,879.

These aid measures provided by the Bank in the pandemic's current context are classified in new operations offered under FOGAPE guarantees and reprogrammed transactions: The restructuring primarily affected mortgaging operations and included capital, interests, readjustments and insurance reprogramming. The restructured placements were added by the end of the original transaction due date.

Favorable evolution of asset quality of Covid-19 solutions

As of December 31, 2020



* Contains second period of 3-month grace period (3+3).

Credit Risk Indicators

Portfolio composition

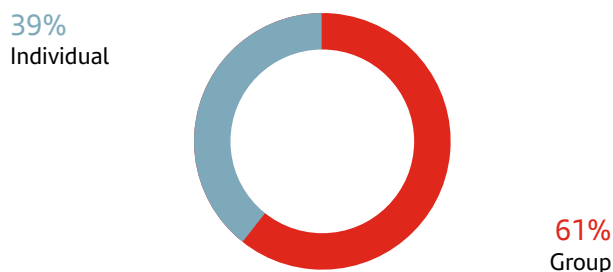
As of the 31st of December 2020, the composition of the loan portfolio is as follows:

As of the 31st of December, 2020	Assets before provisions			Established Provisions				Asset Net balance MCh\$
	Normal Portfolio MCh\$	Substandard Portfolio MCh\$	Impaired Portfolio MCh\$	Total MCh\$	Individual Provisions MM\$	Group Provisions MM\$	Total MCh\$	
Commercial loans								
Commercial loans	12,080,177	700,855	778,863	13,559,895	(268,296)	(252,388)	(520,684)	13,039,211
Foreign trade loans	1,002,748	195,262	41,261	1,239,271	(56,499)	(3,513)	(60,012)	1,179,259
Checking accounts debtors	104,216	9,389	12,005	125,610	(4,553)	(7,225)	(11,778)	113,832
Factoring transactions	488,633	5,195	3,851	497,679	(5,839)	(653)	(6,492)	491,187
Student Loans	56,040	-	7,340	63,380	-	(3,630)	(3,630)	59,750
Leasing transactions	1,119,641	153,005	82,511	1,355,157	(17,001)	(8,002)	(25,003)	1,330,154
Other loans and account receivable	171,523	2,172	22,849	196,544	(5,461)	(13,629)	(19,090)	177,454
Subtotal	15,022,978	1,065,878	948,680	17,037,536	(357,649)	(289,040)	(646,689)	16,390,847
Mortgage loans								
Loans with mortgage finance bonds	7,428	-	381	7,809	-	(45)	(45)	7,764
Mortgage mutual loans	91,115	-	1,845	92,960	-	(329)	(329)	92,631
Other mortgage mutual loans	11,906,388	-	404,668	12,311,056	-	(60,907)	(60,907)	12,250,149
Subtotal	12,004,931	-	406,894	12,411,825	-	(61,281)	(61,281)	12,350,544
Consumer loans								
Instalment consumer loans	3,454,520	-	234,072	3,688,592	-	(247,223)	(247,223)	3,441,369
Credit card balances	1,118,130	-	7,778	1,125,908	-	(16,923)	(16,923)	1,108,985
Leasing transactions	3,105	-	16	3,121	-	(35)	(35)	3,086
Other consumer loans	121,411	-	1,847	123,258	-	(4,660)	(4,660)	118,598
Subtotal	4,697,166	-	243,713	4,940,879	-	(268,841)	(268,841)	4,672,038
Total	31,725,075	1,065,878	1,599,287	34,390,240	(357,649)	(619,162)	(976,811)	33,413,429

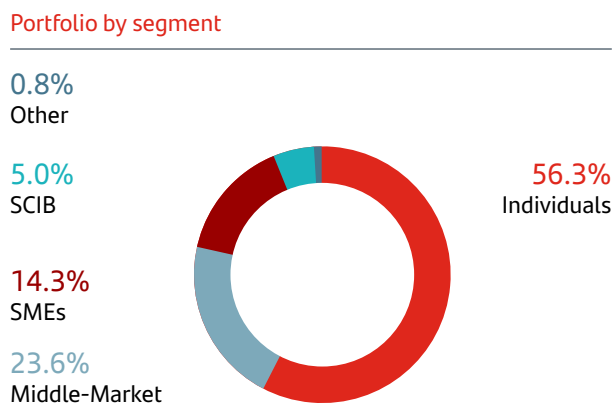
Note: provisions do not include additional provisions recognised in 2020.

By economic sector, the Bank is highly diversified, with no particular industry representing a significant portion, therefore increasing the possibility of maintaining a stable loan book through time.

At the end of 2020, the Bank's analysed group portfolio, including contingent loans, was MCh\$ 22,403,587. By the same date, the examined individual or personalised portfolio, including contingent loans, was of MCh\$14,336,011.

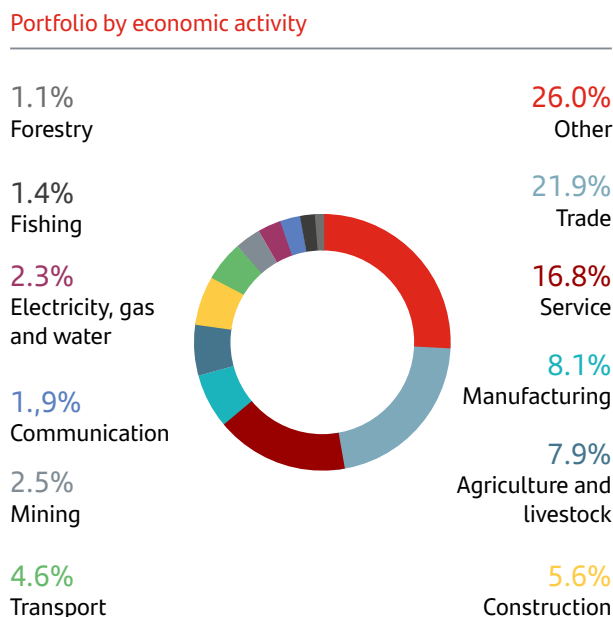


The Bank's portfolio is also highly diversified in terms of business segments. 56% of the portfolio correspond to loans to individual people, primarily consumer and housing loans. The rest of the portfolio is divided into different business segments, with SMEs representing 14.3%, Middle-Market 23.6% and SCIB 5%.



The Bank's portfolio is highly diversified by economic activity, not presenting a significant percentage within any particular industry, which increases the possibility of having a stable portfolio over time.

The sub-sectors most affected by the pandemic were airlines, hotels, recreation, travel, restaurants and fuels. The individual clients in these sectors represent only 1% of the total portfolio at the end of 2020. Finally, the greatest 20 expositions by Economic Bank only represented 6.8% of the Bank's total portfolio, which also shows a good level of diversification and concentration.



Debtor Credit Standards (MM\$)

	2020	2019	Var. % o pb
Total Loans	34,409,170	32,731,735	5.1%
Consumer	4,940,879	5,539,057	(10.8%)
Housing	12,411,825	11,262,995	10.2%
Commercial	17,037,536	15,914,831	7.1%
Interbank	18,926	14,852	27.4%
Total loans according to B1 chap, classification	34,409,170	32,731,735	5.1%
Normal	31,744,001	30,130,221	5.4%
Substandard	1,065,878	906,095	17.6%
Non-Performing	1,599,287	1,695,419	(5.7%)
Consumer	4,940,879	5,539,057	(10.8%)
Normal	4,697,166	5,258,137	(10.7%)
Substandard	-	-	
Non-performing (impaired)	243,713	280,920	(13.2%)
Housing	12,411,825	11,262,995	10.2%
Normal	12,004,931	10,733,871	11.8%
Substandard	-	-	
Non-performing (impaired)	406,894	529,124	(23.1%)
Commercial	17,037,536	15,914,831	7.1%
Normal	15,022,978	14,123,361	6.4%
Substandard	1,065,878	906,095	17.6%
Non-performing	948,680	885,375	7.2%
Loan per B¹ classification %			
Normal	92.3%	92.1%	20 bp
Substandard	3.1%	2.8%	33 bp
Non-compliance	4.6%	5.2%	(53 bp)
Portfolio in deterioration²	1,789,983	1,916,609	(6.6%)
Consumer	243,713	280,920	(13.2%)
Housing	406,894	529,124	(23.1%)
Commercial	1,139,376	1,106,565	3.0%
Impaired Loans over total%	5.2%	5.9%	(65 bp)
Consumer	4.9%	5.1%	(14 bp)
Housing	3.3%	4.7%	(142 bp)
Commercial	6.7%	7.0%	(27 bp)

1. Includes interbank.

2. Portfolio in deterioration for consumer and housing loans corresponds to default portfolios. In individuals' cases, it includes loans on the 'non-compliance portfolio' and those that must be classified in the B3 and B4 categories of the substandard portfolio.

	2020	2019	Var. % o pb
Non-performing Loans³	486,435	671,336	(27.5%)
Consumer	46,428	91,264	(49.1%)
Housing	108,625	179,863	(39.6%)
Commercial	331,382	400,209	(17.2%)
Non-performing loans over total%	1.4%	2.1%	(64 bp)
Consumer	0.9%	1.6%	(71 bp)
Housing	0.9%	1.6%	(72 bp)
Commercial	1.9%	2.5%	(57 bp)
Provisions in balance⁴	1,102,821	909,167	21.3%
Consumer	294,841	328,245	(10.2%)
Housing	71,281	68,461	4.1%
Commercial	736,689	512,442	43.8%
Expected Loss⁵	3.2%	2.8%	43 bp
Consumer	6.0%	5.9%	4 bp
Mortgage	0.6%	0.6%	(3 bp)
Commercial	4.3%	3.2%	110 bp
Non-performing portfolio coverage⁶	226.7%	135.4%	9,129 bp
Consumer	635.0%	359.7%	27,538 bp
Mortgage	65.6%	38.1%	2,756 bp
Commercial	222.3%	128.0%	9,426 bp

3. Portfolio with at least one placement beyond 90 days overdue

4. Provisions in balance including additional over loans

5. Provisions in balance, including additional over the non-performing portfolio.

During 2020 credit risk was focused on the pandemic's effects. Notwithstanding how Chile's GDP fell by around 6% during 2020, the Bank's credit standard had a lower deterioration than expected. This is explained by progress done on prior periods in the policies and risk appetites, low credit exposure to lower-income segments, and the SMEs and people's support programmes driven by authorities and regulators.

In 2020, the Bank's 90 days overdue non-performing portfolio decreased by 27.5%, with the 49.1% fall in

consumption and the 39.6% in mortgage being of note. Thus, the non-performing over total portfolio ratio decreased from 2.1% in 2019 to 1.4% in 2020. The deterioration index of the total portfolio also had positive evolution throughout 2020: it dropped from 5.9% of the portfolio in 2019 to 5.2% at the end of 2020.

Despite this promising evolution of risk indicators, the Bank prudentially increased coverage and expected loss by recognising additional provisions. This is also reflected in the 17.6% increase in the Substandard portfolio, which went from 2.8% of the

total portfolio in 2019 to 3.1% in 2020. During 2020, the expected loss indicator, defined as provisions in balance added to additional provisions over total loans, reached 3.2% compared to the .8% towards 2019's end. The granting of provisions in the balance, again including additional provisions, reached Ch\$1,102,821 million, which meant a 21.3% increase over 2019's ending figure.

With these efforts, the coverage measured as provisions in balance over non-performing portfolio went from 135.4% in 2019 to a historical record of 226.7% in 2020.





Consumer Portfolio

At the end of 2020, the consumer portfolio's main risk indicators displayed a positive annual evolution. This is explained by the Bank's low exposure to customers with lower incomes in their consumer portfolio. This was compounded with the positive impact of the pension fund withdrawals on risk indicators, which improved the payment behaviour despite the pandemic and the unemployment increase.

In fact, the consumer impaired and non-performing portfolios decreased by 13.2% and 49.1%, respectively, in 2020. Thus, the ratio of the deteriorating consumer portfolio over total consumer loans decreased from 5.1% in 2019 to 4.9% in 2020. The non-performing portfolio over the total consumer portfolio also fell from 1.6% in 2019 to 0.9% in 2020. The majority of regulatory grace period granted for consumer loans expired in August and September; Thus, the non-performing indicators also reflect the positive payment behaviour after the grace period expiration dates.

Notwithstanding this favourable evolution, the Bank, supported by the Board, has included in the balance Ch\$26,000 million in additional provisions into the consumer portfolio for 2020, in light of the higher uncertainty in Chile due to the pandemic. With this, the non-performing consumer portfolio coverage reached a record 635% level, and the expected loss of this portfolio was placed at 6.0% against 2019's 5.9%.

Housing Portfolio

Like the consumer portfolio, the mortgage loan portfolio for housing showed a positive annual evolution towards the end of 2020. This is explained by the growing trend in this segment's middle and high incomes and the positive effect of the pension fund withdrawal on these loans' payment behaviour.

The deteriorated and the non-performing mortgage portfolio decreased 23.1% and 39.6% respectively in 2020. Thus, the ratio of deteriorating housing loans over total ones diminished from 4.7% in 2019 to 3.3% in 2020. The ratio of the non-performing mortgage loans over the total mortgage portfolio decreased from 1.6% in

2019 to 0.9% in 2020. Together with the Bank's customers' good payment behaviour, the grace periods granted by authorities also affected the improvement of risk indicators on this portfolio.

Even though the default rates of this portfolio showed a favourable evolution, the Bank proactively, through the recognition of additional provisions for Ch\$10,000 million, increased the non-performing portfolio's coverage; in turn, the expected loss was placed at 0.6%

Commercial Portfolio

The total commercial portfolio's impairment indicator also recorded a positive evolution throughout 2020, though in a lower proportion to the consumer and housing portfolios. The pandemic's most significant effects were reflected in this commercial portfolio, especially within the most affected sectors, such as commerce, tourism, hotels, entertainment, and transport.

For commercial loans, the impaired portfolio includes de non-performing portfolio, the group analysis of the restructured portfolio for customers, and in the case of debtors subject to individualised analysis, the loans of the 'non-compliance portfolio', and those classified in the B3 and B4 categories of the substandard portfolio. The total deteriorating commercial portfolio increased by 3.0%, reaching 6.7% by the end of 2020.

The commercial non-performing portfolio decreased by 49.1% in 2020. The ratio of the non-performing loans over the total commercial portfolio decreased from 2.5% in 2019 to 1.9% in 2020. The six-month grace periods available for this portfolio compounded to FOGAPE loans favourably affected these indicators.

Even though this portfolio's default rates showed a positive evolution, the Bank proactively granted additional provisions to this portfolio for Ch\$90,000 million during 2020. Furthermore, as of the 31st of December 2020, the Bank constituted provisions for Ch\$35,879 million to cover expected losses of the deductible included in FOGAPE operations, given throughout 2020. With this, the non-performing commercial portfolio's coverage reached 222.3%, and the predicted loss was placed at 4.3% by 2020's end.

Market Risk

Four significant market risks may affect the Bank: exchange rate, inflation, interest and liquidity.

Market Risk Governance

The measurement and control of market risks are the responsibility of the Market Risk Management, which is part of the Risk Division. The limits are approved by the various committees in charge, though primarily by the Market Committee and the Asset and Liabilities Committee. Main market risks are also reviewed by the Comprehensive Risk Committee

The Finance Division, through Financial Administration Management, is the area in charge of administering the Bank's balance sheet, especially concerning liquidity and sensitivity analysis. This unit has the following functions, which are supervised and controlled by the ALCO and the Risk Division:

Optimisation of the cost of liabilities, seeking the most efficient financing strategies, including the issuance of bonds and bank lines.

To handle short- and long-term liquidity regulatory limits.

Management of inflation risk.

To manage the risk of local and foreign currency rates.

For the Bank's structural balance sheet, the sensitivity rates are measured using, primarily, a sensitivity analysis quantifying the impact on results and the balance of shifts parallel to the real and nominal interest rate curve and in Pesos and US Dollars.

The Treasury, through the Corporate and Investment Banking Division, is the area in charge of managing the Bank's trading portfolios and of remaining within the determined expected loss limits, calculated and estimated by the Market Risk Management.

To measure and control the exchange rate market risks of exchange rate and sensitivity to interest rates of the trading portfolio, the Bank uses the Value-at-Risk (VaR) methodology. In the Bank's calculations, the VaR is the maximum loss of a day in which the Bank could expect to suffer in a particular portfolio with a 99,00% confidence level. In other words, it is the loss that the Bank would expect to exceed only 1,0% of the time.

Liquidity Risk

The Finance Division manages the liquidity risk through a portfolio of liquid assets to ensure the Bank always keeps sufficient liquidity to cover short-term fluctuations and long-term financing and adhere to regulatory, internal liquidity requirements.

High-Quality Liquid Assets

High-Quality Liquid Assets (HQLA) are an essential component of liquidity risk management. They consist of balance sheet assets, mainly composed of financial investments that are not provided as collateral, have low credit risk, and have a deep secondary market.

According to the Basel III standards, these assets are divided into three levels, with Tier 1 assets being the most liquid and Tier 3 assets being the least liquid. As of the 31st of December 2020, the Bank's HQLA amounted to MCh\$3,491,811, corresponding primarily to Level 1 liquid assets, mainly composed of bonds of the Republic of Chile, of the Central Bank of Chile, and the US Treasury.

HQLA (MM\$)	2020	2019
Tier 1: available	988,320	1,305,534
Tier 1: fixed income	2,490,810	2,452,599
Tier 2: fixed income	12,681	15,105
Total	3,491,811	3,773,238

In terms of liquidity, the main metrics that manages the Finance Division of the Bank are:

1. 30 and to 60 days Regulatory Liquidity Ratio.
2. Liquidity Coverage Ratio (LCR).
3. Net Stable Finance Ratio (NSFR).

30 and to 60 days Regulatory Liquidity Ratio.

The Regulatory Liquidity Index measures and limits net capital inflows and net income. According to current regulations, the 30-day mismatch may not exceed by an amount more than once the Bank's core capital, and the 90-day mismatch may not exceed it by an amount more than twice. As of the 31st of December 2020, the 30-day indicator reached 57%, and the 90- days indicator represented 45%, amply meeting the requirements of both terms.

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is a measurement of liquid assets over net outflows at 30 days. It is used by banks globally as part of the Basel III standards. Chilean banks were required to use it beginning 2019, with a minimum level of 60%, which will gradually be increased up to 100% by 2023. For the 2021 period, a minimum 80% level will be required.

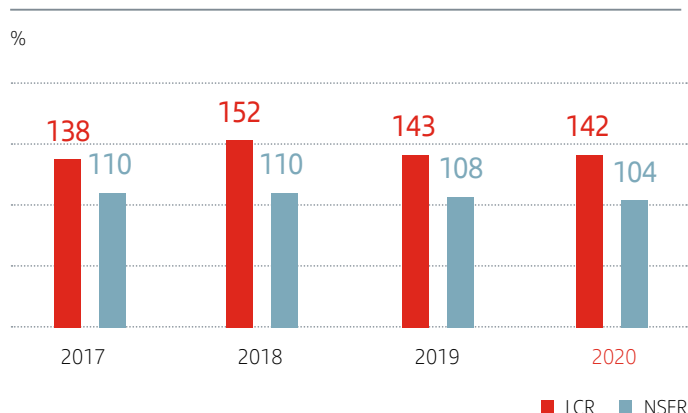
The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. To this end, the LCR ensures that banks have an adequate fund of high-quality liquid assets (HQLA) free of charge, which can be easily and immediately converted into cash in private markets to meet short-term liquidity needs.

At the end of 2020, Banco Santander Chile's Liquidity Coverage Ratio (LCR) indicator stood at 142%, well above the minimum required by the current standard and already above the 100% needed 2023. This reflects the conservative liquidity policies imposed by the Board through the Asset and Liabilities Committee.

Net Stable Funding Ratio (NSFR)

This indicator is required by the Basel III standards and provides a sustainable maturity structure for assets and liabilities, allowing banks to maintain a stable funding profile with their activities. As of the 31st of December 2020, the NSFR stood at 104%. The Central Bank and the CMF still do not define a limit to be met by banks for this index.

LCR and NSFR



Liquidity measures implemented by the Central Bank of Chile due to the COVID-19 pandemic

In answer to the Covid-19 pandemic, the Central Bank of Chile offered banks two credit lines to reinforce their liquidity for a total of US\$ 24 billion for the entire banking system. These credit lines accrue interests from the Central Bank's Monetary Policy Rate (MPR), which was at 0.5% as of the 31st of December 2020. Adhering to these credit lines, a bank can borrow up to 3% of the aggregate amount of their commercial loan portfolios as of the 29th of February 2020 and can borrow up to 12% additionally if they use the funds to grant loans to businesses and individuals. The first credit line is a line available conditional to loan increments (FCIC) to ensure that banks will continue to finance households and companies in Chile. Under the second credit line, the placements can have expiration dates of up to four years and must be secured by government bonds, corporate bonds, or large high-quality commercial loans as collateral. The loans granted under the second credit line, LCL, are not secured and can have up to two years before expiration.

Furthermore, a bank's loans per the LCL are limited to the bank's reserve requirements. Finally, these credit lines are destined to ensure banks have ample liquidity allowing them to continue financing SMEs and middle-market companies. As of the 31st of December 2020, the Bank had borrowed Ch\$ 4,959,60 million (US\$ 7 billion) under these credit lines, or 9.5% of their total liability.

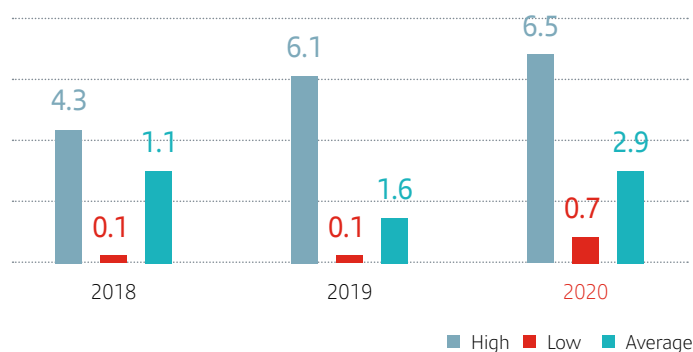
Exchange rate risk

Under the rules established by the Asset and Liabilities Committee (ALCO) and the Market Committee, the Bank must not have significant exposure to foreign currencies; therefore, almost all exchange rate risk is included in the trading book the Treasury manages and is measured and controlled with Value at Risk (VaR) limits.

In 2020 on average, the VaR of the exchange rate was de US\$ 2.9 billion, with a maximum level of de US\$ 6.5 million and a minimum level of de US\$ 0.7 million, always within the determined limits.

Exchange Rate VaR

US\$MM



Interest Rate Risk

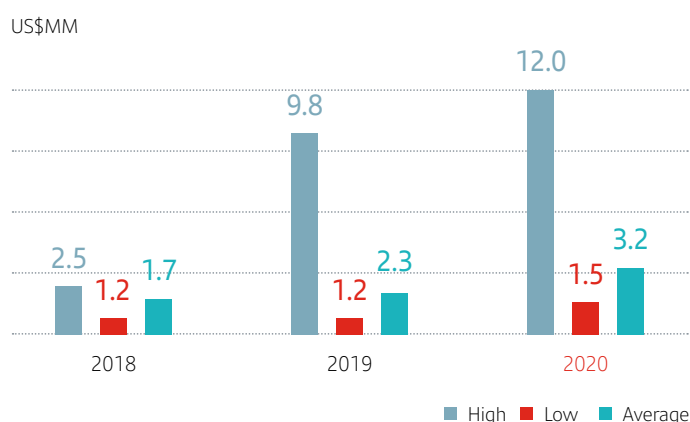
For the financial management portfolio, the Bank has more liabilities than assets exposed to short-term rates. This gives rise to mismatches when there are rate adjustments. To manage this risk, Banco Santander performs a sensitivity analysis regarding local and foreign currency. Through simulations, the limits are set in relation to the maximum loss that rate movements could have over the capital and the net financial income budgeted for the year. The most important assumption is the employment of a rate of 100 basis points in the yield curve (57 basis points for real rates). The Bank uses a rate of 100 basis points because sudden changes of this magnitude are considered realistic.

When undertaking this simulation, the Bank calculates the effect on both the income by interest and readjustments and on the hypothetical impact on the Bank's capital of these shifts in all the balance sheet. The maximum impact these shifts may have in interest incomes and readjustments is set at \$100,000 million, with the maximum level reached during 2020 being \$67,584 million for the portfolio in pesos and foreign currency. Concerning the impact over the capital, a maximum limit of \$329,275 million has been set, with the maximum level reached in 2020 being \$286,436 million, also in line with determined limits.

	2020		2019	
	Effect on financial income	Effect in capital	Effect on financial income	Effect in capital
Financial management portfolio - local currency (Ch\$Mn)				
Loss limit	100,000	329,275	100,000	275,000
High	66,504	302,263	32,719	273,473
Low	26,492	214,596	12,686	145,338
Average	45,380	255,070	24,398	228,772
Financial management portfolio - foreign currency (US\$Mn)				
Loss limit	32	53	30	75
High	19	47	20	35
Low	2	12	5	1
Average	5	33	12	12
Financial management portfolio - consolidated (ChMn\$)				
Loss limit	100,000	329,275	100,000	275,000
High	67,584	286,436	34,462	271,989
Low	25,111	210,706	15,236	143,836
Average	46,044	246,292	27,634	227,303

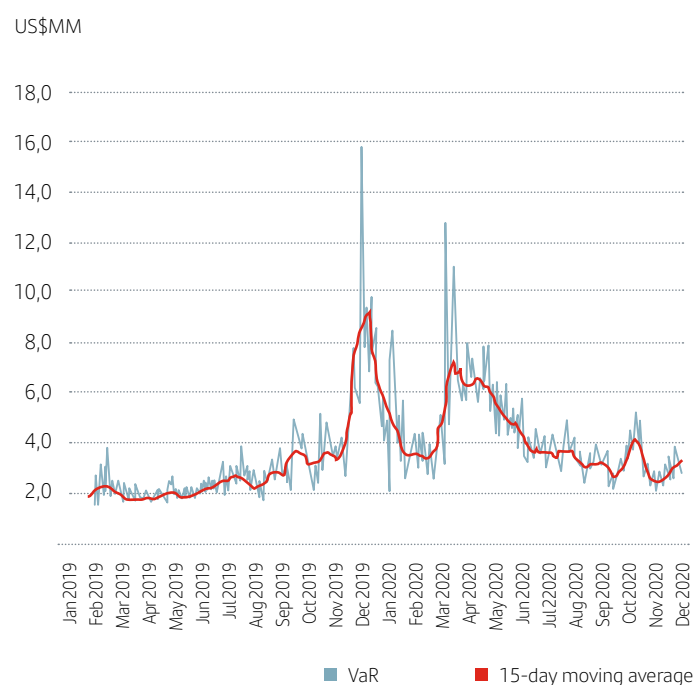
In the case of the trading book, the risk rate of the fixed income portfolio is managed through the VaR methodology. In 2020, the Bank remained within the established limits, though at the peak of the pandemic, this resulted in higher rate volatility affecting the VaR values of this portfolio, which in any case remains low.

Fixed Income VaR



Adding the Treasury's VaR in its fixed-income positions and exchange rate, a consolidated VaR is determined, shown below. In this graph, as observed, the absolute VaR values the Bank assumes are low in general. The pandemic's effects are also reflected on the VaR when the financial markets were being affected most severely.

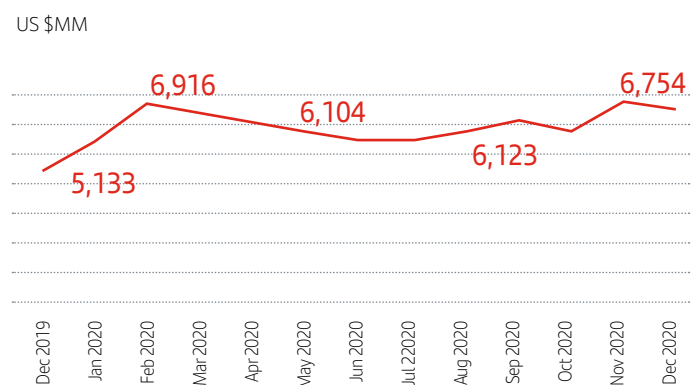
VaR



Inflation Risk

The bank has assets and liabilities adjusted according to the variation in the Chilean Indexation Unit, Unidad de Fomento (UF). In general, the Bank has more assets than liabilities in UF, and therefore moderate increases in inflation have a positive effect on readjustment incomes, while a decline in the value of UF negatively affects the Bank's margin. To manage this risk, the ALCO sets several limits on the difference between Assets and Liabilities denominated in UF that cannot exceed 25% of the Bank's interest generator assets. This mismatch is administered daily by Financial Management, with limits being calculated and monitored by the Market Risk Division.

GAP UF



Operating Risk

Management Model, Control and Tools

To achieve its operational risk goals, the Bank established a risk model based on three defence lines, aiming to improve and continually develop its operational risk management and control. The lines of defence are integrated by (i) areas of business and support (first line of defence), in charge of risk management related to its processes; (ii) non-financial risk area (second line of defence), in charge of supporting the first line of defence in complying of its direct responsibilities and; (iii) Internal Audit function (third line of defence), responsible of independently and periodically verifying the implementation of risk identification and management processes and procedures, in adherence to the Internal Audit Policy, and to present results and improvement recommendations to the Audit Committee.

The methodology consists of evaluating risks and controls of a business from a comprehensive outlook, and it includes a plan to monitor these control's effectiveness and identify potential weaknesses. The principal objectives of the Bank and its branches in terms of operational risk are the following:

- Identify, assess, inform, administer and monitor operating risk concerning activities, products and processes undertaken by the Bank and its branches
- Build an operating risk management culture and internal controls that are solid, with clearly defined responsibilities and adequately distributed among the commercial and supporting functions, be them developed internally or by sub-hiring third parties
- Create effective internal reports about topics related to operating risk management, with a clearly defined escalating protocol.
- To create an internal and external database of risk operating incidents, aiming to control and know better their evolution.
- To control the design and application of plans that are effective in front of contingencies that ensure business continuity and loss control



Operational Risk during the Covid-19 pandemic

In general, the Covid-19 pandemic has resulted in greater exposure to inherent operational risks, even though the Bank has established higher supervision over controls to maintain the pre-Covid-19 operating risk levels, together with reinforcing existing ones. The risk of transaction processing increases due to the volume of new loans and multiple changes to the existing portfolios due to grace periods and the FOGAPE program. The transaction volume also increased due to the public assistance programs and the increment in current accounts quantity and volume as more clients sought digital payment solutions. A close following of the following aspects has been undertaken:

- Business continuity plans to support the Bank's employees efficiently, customers and businesses
- The Covid-19 pandemic and remote work directly impacted the cybernetic threats field and their related risks as more employees work from home. The Bank reinforced the navigation control, data protection and other controls to diminish this risk.
- Increase of technological support to ensure adequate attention to the customer and adequate service provision, especially in online banking and VOX.
- Transaction processing risks that have increased.

Operational Risk Losses

In 2020, the operational risks recognised by the Bank amounted to \$8,366 million, a 23.8% decrease in relation to 2019. This lower loss figure is explained primarily by the lower loss due to fixed asset harm, as this amount was raised in 2019 due to the social commotion the country experienced.

Operating Risk Loss (\$MM)	2020	2019	Var. %
Fraud	4,703	3,941	19.3%
Occupational	443	461	(3.9%)
Customers and Product	250	653	(61.7%)
Fixed Assets	(2,592)	3,588	--%
Business Continuity / Systems	1,570	234	570.9%
Processing	3,992	2,106	89.6%
Total	8,366	10,983	(23.8%)



Reputational Risk



Reputational risk is described as having its origin in a wide variety of sources and sometimes derived from other risks, which is why it requires a unique approach, management model and controls, different from other risks.



Reputational risk: The risk of a negative current or potential economic impact due to an impairment of the perception that employees, customers, shareholders, investors and society in general have of the Bank.

Reputational risk management is the responsibility of Compliance Management. This risk refers mainly to the negative economic impact related to a deterioration of the perception that different groups of interest have of Banco Santander. During 2020, the Bank continued working to establish the structure of reputational risk as a function independent of other risks, in a plan that is being developed since the Board's approval of Socio-environmental Policies and the Reputational Risk Model

Reputational risk is described as having its origin in a wide variety of sources and sometimes derived from other risks, which is why it requires a unique approach, management model and controls, different

from other risks. Its management requires a global interaction, not only with business and support functions as the first lines of defence but also with the risk control and supervision functions as the second line and with which the relationship with specific interest groups is managed to ensure consolidated risk supervision while relying efficiently on current control frameworks

The reputational risk model is based, therefore, on an eminently preventive approach, but also on an effective procedures of crisis and risk management, as well as on identification procedures, early warnings administration and monitoring of events and risks. Its goal is the integration of reputational risk management into both business and support activities, as well as into internal processes, and for this risk's control and supervision functions to incorporate it as part of their activities.

Among the 2020 milestones are the following:



1. Update of Reputational Risk Model

In early 2020, the Board approved the Reputational Risk Model's first review since its implementation in 2017. This updating emphasises the groups of interest's perception management (stakeholders) instead of risk sources and has a greater focus on prevention and anticipation of reputational risks events. All essential aspects of the model are maintained, in terms of governance and principle, remarking the support to already existing processes. The critical reputational risk management processes are specified and leveraged in the current processes/infrastructure established by other functions to identify, evaluate, manage, follow up, and report risks processes and control models, highlighting collaborative processes encompassing all risk management.

2. LATAM Summit Reputational Risk

In January 2020, Santander Chile adopted LATAM'S reputational risk event that gathered those in charge of reputational risk management in Chile, Argentina, Brazil, México, Perú y Uruguay, and of the Corporation, with the goal to improve multidirectional communication between countries in the region and the Corporation, to share better practices and define new goals. During the sessions, critical processes of reputational risk were debated, and various approaches and nuances to the local management of each country were discussed.

3. Quarterly scheduling of the reputational risk workgroup

In 2020 a quarterly workgroup was established, ensuring the correct implementation of the Model and other reputational risk policies. This workgroup also acts as a body for

risk management debates and critical capacity exercise, reporting the issues addressed to the Global Compliance Committee. The workgroup convenes representatives from different Bank areas, including business and support activities, including branches representatives, which incorporate reputational risk management as part of their activities.

4. Update of reputational risk management policies

During 2020, the Sensitive Areas Financing Policy was reviewed, incorporating new criteria of exclusion and restriction, with developments in the localisation of the reputational risk analysis procedure, which establishes the guidelines that must be followed in the analysis and valuation of reputational risk in customers, providers, companies or entities with which Santander Group is related to and/or carries out operations of different nature.

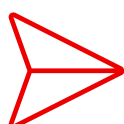
7

Santander in
the world



Business model and strategy

The Santander Way remains unchanged



Our purpose

To help people and businesses prosper



Our aim as a bank

To be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.



Our how

Everything we do should be Simple | Personal | Fair

...to continue working for our groups of interest



We contribute to the progress of people and businesses while integrating environmental, social and corporate governance criteria (SDG)



Environmental: supporting the green transition

Helping clients be more sustainable

EUR 33,800 mn
in green funding

EUR 6,900 mn
assets under
management for socially
responsible investment

Our transition

Green bond emission of
EUR 1,000 mn
(the second issued since 2019)

**Carbon
neutral**
In our operations



Social: Building a more inclusive society

Financial Inclusion

4.9 mn
people since 2019¹

EUR 469
in loans to small
entrepreneurs in 2020

Supporting Society

4.0 mn
beneficiaries since 2019

225,000
scholarships granted since
2019



Creation of a solidarity fund to face the Covid-19 impact

Communities

**we contributed more than
ever to the wellbeing of
society in general**

EUR 54 mn
donated by employees
and the Bank into medical
equipment

EUR 30 mn

through Santander
Universities

EUR 21 mn

to support the
most vulnerable
communities



Governance: doing business the right way

A solid culture

86%
employees proud to work
for Santander

An independent, diverse Board

40%
women on
Group board

>60%
Independent
directors

1. People financially included in Santander initiatives

Our Business Model

1. Our scale

Local scale and global reach

- Local scale based on three geographic regions where we maintain a leading position in our main markets.
- Global reach backed by our global businesses, enabling greater collaboration across the Group to generate higher revenue and efficiency.

Top 3 bank² in 9 of our core markets



2. Customer focus

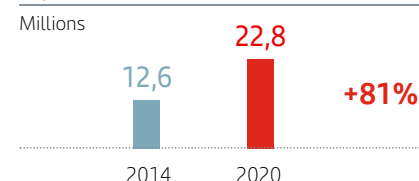
Unique personal banking relationships strengthen customer loyalty

- We serve 148 million customers in markets with a total population of more than one billion people.
- We have over 100,000 people directly attending our customers daily in our ample branch and contact centres network.
- Digital sales represent 44% of the total sales. We also increased digital channels use (mobile customers over 6.1 million year-on-year).

Top 3 in customer satisfaction (NPS)³ in 6 markets



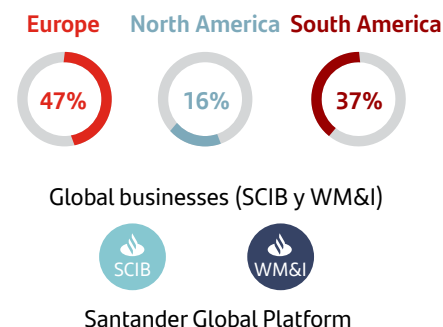
Loyal customers



3. Diversification⁴

Our geographic and business diversification makes us more resilient under adverse circumstances

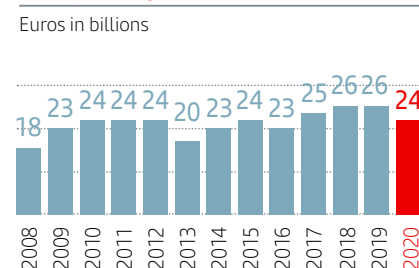
- Balanced geographic diversification between mature and developing markets
- Business Diversification among different customer segments (individuals, SMEs and large corporates).
- Global businesses strengthening our local franchises.



Resilient profit generation throughout the cycle

In 2020, Grupo Santander delivered a resilient operating income within the environment arising from the covid-19 crisis, supported by a disciplined capital allocation in accordance with our strategic priorities

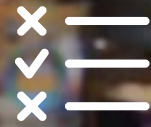
Net operating income⁵



2. Market share in loan activity as of Sep-19, including only private banks. UK's benchmark covers the mortgage market. / 3. NPS – Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga/Deloitte. / 4. Underlying attributable profit contribution by region, excluding Santander Global Platform and Corporate Centre. / 5. Net operating income = Total income-operating expenses.

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Annexes



Report profile

GRI [102-43] [102-46] [102-50] [102-52]
[102-54] [102-56] [103-1]



Banco Santander Chile presents its thirteenth sustainability report and the sixth published alongside the financial statements as an Integrated Report. This document has been prepared following the International Integrated Reporting Council (IIRC) guidelines and recommendations and adhering to the core option of the Global Reporting Initiative (GRI) Standards in their latest 2020 version. Likewise, and for the first time, the Sustainability Accounting Standards Board (SASB), Industry Standards Version 2018-10 has been considered. This report has been submitted to an external verifying process for the first time on EY's behalf.

Additionally, the Bank's financial information is published following the N°30 General

Regulation provisions of the Financial Market Commission (FMC).

This document comprehensively presents the Bank's performance on economic, governance, social and environmental matters from January 1st to December 31st 2020.

The published information covers the operations of Retail Banking, Middle Market and Santander Corporate & Investment Banking (CIB, formerly Santander Global Corporate Banking) and includes Santander Group's corporate policies and 2020's global figures.

This report is available in a printed version and pdf format at www.santander.cl.

Materiality

To determine this report's content, a materiality process was carried out following the recommended GRI methodology. This consists of an analysis of the risks and opportunities concerning economic, social and environmental issues, delivering a 360° view of the Bank.

1. Identification of material topics

Review and analyse secondary sources, trends, media, standards and global ratings; identification of an initial list of both topics and stakeholders to consult.

2. Collection of perceptions Internal interest groups:

Senior management interviews

3. Analysis of results and matrix development of material topics:

A consolidation of the information collected and an analysis of results to produce a list of material issues prioritised by internal and external perspectives, depicted using a materiality matrix which is presented in the Chapter Responsible Banking.

Definition of topics and scope

GRI [102-44]

	Customers	Collaborators	Shareholders	Society	Excellence in execution	Emergent themes
ECONOMIC	Regulatory adaptation and contribution to the public debate		X	X		
	Cybersecurity and data protection	X			X	
	Ethical behaviour		X	X		
	Risk management		X	X		
	Corporate governance		X			
	Products and transparency	X				
	Customer satisfaction	X				
	Sustainability of results			X	X	
	Digital transformation	X				X
SOCIAL	Attraction and retention of talent	X				
	Commitment to social progress and development			X		
	Reliable and committed internal culture		X			
	Diversity		X			
	Financial empowerment of people				X	
	responsible supplier management					X
Care for people's health		X				
ENVIRONMENTAL	Sustainable finance					X
	Internal environmental footprint					X
	Indirect environmental impact					X

Priority	Material theme	Definition of material theme
VERY HIGH	Reliable and committed internal culture	To promote a robust "engagement" culture in which everything the Bank does is Simple, Personal and Fair, maintaining a healthy, safe, and stimulating working environment that comprehensively reconciles professional and human development. It considers the ability to adapt and resilience of workers facing adverse scenarios
	Digital Transformation	The promotion of technology to create new forms of business, add value to propositions, improve efficiency and flexibility, and improve customer experience, including greater and better access to the Bank's digital channels.
	Commitment to social progress and development	To contribute to people's improvement and development through community programs, focusing on education and entrepreneurship support that can offer further support in extraordinary situations that require social aid.
	Cybersecurity and data protection T	To have mechanisms and systems to safeguard information from loss, leaks or data corruption (physical safety and cybersecurity). To ensure the privacy of the information handled, implementing international practices, standards and regulations
	Sustainability of Results	Collection of consistent and predictable results that add value, which is obtained correctly and transparently.
	Customer Satisfaction	To understand customer needs, answering with innovative solutions, offering the best products and services in a simple and personal way (Santander Brand Experience, Work/Café, etc.), seeking to earn their loyalty.
HIGH	Risk Management	To identify and manage emerging risks and trends at a local and global level (economic, demographic, social, environmental), being able to evolve and adapt in time
	Products and Transparency	To build long-term relationships grounded on trust, transparency and fidelity, with clear, timely information and fair treatment.
	Corporate Governance	The Bank's management is supported by strong corporate governance of the highest international standard, which fosters management that offers value and ensures market transparency, in line with a Responsible Banking Culture
	Attraction and retention of talents	Attracting, promoting and retaining talent, delivering tools and fostering essential skills, anticipating industry trends such as the incorporation of new knowledge, as well as job reconversion
	Ethical Behaviour	The entire business activity of the Bank and its employees' actions are framed within clear ethical principles known to all.
	Sustainable Finances	To develop innovative financial solutions that promote the transition to a green and inclusive economy (green instruments/ESG), integrating socio-environmental risk management into lending, financing and investment practices.
	Care for the health of people	To implement measures that allow both operational continuity and physical and mental wellbeing of those who integrate the Bank, particularly in uncertain scenarios.
	Indirect Environmental Impact	To recognise the growing importance of climate change as a potential source of risk in operations and for customers, taking appropriate measures to manage and divulge the Bank's exposure to it.
	Diversity	To have a diverse and inclusive workforce paid fairly and transparently and whose composition seeks to include society.
	Financial Empowerment of People	To financially endorse people at various stages of their lives through financial education, access to products and services, and funding
MEDIUM	Responsible Management of Suppliers	To strengthen supplier management to continuously improve recruitment standards, prompt payment and behaviour supervision based on ESG criteria.
	Regulatory adaptation and contribution to the public debate	To take an active role in the legal and regulatory discussion, adapting competitively to the new standards and expectations of the industry's primary agents.
	Internal Environmental Footprint	To promote eco-efficient technologies and cleaner energy within the Bank's operations, reducing its emissions and ecological footprint

Sustainability Accounting Standards Board (SASB) Index

Banco Santander Chile has decided to incorporate for the first time the Sustainability Accounting Standards Board (SASB) on their Industry Standards Version 2018-10 edition.

The standards gathered in this section have been selected based on a materiality analysis centred on those industries more closely aligned to the Bank's activities in the financial sector: commercial banking (FN-CB), consumer Finance (FN-CF), investment

and intermediate banking (FN-IB), and mortgage loans (FN-MF).

Presently, not all the metrics included in the section's standards have been published, so in the future, the additional metrics shall be incorporated, reinforcing the reporting under the SASB framework to satisfy the needs of our groups of interest and investors.

Unless otherwise specified, data consigned here will refer to the 2020 fiscal period.

Sustainability Accounting Metrics

Topic	Industry	Accounting Metric	Code	Response
Data Security	Commercial banking	Number of Incidents (2), percentage of identifiable personal information (PII) (3), Number of titleholders affected	FN-CB-230a.1	In 2020 two incidents related to information security took place.
	Consumer Finance		FN-CF-230a.1	
Data Security	Commercial banking	Approach description to identify and tackle data security risks	FN-CB-230a.2	The contracts between the Bank and its customers contemplate specific clauses regarding personal data use, obtained by reason of the contractual relation. The Bank's website includes a subsite named Site Use Security Policy, where customers are presented the manner in which their data will be used and the Bank faculties regarding their treatment. For further information, see the Customer Protection section within the Creating Value for Customers chapter.
	Consumer Finance		FN-CF-230a.3	
Data Security	Consumer Finance	Card-related fraud losses from (1) card-not present fraud and (2) card-present and other fraud	FN-CF-230a.2	(1) MM\$ 10,425 MM (2) MM\$ 573 MM



Topic	Industry	Accounting Metric	Code	Response
Financial Inclusion & Capacity Building	Commercial Banking	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	FN-CB-240a.1	See Loans section within the Financial and Economic Performance chapter
Financial Inclusion & Capacity Building	Commercial Banking	1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.2	See Loans section within the Financial and Economic Performance chapter
Financial Inclusion & Capacity Building	Commercial Banking	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	Closing data of 2020: Young and Senior Life Accounts: 67,288 accounts. Superdigital: 130,146 customers.
Financial Inclusion & Capacity Building	Commercial Banking	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	See Financial Empowerment in the Social Dimension section, within the Creating Value for Society chapter
Diversity & Inclusion	Brokerage and Investment Banking	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	FN-IB-330a.1	See the section on gender representation in collaborators in the Creating Value for Collaborators Chapter
Business Ethics	Commercial Banking	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	See GRI 206-1 Indicator in Legal Claims and Actions, in the Compliance section within the Corporate Governance Chapter
Business Ethics	Commercial Banking	Description of reporting policies and procedures.	FN-CB-510a.2	See Ethical Channel in the Compliance section of the Corporate Governance Chapter.
	Brokerage and Investment Banking		FN-IB-510a.2	
Employee Incentives & Risk Taking	Brokerage and Investment Banking	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	FN-IB-550b.3	See 2020 20-F: note 36, Fair value of financial assets and liabilities, pg. 352 2020 20-F is available at https://santandercl.gcs-web.com/es/reportes-anales
Incorporation of Environmental, Social, and Governance (ESG) Factors in Investment Banking & Brokerage Activities	Brokerage and Investment Banking	Revenue from (1) underwriting, (2) advisory, and (3) securitisation transactions incorporating the integration of environmental, social, and governance (ESG) factors by industry	FN-IB-410a.1	See Sustainable Finances, in the Environmental Dimension in the Creating Value for Society Chapter

Topic	Industry	Accounting Metric	Code	Response
Incorporation of Environmental, Social, and Governance (ESG) Factors in Investment Banking & Brokerage Activities	Brokerage and Investment Banking	(1) Number and (2) total value of investments and loans incorporating the integration of environmental, social, and governance (ESG) factors by industry	FN-IB-410a.2	See Sustainable Finances, in the Environmental Dimension in the Creating Value for Society Chapter
Incorporation of Environmental, Social, and Governance (ESG) Factors in Investment Banking & Brokerage Activities	Brokerage and Investment Banking	Description of approach to the incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities	FN-IB-410a.3	Being analysed in the origin of new loan operation are: 1. The operation's fund use: if applicable under the International Capital Market Association standards of green or social bonds/loans, the customer is offered funding in a green or social format as the case may be 2. General uses: A dialogue with customers is established regarding their sustainable strategy. If applicable, the organisation of ESG format funding is discussed based on the ESG rating provided by an external agency or based on specific indicators (KPIs) of materiality and ambition related to social, environmental, or corporate governance issues. In both cases, the funding interest rate is linked to ratings and indicators.
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial Banking	Commercial and industrial credit exposure, by industry	FN-CB410a.1	See Portfolio Composition, in the Loan Risks section, within the Risk Management chapter
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial Banking	Description of approach to the incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB-410a.2	See Sustainable Finances and Environmental and Social Risk Analysis in the Environmental Dimension section within the Creating Value for Society chapter For more information, see General Sustainability Policy and Socioenvironmental Policy, available on the Bank's website.
Professional Integrity	Brokerage and Investment Banking	Description of approach to ensuring professional integrity, including duty of care	FN-IB-510b.4	See the section on Compliance in the Corporate Governance chapter
Selling Practices	Consumer Finance	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold	FN-CF-270a.1	See Financial Statements, note 36, operations with related parties, d) Remuneration of the Board and key personnel in Senior Management
Customer Privacy	Consumer Finance	Number of account holders whose information is used for secondary purposes	FN-CF-220a.1	Under Chilean Legislation, information from third parties cannot be used for secondary purposes
Activity Metrics	Commercial Banking	(1) Número y (2) valor de los préstamos por segmento: (a) personales, (b) pequeñas empresas y (c) corporativos.	FN-CB-000.B	See Financial Statements note N 04, Business Segment

Topic	Industry	Accounting Metric	Code	Response
Activity Metrics	Consumer Finance	Number of unique consumers with an active (1) credit card account and (2) pre-paid debit card account	FN-CF-000.A	At the end of 2020, 612,032 customers had a credit and a debit card (at least). Furthermore, the total number of exclusively Superdigital customers with a virtual card was 88,562.
Activity Metrics	Consumer Finance	Number of (1) credit card accounts and (2) pre-paid debit card accounts	FN-CF-000.B	Superdigital: 147,844 cards, of which 116,978 are virtual, 27,093 are physical, and 3,773 are other physical. Total Banco Santander Chile customers: 883,829 active credit cards, 911,623 active debit cards (for clients with both products)
Activity Metrics	Brokerage and Investment Banking	(1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and (e) commodity products	FN-IB-000.C	See 2020 20-F, page 89. The 2020 20-F is available at: https://santandercl.gcs-web.com/es/reportes-anuales
Activity Metrics	Mortgage Loans	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	FN-MF-000.A	See 2020 20-F, Loan Portfolio, page 119. The 2020 20-F is available at: https://santandercl.gcs-web.com/es/reportes-anuales
Activity Metrics	Mortgage Loans	(1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial	FN-MF-000.B	See 2020 20-F, Loan Portfolio, page 119. The 2020 20-F is available at: https://santandercl.gcs-web.com/es/reportes-anuales



GRI index

GRI [102-55]

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102-4	Location of operations	Responsible Banking: Creating value for Customers	45	
102-5	Nature of the property regime and its legal form	General Information	232	
102-6	Markets served	Responsible Banking: Creating value for Customers	45	
102-7	Dimensions of the Organization (employees, operations, sales, capitalisation, products and services)	General Information	232	
102-8	Employee breakdown (by type of contract, region and gender)	Responsible Banking: Creating value for Collaborators	58	
102-9	Organisation supply chain	Responsible Banking: Creating value for Collaborators	131	
102-10	Significant changes during the period in terms of size, structure, ownership or supply chain of the organisation	Responsible Banking: creating shareholder value	131	
102-11	How the organisation addresses the precautionary principle	Risk Management: Emerging Risks	114, 115	
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102-18	Governance structure of the organisation	Corporate Governance: Banco Santander Chile	142, 145	
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102-30	Effectiveness of risk management processes.	Corporate Governance: Banco Santander Chile	142	
102-31	Review of economic, environmental and social issues.	Corporate Governance: Banco Santander Chile	142	
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102-33	Communicate critical concerns.	Corporate Governance: Banco Santander Chile	142	
102-34	Nature and total number of critical concerns.	Corporate Governance: Banco Santander Chile	151	
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102-41	Percentage of employees covered by collective agreements	Responsible Banking: Creating value for Collaborators	78	
102-42	Selection basis of the stakeholders to work with	Santander, a Responsible Bank	27	
102-43	The organisational approach to stakeholder engagement	Santander, a Responsible Bank	215	
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102-44	Key issues and problems arising from stakeholder involvement	About this Annual Report	216	
102-45	Entities listed in the organisation's consolidated financial statements	Financial Statements	238	
102-46	Process for determining annual report content and scope of each aspect	About this Annual Report	29, 215	
102-47	Material aspects identified during the process of defining this report's content	Santander, a Responsible Bank / About this report	29	
102-48	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatements			Reformulations are due to increase in scope and more exact calculations for estimations.
102-49	Significant changes in the scope and coverage of each aspect compared to previous reports			The materiality study was updated for 2020.
102-50	Annual Report period	About this Annual Report	215	
102-51	Date of last Annual Report			Annual Report 2019.
102-52	Reporting cycle			Annual
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Dimension	Material Theme			
Economic	E1. Corporate governance	Corporate Governance: Banco Santander Chile	158, 217	
Economic	E2. Ethical behaviour	Corporate Governance: Compliance	48, 129, 217	
Economic	E3. Risk management	Risk management	156, 217	
Economic	E4. Regulatory adaptation and contribution to public debate	Corporate Governance: Compliance / Risk Management	185, 217	
Economic	E5. Cybersecurity and data protection	Responsible Banking: Creation of value for Customers	137, 217	
Economic	E6. Digital transformation	Responsible Banking: excellence in execution	42, 49, 217	
Economic	E7. Customer satisfaction	Responsible Banking: Creation of value for Customers	47, 217	
Economic	E8. Products and transparency	Responsible Banking: Creation of value for Customers	163, 217	
Economic	E9. Sustainability of results	Economic and financial performance	122, 217	
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Environmental	A2. Indirect environmental impact	Responsible Banking: Creating value for Society	116, 217	
Environmental	A3 Internal environmental footprint	Responsible Banking: Creating value for Society	111, 217	
Social	Talent attraction and retention	Creation of value for interest groups: Creation of value for collaborators	60, 217	
Social	Commitment with the progress and social development of communities	Creation of value for interest groups: Creation of value for society	90, 217	
Social	S1. Strong and committed internal culture	Responsible Banking: Creating value for Collaborators	59, 217	
Social	S2. Diversity	Responsible Banking: Creating value for Collaborators	68, 217	
Social	S4. Financial empowerment of people	Responsible Banking: Creating value for Society	99, 217	
Social	S5. Commitment to social progress and development in communities	Responsible Banking: Creating value for Society	130, 217	
Social	S6. Responsible supplier management	Responsible Banking: excellence in execution	73, 217	
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Economic Performance				
201-1	Direct economic value generated and distributed.	Economic and financial performance	183	
201-2	Financial effects and other risks and opportunities related to climate change.	Risk management: Emerging Risks	114, 115	
201-3	Delimited obligations of the benefit plan and other retirement plans	Responsible Banking: Creating value for Collaborators	72	
Market presence				
202-1	Reasons for the standard entry-level wage by gender compared to the local minimum wage	Responsible Banking: Creating value for Collaborators	70	
202-2	Proportion of senior managers recruited from the local community			All of the company's senior executives are Chilean nationals
Indirect economic impacts				
203-2	Significant indirect economic impacts		99	
Procurement practices				
204-1	Proportion of expenditure on local suppliers	Responsible Banking: excellence in execution	131	
Combating corruption				
205-1	Operations assessed for corruption-related risks	Corporate Governance: Compliance	157	
205-2	Communication and training on anti-corruption policies and procedures	Corporate Governance: Compliance	71	

Indicator	Overview	Chapter / Section	Page	Omissions / Response
205-3	Confirmed cases of corruption and measures taken	Corporate Governance: Compliance		There were no cases of corruption during the reporting period
Anticompetitive behaviour				
206-1	Legal actions due to anticompetitive behaviour, antimonopoly and monopoly practices		161	
Tax				
207-1	Focus in tax		182	
207-2	Fiscal governance, risk management and control		182	
207-3	Participation of interested parties and management of queries related to tax		182	
Category: Environment				
Materials				
301-1	Materials used by weight or volume	Responsible Banking: Creating value for Society	119	
Energy				
302-1	Energy consumption	Responsible Banking: Creating value for Society	118	
302-2	Energy consumption outside the organisation.			The external energy consumption of the organisation is not currently calculated
302-3	Energy intensity	Responsible Banking: Creating value for Society	118	
302-4	Reduction of energy consumption.	Responsible Banking: Creating value for Society	118	
302-5	Reduction of energy requirements for products and services			The products offered by the company have no energy requirements for use/ consumption
Water (2018)				
303-1	Interactions with water as a shared resource.			Does not apply due to the nature of the Bank's financial activity materials
303-2	Impact management related to water discharges.			Does not apply due to the nature of the Bank's financial activity materials
303-3	Water extraction by source			Does not apply due to the nature of the Bank's financial activity materials
303-4	Water discharge			Does not apply due to the nature of the Bank's financial activity materials
303-5	Water consumption	Responsible Banking: Creating value for Society	118	
Biodiversity				
304-1	Operational sites owned, leased, managed or adjacent to protected areas and areas of high biodiversity value outside protected areas			Not applicable due to the nature of the Bank's financial activity (non-material)
304-2	Significant impacts of activities, products and services on biodiversity			Not applicable due to the nature of the Bank's financial activity (non-material)
304-3	Protected or restored habitats.			Not applicable due to the nature of the Bank's financial activity (non-material)
304-4	Species within IUCN Red List and species within the national conservation list with habitats in areas affected by operations			Not applicable due to the nature of the Bank's financial activity (non-material)

Indicator	Overview	Chapter / Section	Page	Omissions / Response
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305-3	Other indirect greenhouse gas emissions (Scope 3)	Responsible Banking: Creating value for Society (Environmental Dimension)	117	
305-4	Greenhouse gas emission intensity	Responsible Banking: Creating value for Society (Environmental Dimension)	117	
305-5	Reducing greenhouse gas emissions	Responsible Banking: Creating value for Society (Environmental Dimension)	117	
305-6	Emissions of ozone-depleting substances (ODS)			Not applicable due to the nature of the Bank's financial activity
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions			Not applicable due to the nature of the Bank's financial activity
Effluent and waste				
306-1	Water discharge by quality and destination.			Not applicable due to the nature of the Bank's financial activity
306-2	Waste by type and method of disposal.	Responsible Banking: Creating value for Society (Environmental Dimension)	120	
306-3	Significant spills			Not applicable due to the nature of the Bank's financial activity
306-4	Transport of hazardous waste.			Not applicable due to the nature of the Bank's financial activity
306-5	Water bodies affected by water discharges and/or runoff.			Not applicable due to the nature of the Bank's financial activity
Environmental Compliance				
307-1	Failure to comply with environmental laws and regulations.			In 2020 there were no causal events of infringement or fines associated with non-compliance with environmental laws or regulations
Environmental Assessment of Suppliers				
308-2	Negative environmental impacts on the supply chain and actions taken.	Responsible Banking: Excellence in execution (suppliers)	133	
Category: Social Performance				
Employment				
401-1	Recruitment number and rate and average turnover of employees, by age group, gender and region	Responsible Banking: Creating value for Collaborators	66	
401-2	Social benefits for full-time employees	Responsible Banking: Creating value for Collaborators	72	
401-3	Parental leave	Responsible Banking: Creating value for Collaborators	72	
Health and safety at work (2018)				
403-1	Occupational health and safety management system	Responsible Banking: Creating value for Collaborators	73	
403-2	Hazard identification, risk assessment and Incident Investigation	Responsible Banking: Creating value for Collaborators	73	
403-3	Occupational health services	Responsible Banking: Creating value for Collaborators	73	

Indicator	Overview	Chapter / Section	Page	Omissions / Response
403-4	Worker participation, consultation and communication on health and safety at work	Responsible Banking: Creating value for Collaborators	73	
403-5	Training of workers on health and safety at work	Responsible Banking: Creating value for Collaborators	73	
403-6	Health promotion at work	Responsible Banking: Creating value for Collaborators	73	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to business practices	Responsible Banking: Creating value for Collaborators	73	
403-9	Workers covered by occupational safety and health management system.	Responsible Banking: Creating value for Collaborators	73	
403-10	Work-related health problems	Responsible Banking: Creating value for Collaborators	73	
Training and education				
404-1	Average annual training hours per employee, by gender and by job category	Responsible Banking: Creating value for Collaborators	62	
404-2	Skills management and further training programs that promote the employability of workers and help them manage the end of their careers	Responsible Banking: Creating value for Collaborators	62	
404-3	Percentage of employees receiving regular performance and professional development assessments, analysed by gender and by professional category	Responsible Banking: Creating value for Collaborators	67	
Diversity and equal opportunities				
405-1	Government bodies composition and staff breakdown by professional category and gender, age, minority status and other diversity indicators	Corporate governance/ Responsible Banking: Creating value for Collaborators	138	
405-2	The ratio of basic salary over compensations of women and men	Corporate governance/ Responsible Banking: Creating value for Collaborators	71	
Discrimination				
406-1	Incidents of discrimination and corrective actions taken			No incidents of discrimination were recorded during 2020
Freedom of association and collective bargaining				
407-1	Transactions and suppliers whose right to freedom of association and collective bargaining may be at risk.	Responsible Banking: Excellence in execution (suppliers)	133	
Child Labour				
408-1	Operations and suppliers at significant risk of child labour incidents.	Santander, a Responsible Bank		There are no operations or providers at risk of child labour
Forced or compulsory labour				
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labour.	Santander, a Responsible Bank		There are no operations or suppliers at risk of forced labour
Local communities				
413-1	Percentage of centres where development programs, impact assessments and local community participation have been implemented	Responsible Banking: creating value for Society (Social dimension)	91	
413-2	Operations with significant, actual and potential negative impacts on local communities			The Bank's operations have no significant negative impacts on local communities
Social evaluation of suppliers				

Indicator	Overview	Chapter / Section	Page	Omissions / Response
414-1	New providers who were selected using social criteria.	Santander: a Responsible Bank / Responsible Banking: Excellence in execution (suppliers)	133	
414-2	Negative social impacts on the supply chain and measures taken	Santander: a Responsible Bank / Responsible Banking: Excellence in execution (suppliers)	133	
Public Policy				
415-1	Contribution to political parties and/or representatives	Responsible Banking: creating value for Society (Social dimension)	109	
Customer health and safety				
416-1	Assessment of health and safety impacts of product and service categories.			Not applicable due to the nature of the Bank's financial activity (non-material)
416-2	Incidents of non-compliance to the health and safety impacts of products and services			Not applicable due to the nature of the Bank's financial activity (non-material)
Marketing and labelling				
417-1	Requirements for information and labelling of products and services	Responsible Banking: Creating value for Customers		At the corporate level, the Marketing Committee assesses all products and services' potential impacts before their release to the market. These effects include but are not restricted to customer safety and compatibility with other products
417-2	Incidents of non-compliance with product and service information and labelling.			During 2020 there were no incidents or sanctions related to breaches of Service information
417-3	Incidents of non-compliance with marketing communications.			During 2020 there were no incidents or sanctions related to breaches in Marketing communications
Customer privacy				
418-1	Justified complaints about customer privacy violations and customer data loss	Responsible Banking: Creating value for Customers		In 2020 one complaint was party, corroborated by the organization
Unfair competition practices				
419-1	The monetary value of significant fines and the number of non-monetary penalties for non-compliance with legislation and regulations			The company received no fines or significant penalties due to breaches in social or economic matters during 2020





Limited Assurance Statement of Santander Chile 2020 Integrated Memory (free translation from the original in Independent Spanish)

To the President and Directors of
Santander Chile 2020

Scope

We have performed an independent limited assurance engagement on the information and data presented in Santander Chile 2020 Integrated Memory.

Preparation of the Integrated Memory is the responsibility of the Management of Santander Chile. The Management of Santander Chile is also responsible for the data and affirmations included in the Integrated Memory, definition of the scope and management and control of the information systems that have provided the reported information.

Standards and limited assurance procedures

Our review has been performed in accordance with the International Standard on Assurance Engagements ISAE 3000, established by the International Auditing and Assurance Board of the International Federation of Accountants and the version GRI Standards of the guidelines for the preparation of sustainability reports under the Global Reporting Initiative (GRI), under the "Core" option.

The indicators considered in our review are detailed next.

We conducted our assurance procedures in order to:

- ▶ Determine whether the information and data presented in the 2020 Integrated Memory are duly supported by evidence.
- ▶ Verify the traceability of the information disclosed by Santander Chile in its 2020 Integrated Memory.
- ▶ Determine whether Santander Chile has prepared its 2020 Integrated Memory in accordance with the Content and Quality Principles of the GRI Standards.
- ▶ Confirm whether Santander Chile's self-declared "Core" option of the GRI Standards was applied to its report.

Work performed

Our limited assurance procedures included enquiries to the Management of Santander Chile involved in the development of the 2020 Integrated Memory process, in addition to other analytical procedures and sampling methods as described below:

- ▶ Interviews with key Santander Chile personnel, in order to assess the 2020 Integrated Memory preparation process, the definition of its content and its underlying information systems.
- ▶ Review of supporting documents provided by Santander Chile.
- ▶ Review of formulas and calculations by way of recalculation.
- ▶ Review of the 2020 Integrated Memory in order to ensure its phrasing and format does not mislead the reader regarding the information presented on the following indicators in this document.

Our responsibility

Our responsibility is limited exclusively to the procedures mentioned in the preceding paragraphs and corresponds to a limited scope verification which serves as the basis for our conclusions. By default, we do not apply extended verification procedures, the objective of which is to express an external verification opinion on the 2020 Integrated Memory of Santander Chile. Consequently, we do not express an opinion.

Conclusions

Subject to our limitations of scope noted above and based on our procedures for this limited assurance review of Santander Chile 2020 Integrated Memory, we conclude that nothing has come to our attention that would cause us to believe that:

- ▶ The information and data disclosed in Santander Chile 2020 Integrated Memory are not presented fairly.
- ▶ Santander Chile 2020 Integrated Memory has not been prepared in accordance with the GRI Standards for the preparation of sustainability reports under the Global Reporting Initiative.
- ▶ The Santander Chile 2020 Integrated Memory self-declared option does not meet the GRI Standards requirements for this option.

Improvement recommendations

Without affecting our conclusions as set out above, we have detected some improvement opportunities to the process of developing the 2020 Integrated Memory which are detailed in a recommendations report presented to Santander Chile Administration.

Truly Yours,

EY Consulting SpA.

Elanne Almeida
Partner, ESG

April 14th, 2021

I-00178/21
RGE/cfm



Indicator	Detail
102-1	Name of the organization
102-3	Location of headquarters
102-5	Ownership and legal form
102-13	Membership of associations
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General information

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Identification of the Company

Banco Santander Chile was established by public deed dated September 7, 1977, granted at the Notary Office of Alfredo Astaburuaga Gálvez in Santiago, under the legal name Banco de Santiago, and received its permission to operate as a bank by Resolution N° 118 of the Superintendence of Banks and Financial Institutions (SBIF) on October 27, 1977.

The Bank's by-laws were approved by Resolution N° 103 of the SBIF on September 22, 1977. The by-laws excerpt and the resolution that approved them were published in the Official Gazette on September 28, 1977, and inscribed on page 8,825 N° 5,017 in the 1977 Commercial Register of Santiago's Real Estate Registry.

The changes to its corporate name or its legal form from Banco de Santiago to Banco Santiago, together with the merger with former Banco O'Higgins, the legal dissolution of the latter, and the recognition of Banco Santiago as its legal successor, all appear in Resolution N° 6 of the SBIF dated January 9, 1997, and the legal publications in the Official Gazette on January 11, 1997, which were duly notarized under N° 69 on January 13, 1997, at the Notary Office of Andrés Rubio Flores in Santiago.

On July 18, 2002, an Extraordinary Shareholders' Meeting of Banco Santiago was held, with the Meeting's Minute being notarized into public deeds on July 19, 2002, at the Notary Office of Nancy de la Fuente in Santiago, in which the merger between Banco Santander Chile and Banco Santiago were approved through the incorporation of the former into the latter, Banco Santiago acquiring the assets and liabilities of Banco Santander Chile, and an agreement for the anticipated dissolution of Banco Santander Chile and the name change of Banco Santiago to Banco Santander Chile. Said change was authorized by Resolution N° 79 of the SBIF on July 26, 2002, published in the Official Gazette on August 1, 2002, and inscribed on page 19,992 number 16,346 of the 2002 Commercial Register of Santiago's Real Estate Registry.

Subsequently, an Extraordinary Shareholders' Meeting held on April 24, 2007, with the Meeting's Minute notarized to public deed on May 24, 2007, in the Notary Office of Nancy de la Fuente Hernández, modified and established that, under the Bank's by-laws and the approvals of the SBIF, the legal names Banco Santander Santiago or Santander Santiago or Banco Santander or Santander may also be used. This reform was approved by Resolution N° 61 of the SBIF on June 6, 2007. An excerpt of the minutes and the resolution were published in the Official Gazette on June 23, 2007, and inscribed on page 24,064 N° 17,563 of the register.

In addition to the amendments of the by-laws previously mentioned, these have been amended in several opportunities with the last one being the agreed upon at the Extraordinary Shareholders' Meeting held on January 9, 2017, with the Meeting's Minute notarized to public deed on February 14, 2017, in the Notary Office of Nancy de la Fuente Hernández. This amendment was approved by Resolution N° 17 of the SBIF on March 29, 2017. An excerpt of the amendment and the resolution were published in the Official Gazette on April 5, 2017, and were inscribed on page 27,594, number 12,254 of the 2017 Commercial Register of Santiago's Real Estate Registry. Through this last amendment, Banco Santander Chile, under its by-laws and the approvals of the SBIF, among others, reduced the number of regular Board members from 11 to 9 (maintaining two alternate directors), eliminated the possibility of using the legal names Banco Santander Santiago or Santander Santiago and defined an updated version of its by-laws



History

1978

Opening of a subsidiary of Banco Santander de España in Chile, dedicated mainly to foreign trade operations.

1982

Acquisition of assets and liabilities of the former Banco Español Chile, in liquidation.

1984

The implementation of a network of 30 ATMs in branches (Telebanco TB), complemented by services such as Computer Home Banking, which was the only bank to offer them in Chile.

1985

Santander began to implement a comprehensive financial group concept, creating subsidiaries that complemented the traditional banking service.

1989-1990

The repurchase of portfolio sold to Banco Central de Chile and changing the name to Banco Santander Chile.

1993

Acquisition of Fincard, the country's leading credit card processor as of that date, and Santander's entry into the massive annuity market. One hundred two branches are opened nationwide.

1994

Santander launches its Superhipoteca (Supermortgage) product with a significant impact on the market. This enabled the Bank to double its turnover in eight months.

1995

Acquisition of Financiera Fusa and merger with Fincard. With the merger of both companies, Banefe was born, with more than 600 thousand customers in the middle-income segment.

1996

Merger with Banco Osorno and La Unión, becoming the largest bank in the country and showcasing leading positions in all business segments. A loan market share of 12% was achieved.



1998

Santander launches the first Guaranteed Infrastructure Bonds in the country, which were critical to financing road projects in Chile.

That same year it became the first institution in the country to launch Insurance Banking, which allowed the distribution of non-pension life insurance available through its entire branch network in Chile.

2000

Santander Chile launches the portal www.santander.cl, a pioneering initiative in the Group's entire Internet strategy, marking the beginning of a strong positioning in this area.

2001

Through Banefe, the Santander Group is strongly committed to increasing banking penetration levels in the country. As part of this strategic decision, the National Award for Women Microentrepreneurs was created in 2001, with a significant impact on the middle-income segment.

The Universia portal is created in Chile, with the support of Santander Group and the country's leading universities.

2002

Merger with Banco Santiago, thus solidifying their place as the largest bank in the country, with leadership in all business segments. The total loan market share reached 24.4%, with consumer loans accounting for 27.7% and housing loans for 25.2%. Moreover, the Bank reached a total of 347 branches throughout the country.

2004

Santander is the most efficient bank in the country. That year Santander published its first Social Responsibility Report.

2007

VOX is launched, a new concept in telephone customer service with the latest technology and more than 500 specialists in business services.

Santander becomes the first financial institution to receive certification under Sarbanes Oxley, a standard that establishes rigorous internal control requirements for companies listed on the New York Stock Exchange.

2009

During the economic crisis, Santander launches a comprehensive commercial plan to support its individual and corporate customers. Moreover, this year Santander opens the first branch of private banking on Easter Island.

2010

The Earthquake in Chile puts the continuity of banking business programs to the test. Santander was one of the few financial institutions to operate with normality on the first business day after the catastrophe. Illustrating this is the Chile Ayuda a Chile campaign, which funded the construction of 20,000 homes through Un Techo para Chile (A Roof for Chile).

2011

Banco Santander Chile launches a Strategic Plan to be the best bank in customer service by 2015. As part of this plan, a new Customer Service Department was created to improve post-sale satisfaction levels.

2012

The Bank begins a profound commercial transformation process, focusing on commercial innovation and simplifying products and procedures alongside effective multi-channelling.

2013

In response to its customers' new habits and technological requirements, Santander launches Cuentas Claras 2.0, the first Personal Finance Manager in the industry. It also presents a new App in differentiated versions for smartphones and tablets.

2014

In 2014 Santander Trade was launched, a corporate virtual platform to provide SMEs and Corporate clients with everything they need to open their business abroad.

This year, seven new branches were also opened with a specialised service model for the Personal Banking segments, which was characterised by its simplicity, an integrated and profitable channel offering, and high-quality standards.

2015

Banco Santander began a new stage to further its transformation process, placing the customer at the centre of its strategy.

Another milestone in 2015 refers to the strengthening of plans in its alliance with LATAMPASS. The company worked on making the benefit of LATAMPASS kilometres tangible, launching new forms of accumulation and reinforcing discount redemption actions on air and non air products.

2016

Banco Santander inaugurates its new Work/Café branch model, which seeks to change the way banking is done, based on a new relationship with teams, customers and society. The offices have integrated cafeterias and include a large coworking area open to the public (clients and non-clients) with free Wi-Fi, allowing users to have a space suitable for meetings or idea creation, thus favouring the dynamism of the projects.

In 2016, Banco Santander Chile celebrated 20 years since it began trading its shares in the United States. The Bank celebrated this milestone by leading in the traditional ringing of the bell at the New York Stock Exchange (NYSE), thus initiating trading on Wall Street.

2017

At the end of 2017, Santander Life was launched, an unprecedented value proposition that proposes a new paradigm of relationship and support for mass income segments. The service model rewards good financial behaviour through exclusive recognitions such as discounts in supermarkets, interest-free instalments, flexibility in the payment of a credit instalment or reductions in the instalment value.

In February, Banco Santander opens the first Work/Café in the regions, with the first branch in Viña del Mar.

2018

Santander renovates its brand image to reinforce its digital strategy. The Bank maintains the essence of the brand and its main assets, such as the name, the image of the flame and the corporate red colour, but develops the concept substantially with a unique, distinctive and more stylised typography.

With the opening of the first office of its kind in Spain, the Work/Café's international expansion began this year.

In its 2018 edition, the Carlos Vial Espantoso Foundation distinguished Banco Santander with the award that carries his name, highlighting the organisation as the best among companies with good labour practices and creating relationships of trust and collaboration with its employees.

2019

Continuing the path initiated in 2018, Banco Santander is driving the payment industry towards greater openness by migrating its card fleet from the old three-party model to the new four-party model. This eases the entry of new players into the market, promotes competition and modernises the industry.

Getnet, Santander's new acquiring network, will help expand the card market in Chile, multiplying the reach of electronic payments and safely reducing the use of cash.

Furthermore, Klare, the first 100% digital insurance broker in Chile, was created to meet our customers' demand for an open platform to compare and purchase different insurance offers transparently. The same year the soft launch of Superdigital took place, a fully digital and low-cost product that gives millions of people in the country the possibility of linking a payment method to their mobile phones and making purchases in all types of businesses, including digital platforms. Moreover, it allows customers to receive their salary directly into the account.

Material events

During 2020's financial year, Banco Santander-Chile reported the following key events:

1. On March 18th, 2020, the Board of Directors of Banco Santander-Chile agreed to call an Ordinary Shareholders' Meeting for Tuesday, April 21st, 2020, to discuss, among other matters, the proposal to distribute a dividend of \$1.75782621 per share, corresponding to 60% of the profits for the year 2019 and that the remaining 40% of the profits be used to increase the Bank's reserves.
2. On March 23rd, 2020, the Board of Directors of Banco Santander-Chile, in an extraordinary meeting held on the same date, agreed to modify the Ordinary Shareholders' Meeting scheduled for April 21st, 2020. They set a new date for Thursday, April 30th, 2020, to discuss, among other matters, a new profit distribution, proposing a change in the dividend payment from 60% of the original proposal to 30% of the 2019 profits, equivalent to \$ 0.87891310 per share, and that 30% of the 2019 profits be allocated to retained earnings and the remaining 40% to increase the Bank's reserves.
3. On April 16th, 2020, the Board of Directors of Banco Santander-Chile agreed that the Ordinary Shareholders' Meeting to be held on Thursday, April 30th, 2020, would be held solely and exclusively by remote means of communication in light of the Coronavirus (COVID-19) contingency, and following the provisions of General Rule No. 435 and Circular No. 1141 of the Financial Market Commission.
4. On April 30th, 2020, the Ordinary Shareholders' Meeting of Banco Santander-Chile, held on April 30th, 2020, elected as Regular Directors of Banco Santander-Chile Mr. Claudio Melandri Hinojosa, Mr. Rodrigo Vergara Montes (Independent), Mr Orlando Poblete Iturrate (Independent), Mr Félix de Vicente Mingo (Independent), Mr Alfonso Gómez Morales (Independent), Ms Ana Dorrego de Carlos, Mr Rodrigo Echenique Gordillo, Ms Lucía Santa Cruz Sutil and Mr Juan Pedro Santa María Pérez (Independent); and as Alternate Directors Ms Blanca Bustamante Bravo (Independent) and Mr Oscar Von Chrismar Carvajal (Independent).
5. On May 4th, 2020, two prominent notices were published on the same day in the El Mercurio de Santiago newspaper, informing the following:
 - a. The election of the entire Board of Directors of Banco Santander-Chile, composed of 9 members and 2 alternates, for a new period of 3 years, took place at the Ordinary Shareholders' Meeting on April 30th, 2020. suplentes, para un nuevo periodo de 3 años, ocurrido en la Junta Ordinaria de Accionistas el día 30 de abril del año 2020
 - b. A resolution was adopted at the same Ordinary Shareholders' Meeting to distribute a dividend of \$0.87891310 per share. It was immediately available to shareholders at the Bank's head office or at any of its branches, both in the Metropolitan Region and in the rest of the country.
6. On May 25th, 2020, it was reported that the following resolutions were adopted at the Ordinary Meeting of the Board of Directors of Banco Santander-Chile held on May 20th, 2020:
 - g. Following the Board of Directors' election at the Bank's Ordinary Shareholders' Meeting held on April 30th 2020, Mr Claudio Melandri Hinojosa was appointed Chairman of the Board, Mr Rodrigo Vergara Montes as First Vice-Chairman and Mr Orlando Poblete Iturrate as Second Vice-Chairman.
 - h. The Board also agreed to maintain as members of the Directors and Audit Committee Mr Orlando Poblete Iturrate (independent) as Chairman; Mr Félix de Vicente Mingo (independent); Mr Rodrigo Vergara Montes (independent); and Mr Juan Pedro Santa María Pérez as Secretary of the Committee.
7. On July 6th, 2020, Banco Santander-Chile attended the registration and publication of the extract for the incorporation of a subsidiary and support company with the corporate name "Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile SA" and the line of business of its name, authorised by agreement of the Board of the Financial Market Commission.
8. On October 21st, 2020, the Board of Directors of Banco Santander-Chile agreed to call an Extraordinary Shareholders' Meeting for Thursday, November 26th, 2020. This meeting had the aim to discuss, among other matters, the proposed distribution of an extraordinary dividend of \$ 0.87891310 per share, corresponding to 30% of the profits for the financial year 2019, which were included as retained earnings in the Bank's equity.
9. On November 26th, 2020, it is reported that on the same date, at 4:00 p.m., in Bandera Street No. 140 and by remote means, the

Extraordinary Shareholders' Meeting of Banco Santander-Chile was held, in which the following resolutions were adopted:

- a. To distribute a dividend of \$ 0.87891310 per share. This corresponds to 30% of retained earnings for the financial year 2019 and is to be paid as of the next bank business day following the Meeting.
- b. To appoint the local private risk classifier ICR Chile for the classification of the Bank.

Related party transactions reported as a critical event

Related party transactions are those acts and contracts that the Bank has entered into with related parties, defined as persons related to its ownership or management.

All contracts with these individuals are reviewed by the Directors and Audit Committee, ensuring that they are made on fair terms for the parties. To this end, it relies on reports from the Bank's specialised areas and independent entities and external advisors contracted by the Committee itself.

The main acts or contracts reviewed and reported as key events are the following:

1. On February 28th, 2020, the Ordinary Meeting of the Board of Directors of Banco Santander-Chile, held on February 27th, 2020, approved the execution of the following transactions with the related companies indicated below:
 - a. An amendment to the purchase contract signed with the related company Super Pagamentos e Administração de Meios Eletrônicos (Superdigital Brazil) for purchasing the Superdigital software. This amendment consists of an extension of the contract term to complete the implementation and increase the cost by a maximum of six months, which is justified by the longer implementation time and is necessary.
 - b. A contract relating to the Santander Common HR Platform, a technological project with Santander S.A. for implementing standard HR processes in all units of the Santander Group, to be financed by each of them in the corresponding proportion.
 - c. A new annexe to the contract between Santander Asset Management SA. General Fund Manager and Banco Santander as a Placement Agent, incorporating its services
2. As of May 20th 2020, it is reported that in the Ordinary Board meeting of Banco Santander-Chile held the same day, the execution of operations with the related entity mentioned below was approved as follows

- a. A contract for the provision of services by the Bank to affiliated company Klare Corredora de Seguros SA for its operation. The services are primarily related to Human Resources, such as the management of remuneration, certain benefits and information for employees, and everything related to personnel management; and Management services such as the maintenance of property, security, purchasing and service contracting.
3. As of July 17th 2020, it was reported that in the Ordinary Board meeting of Banco Santander-Chile held July 15th, the conclusion to operations with the entities mentioned below were approved as follows:
 - a. A lease agreement between Banco Santander-Chile and its affiliated and auxiliary financial company Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile SA, (Santander Getnet Chile Payment Card Operator Company), to have a legal address and to begin RUT processing before the SII (Internal Revenue Service).
 - b. Conclusion of Contract between Banco Santander-Chile and Santander Global Trade Platform Solutions SL, a company of Santander Group based in Spain, regulating the digital traceability service of international payments processed through the "Global Trade Services" platform developed by Provider "GTS".
4. As of August 20th 2020, it is reported that in the Ordinary Board meeting of Banco Santander-Chile held September 16th, the conclusion to operations with the related entity below mentioned was approved as follows:
 - a. A transfer contract relative to chargeable Services of the Santander Group in Spain and its subsidiaries. These services are provided by the corporate centre divisions in Spain, benefitting various countries, including Banco Santander-Chile.
5. On September 17, 2020 it was announced that during the ordinary session of the Board of Directors of Banco Santander-Chile on September 16, 2020, the following related companies operation was approved:
 - a. A transfer contract of invoice services for the Santander Group Spain and its subsidiaries. These services are given through the corporate office in Spain, for the benefit of all the countries, including Santander-Chile.



Consolidated statement of financial position

Banco Santander Chile and Affiliates

As of December 31

	Note	2020 MMCh\$	2019 MMCh\$
Assets			
Cash and deposits in banks	5	2,803,288	3,554,520
Cash items in process of collection	5	452,963	355,062
Trading investments	6	133,718	270,204
Investments under resale agreements	7	-	-
Financial derivative contracts	8	9,032,085	8,148,608
Interbank loans, net	9	18,9208	14,833
Loans and accounts receivables from customers, net	10	33,413,429	31,823,735
Available for sale investments	11	7,162,542	4,010,272
Held to maturity investments		-	-
Investments in associates and other companies	12	10,327	10,467
Intangible assets	13	82,537	73,389
Property, plant, and equipment	14	187,240	197,833
Right of use assets	14	201,611	210,500
Current taxes	15	-	11,648
Deferred taxes	15	538,118	462,867
Other assets	16	1,738,856	1,434,308
Total assets		55,776,077	50,578,246
Liabilities			
Deposits and other demand liabilities	17	14,560,893	10,297,432
Cash items in process of being cleared	5	361,631	198,248
Obligations under repurchase agreements	7	969,808	380,055
Time deposits and other time liabilities	17	10,581,791	13,192,817
Financial derivative contracts	8	9,018,660	7,390,654
Interbank borrowing	18	6,328,599	2,519,818
Issued debt instruments	19	8,204,177	9,500,723
Other financial liabilities	19	184,318	226,358
Lease liabilities	14	149,585	158,494
Current taxes	15	12,977	-
Deferred taxes	15	129,066	99,608
Provisions	21	456,120	337,397
Other liabilities	22	1,165,853	2,806,325
Total liabilities		52,123,478	47,107,929
Equity			
Attributable to the equity holders of the Bank		3,567,916	3,390,823
Capital	24	891,303	891,303
Reserves	24	2,341,986	2,121,148
Valuation adjustments	24	(27,586)	(8,093)
Retained earnings		362,213	386,465
Retained earnings from prior years		-	-
Income for the period		517,447	552,093
Minus: Provision for mandatory dividends	21	(155,234)	(165,628)
Non-controlling interest		84,683	79,494
Total equity		3,652,599	3,470,317
Total liabilities and equity		55,776,077	50,578,246

Consolidated statement of income

Banco Santander Chile and Affiliates

As of December 31

	Nota	2020 MMCh\$	2019 MMCh\$
Operating income			
Interest income	27	2,232,327	2,321,268
Interest expense	27	(638,479)	(904,417)
Net interest income		1,593,848	1,416,851
Fee and commission income	28	451,162	498,658
Fee and commission expense	28	(183,884)	(211,572)
Net fee and commission income		267,278	287,086
Net income (expense) from financial operations	29	90,800	(78,165)
Net foreign exchange gain	30	50,785	285,184
Other operating income	35	21,652	24,598
Net operating profit before provision for loan losses		2,024,363	1,935,554
Provision for loan losses	31	(511,073)	(420,447)
Net operating income		1,513,290	1,515,107
Personnel salaries and expenses	32	(408,670)	(410,157)
Administrative expenses	33	(250,450)	(233,612)
Depreciation and amortization	34	(109,426)	(106,092)
Impairment of property, plant and equipment	34	(638)	(2,726)
Other operating expenses	35	(91,808)	(61,021)
Total operating expenses		(860,992)	(813,608)
Operating income		652,298	701,499
Income from investments in associates and other companies	12	1,388	1,146
Income before tax		653,686	702,645
Income tax expense	15	(131,123)	(150,168)
Result of continuous operations		522,563	552,477
Result of discontinued operations	40	-	1,699
Net income for the period		522,563	554,176
Attributable to:			
Equity holders of the Bank		517,447	552,093
Non-controlling interest	26	5,116	2,083
Earnings per share of continuous operations attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2.746	2.921
Diluted earnings	24	2.746	2.921
Earnings per share attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2.746	2.930
Diluted earnings	24	2.746	2.930

The notes are part of the consolidated Financial Statements.

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CONSOLIDATED FINANCIAL STATEMENTS 2020

For the years ended December 31, 2020 and 2019



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Banco Santander-Chile and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	As of December 31,	
		2020	2019
		MCh\$	MCh\$
ASSETS			
Cash and deposits in banks	5	2,803,288	3,554,520
Cash items in process of collection	5	452,963	355,062
Trading investments	6	133,718	270,204
Investments under resale agreements	7	-	-
Financial derivative contracts	8	9,032,085	8,148,608
Interbank loans, net	9	18,9208	14,833
Loans and accounts receivables from customers, net	10	33,413,429	31,823,735
Available for sale investments	11	7,162,542	4,010,272
Held to maturity investments		-	-
Investments in associates and other companies	12	10,327	10,467
Intangible assets	13	82,537	73,389
Property, plant, and equipment	14	187,240	197,833
Right of use assets	14	201,611	210,500
Current taxes	15	-	11,648
Deferred taxes	15	538,118	462,867
Other assets	16	1,738,856	1,434,308
TOTAL ASSETS		55,776,077	50,578,246
LIABILITIES			
Deposits and other demand liabilities	17	14,560,893	10,297,432
Cash items in process of being cleared	5	361,631	198,248
Obligations under repurchase agreements	7	969,808	380,055
Time deposits and other time liabilities	17	10,581,791	13,192,817
Financial derivative contracts	8	9,018,660	7,390,654
Interbank borrowing	18	6,328,599	2,519,818
Issued debt instruments	19	8,204,177	9,500,723
Other financial liabilities	19	184,318	226,358
Lease liabilities	14	149,585	158,494
Current taxes	15	12,977	-
Deferred taxes	15	129,066	99,608
Provisions	21	456,120	337,397
Other liabilities	22	1,165,853	2,806,325
TOTAL LIABILITIES		52,123,478	47,107,929
EQUITY			
Attributable to the equity holders of the Bank		3,567,916	3,390,823
Capital	24	891,303	891,303
Reserves	24	2,341,986	2,121,148
Valuation adjustments	24	(27,586)	(8,093)
Retained earnings		362,213	386,465
Retained earnings from prior years		-	-
Income for the period		517,447	552,093
Minus: Provision for mandatory dividends	21	(155,234)	(165,628)
Non-controlling interest	26	84,683	79,494
TOTAL EQUITY		3,652,599	3,470,317
TOTAL LIABILITIES AND EQUITY		55,776,077	50,578,246

The accompanying notes form an integral part of these consolidated financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
For the periods ended

	NOTE	As of December 31,	
		2020 MCh\$	2019 MCh\$
OPERATING INCOME			
Interest income	27	2,232,327	2,321,268
Interest expense	27	(638,479)	(904,417)
Net interest income		1,593,848	1,416,851
Fee and commission income	28	451,162	498,658
Fee and commission expense	28	(183,884)	(211,572)
Net fee and commission income		267,278	287,086
Net income (expense) from financial operations	29	90,800	(78,165)
Net foreign exchange gain	30	50,785	285,184
Other operating income	35	21,652	24,598
Net operating profit before provision for loan losses		2,024,363	1,935,554
Provision for loan losses	31	(511,073)	(420,447)
NET OPERATING INCOME		1,513,290	1,515,107
Personnel salaries and expenses	32	(408,670)	(410,157)
Administrative expenses	33	(250,450)	(233,612)
Depreciation and amortization	34	(109,426)	(106,092)
Impairment of property, plant and equipment	34	(638)	(2,726)
Other operating expenses	35	(91,808)	(61,021)
Total operating expenses		(860,992)	(813,608)
OPERATING INCOME		652,298	701,499
Income from investments in associates and other companies	12	1,388	1,146
Income before tax		653,686	702,645
Income tax expense	15	(131,123)	(150,168)
Result of continuous operations		522,563	552,477
Result of discontinued operations	40	-	1,699
NET INCOME FOR THE PERIOD		522,563	554,176
Attributable to:			
Equity holders of the Bank		517,447	552,093
Non-controlling interest	26	5,116	2,083
Earnings per share of continuous operations attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2.746	2.921
Diluted earnings	24	2.746	2.921
Earnings per share attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2.746	2.930
Diluted earnings	24	2.746	2.930

The accompanying notes form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the periods ended

	NOTE	As of December 31,	
		2020	2019
		MCh\$	MCh\$
NET INCOME FOR THE PERIOD		522,563	554,176
OTHER COMPREHENSIVE INCOME - ITEMS WHICH WILL BE RECLASSIFIED TO PROFIT OR LOSS			
Available for sale investments	24	69,737	23,974
Cash flow hedge	24	(96,330)	(50,238)
Other comprehensive income which may be reclassified subsequently to profit or loss, before tax		(26,593)	(26,264)
Income tax related to items which may be reclassified subsequently to profit or loss		7,179	7,092
Other comprehensive income for the period which may be reclassified subsequently to profit or loss, net of tax		(19,414)	(19,172)
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		-	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		503,149	535,004
Attributable to:			
Equity holders of the Bank		497,954	533,110
Non-controlling interest	26	5,195	1,894
Attributable to: Equity holders of the Bank:			
Continuous operations		497,954	531,411
Discontinuous operations		-	1,699

The accompanying notes form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the periods ended December 31, 2020 and 2019

	RESERVES			VALUATION ADJUSTMENTS			RETAINED EARNINGS				Total Equity MCh\$	
	Capital MCh\$	Reserves and other retained earnings MCh\$	Effects of merger of companies under common control MCh\$	Available for sale investments MCh\$	Cash flow hedge MCh\$	Income tax effects MCh\$	Prior years retained earnings MCh\$	Income for the period MCh\$	Provision for mandatory dividends MCh\$	Total attributable to equity holders of the Bank MCh\$		(*) Non-controlling interest MCh\$
Equity as of December 31, 2018	891,303	1,925,246	(2,224)	5,114	9,803	(4,027)	-	591,902	(177,571)	3,239,546	46,163	3,285,709
Distribution of income from previous period	-	-	-	-	-	-	591,902	(591,902)	-	-	-	-
Equity as of January 1, 2019	891,303	1,925,246	(2,224)	5,114	9,803	(4,027)	591,902	-	(177,571)	3,239,546	46,163	3,285,709
Increase or decrease of capital and reserves	-	(38,635)	-	-	-	-	-	-	-	(38,635)	31,437	(7,198)
Transactions with own shares	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distributions/ withdrawals made	-	-	-	-	-	-	(355,141)	-	-	(355,141)	-	(355,141)
Other equity movements	-	236,761	-	-	-	-	(236,761)	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	11,943	-	11,943	-	11,943
Subtotal	-	198,126	-	-	-	-	(591,902)	-	11,943	(381,833)	31,437	(350,396)
Other comprehensive income	-	-	-	24,235	(50,238)	7,020	-	-	-	(18,983)	(189)	(19,172)
Result of continuous operations	-	-	-	-	-	-	-	550,394	-	550,394	2,083	552,477
Result of discontinued operations	-	-	-	-	-	-	-	1,699	-	1,699	-	1,699
Subtotal	-	-	-	24,235	(50,238)	7,020	-	552,093	-	533,110	1,894	535,004
Equity as of December 31, 2019	891,303	2,123,372	(2,224)	29,349	(40,435)	2,993	-	552,093	(165,628)	3,390,823	79,494	3,470,317
Distribution of income from previous period	-	-	-	-	-	-	552,093	(552,093)	-	-	-	-
Equity as of January 1, 2020	891,303	2,123,372	(2,224)	29,349	(40,435)	2,993	552,093	-	(165,628)	3,390,823	79,494	3,470,317
Increase or decrease of capital and reserves	-	220,838	-	-	-	-	(220,838)	-	-	-	-	-
Transactions with own shares	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distributions/ withdrawals made	-	-	-	-	-	-	(331,255)	-	-	(331,255)	-	(331,255)
Other equity movements	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Provision for mandatory dividends	-	-	-	-	-	-	-	10,394	-	10,394	-	10,394
Subtotals	-	220,838	-	-	-	-	(552,093)	-	10,394	(320,861)	(6)	(320,867)
Other comprehensive income	-	-	-	69,627	(96,330)	7,210	-	-	-	(19,493)	79	(19,414)
Result of continuing operations	-	-	-	-	-	-	-	517,447	-	517,447	5,116	522,563
Result of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	69,627	(96,330)	7,210	-	517,447	-	497,954	5,195	503,149
Equity as of December 30, 2020	891,303	2,344,210	(2,224)	98,976	(136,765)	10,203	-	517,447	(155,234)	3,567,916	84,683	3,652,599

(*) See note 1 b) for non-controlling interest.

Period	Total attributable to equity holders of the Bank MCh\$	Allocated to reserves MCh\$	Allocated to dividends MCh\$	Distributed Percentage %	Number of shares	Dividend per share (in Chilean pesos)
Year 2019 (Shareholders Meeting April 2020)	552,093	220,838	331,255	60	188,446,126,794	0.879
Year 2018 (Shareholders Meeting April 2019)	591,902	236,761	355,141	60	188,446,126,794	1.885

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended

	NOTE	As of December 31,	
		2020 MCh\$	2019 MCh\$
A – CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME FOR THE PERIOD		522,563	554,176
Debits (credits) to income that do not represent cash flows		(1,155,277)	(1,041,895)
Depreciation and amortization	34	109,426	106,092
Impairments of property, plant and equipment and intangibles	34	638	2,726
Provision for loan losses	31	585,999	503,161
Provision from trading investments mark to market		43,609	39,997
Income from investments in associates and other companies	12	(1,388)	(1,146)
Net gain on sale of assets received in lieu of payment	35	(19,380)	(17,210)
Provision on assets received in lieu of payment	35	1,456	1,809
Net gain on sale of associates and other companies		20	126
Net gain on sale of property, plant and equipment	35	(865)	(2,456)
Charge off of assets received in lieu of payment	35	15,276	17,638
Net interest income	27	(1,593,848)	(1,416,851)
Net fee and commission income	28	(267,278)	(287,086)
Other (credits) debits to income that do not represent cash flows		9,672	(67)
Changes in deferred taxes	15	(38,614)	11,372
Increase/decrease in operating assets and liabilities		195,491	2,350,712
(Increase) decrease of loans and accounts receivables from customers, net		(1,673,357)	(2,449,954)
(Increase) decrease of financial investments		(3,015,784)	(1,809,112)
Decrease (increase) due to resale agreements (assets)		-	-
Decrease (increase) of interbank loans		(4,078)	232
(Increase) decrease of assets received or awarded in lieu of payment		4,098	(1,743)
Increase (decrease) of debits in customers checking accounts		3,249,540	1,298,976
Increase (decrease) of time deposits and other time liabilities		(2,611,026)	124,998
Increase (decrease) of obligations with domestic banks		(54,518)	271,620
Increase (decrease) of other demand liabilities or time obligations		842,080	257,039
Increase (decrease) of obligations with foreign banks		(1,095,961)	459,572
Increase (decrease) of obligations with Central Bank of Chile		4,959,260	-
Increase (decrease) of obligations under repurchase agreements		589,753	331,510
Increase (decrease) in other financial liabilities		(42,040)	10,958
Net increase of other assets and liabilities		(1,848,374)	1,055,745
Redemption of letters of credit		(6,188)	(6,988)
Senior bond issuances		1,227,166	1,893,552
Redemption mortgage bonds and payments of interest		(6,312)	(6,109)
Redemption and maturity of senior bonds and payments of interest		(2,571,384)	(822,615)
Interest received		2,232,327	2,321,268
Interest paid		(638,479)	(904,417)
Dividends received from investments in other companies	12	508	130
Fees and commissions received	28	451,162	498,658
Fees and commissions paid	28	(183,884)	(211,572)
Total cash flow provided by (used in) operating activities		(828,205)	1,862,993

The accompanying notes form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended

	NOTE	December 31,	
		2020 MCh\$	2019 MCh\$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant and equipment	14	(34,289)	(50,377)
Sales of property, plant and equipment		7,566	6,030
Purchases of investments in associates and other companies		-	(62,136)
Sales of investments in associates and other companies		-	1,930
Purchase of intangible assets	13	(35,170)	(32,860)
Total cash flow provided by (used in) investment activities		(61,893)	(137,413)
C – CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholder's financing activities		102,090	(397,070)
Increase in other obligations		-	-
Subordinated bonds emissions		475,390	-
Redemption of subordinated bonds and payments of interest		-	-
Dividends paid		(331,255)	(355,141)
Lease paid		(42,045)	(41,292)
From non-controlling interest financing activities		-	-
Dividends and/or withdrawals paid		-	-
Total cash flow (used in) financing activities		102,090	(397,070)
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		(788,008)	1,328,510
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		(28,706)	126,669
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	5	3,711,334	2,256,155
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	2,894,620	3,711,334

Reconciliation of provisions for the Consolidated Interim Statements of Cash Flows for the periods	As of December, 31,	
	2020 MCh\$	2019 MCh\$
Provision for loan losses for cash flow purposes	585,999	503,161
Recovery of loans previously charged off	(74,926)	(82,714)
Provision for loan losses - net	31	511,073

Reconciliation of liabilities arising from financing activities	December, 31 2019 MCh\$	Cash Flow MCh\$	Changes other than cash			Fair Value Changes MCh\$	December, 31 2020 MCh\$
			Acquisition MCh\$	Foreign Currency Movement MCh\$	UF Movement MCh\$		
Subordinated Bonds	818,084	475,390	-	-	64,065	-	1,357,539
Paid dividends	-	(331,225)	-	-	-	-	(331,255)
Other obligations	158,494	(42,045)	39,394	-	(6,258)	-	149,585
Total liabilities from financing activities	976,578	102,090	39,394	-	57,807	-	1,175,869

The accompanying notes form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

Banco Santander-Chile is a banking corporation (limited company) operating under the laws of the Republic of Chile, headquartered at Bandera N°140, Santiago. The corporation provides a broad range of general banking services to its customers, ranging from individuals to major corporations. Banco Santander-Chile and its subsidiaries (collectively referred to as the "Bank" or "Banco Santander-Chile") offers commercial and consumer banking services, including (but not limited to) factoring, collection, leasing, securities and insurance brokering, mutual and investment fund management, and investment banking.

Banco Santander Spain controls Banco Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander Chile Holding S.A., which are controlled subsidiaries of Banco Santander Spain. As of December 31 2020, Banco Santander Spain owns or controls directly and indirectly 99.5% of Santander Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This makes Banco Santander Spain have control over 67.18% of the Bank's shares.

a) Basis of preparation

The present Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards (CNC) and instructions issued by the Commission for the Financial Market (CMF) (former Superintendency of Banks and Financial Institutions "SBIF"), an entity auditor that according to Law No. 21,000 that "Creates the Commission for the Financial Market", provides in paragraph 6 of its article 5 that the Commission for the Financial Market (CMF) may "set the rules for the preparation and presentation of the reports, balance sheets, statements of situation and other financial statements of the audited entities and determine the principles according to which they must keep their accounting and in all that that is not treated by it if it does not contradict its instructions, must adhere to the generally accepted accounting criteria, which correspond to the technical standards issued by the Colegio de Contadores de Chile A.G., coinciding with the International Financial Reporting Standards (IFRS or IFRS, for its acronym in English) agreed by the International Accounting Standards Board (IASB). In case of discrepancies between the accounting principles and accounting criteria issued by the CMF (ex SBIF) in its Compendium of Accounting Standards and instructions, these will prevail last.

For purposes of these consolidated financial statements the Bank uses certain terms and conventions. References to "US\$", "U.S. dollars" and "dollars" are to United States dollars, references to "EUR" are to European Economic Community Euro, references to "CNY" are to Chinese Yuan, references to "JPY" are to Japanese yen, references to "CHF" are to Swiss franc, references to "AUD" references are to Australian dollar, references "Ch\$" are to Chilean pesos, and references to "UF" are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index ("CPI") of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month.

The Notes to the Consolidated Financial Statements contain additional information to support the figures submitted in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the period. These contain narrative descriptions and details of these statements in a clear, relevant, reliable and comparable manner.

b) Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements as of December 31, 2020 and 2019, include the financial statements of the entities over which the Bank has control (including structured entities); and includes the adjustments, reclassifications and eliminations needed to comply with the accounting and valuation criteria established by IFRS. Control is achieved when the Bank:

- I. has power over the investee (i.e., it has rights that grant the current capacity of managing the relevant activities of the investee);
- II. is exposed, or has rights, to variable returns from its involvement with the investee; and
- III. has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTE 01

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

When the Bank has less than the majority of the voting rights of an investee, but it will be considered to have the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities over the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, these include:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- the potential voting rights held by the Bank, other vote holders or other parties.
- the rights arising from other contractual agreements.
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year are included in the Consolidated Statements of Income and Comprehensive Income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit in certain circumstances.

When necessary, adjustments are made to the financial statements of the subsidiaries to ensure their accounting policies are consistent with the Bank's accounting policies. All balances and transactions between consolidated entities are eliminated.

Changes in the consolidated entities ownership interests in subsidiaries that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying values of the Bank's equity and the non-controlling interests' equity are adjusted to reflect the changes to their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

In addition, third parties' shares in the Bank's consolidated equity are presented as "Non-controlling interests" in the Consolidated Statement of Changes in Equity. Their share in the income for the year is presented as "Attributable to non-controlling interest" in the Consolidated Statement of Income.

The following companies are considered entities controlled by the Bank and are therefore within the scope of consolidation:

i. Entities controlled by the Bank through participation in equity

Name of the Subsidiary	Main Activity	Place of Incorporation and operation	Percent ownership share					
			As of December 31,					
			2020			2019		
			Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander Corredora de Seguros Limitada	Insurance brokerage	Santiago, Chile	99.75	0.01	99.76	99.75	0.01	99.76
Santander Corredores de Bolsa Limitada	Financial instruments brokerage	Santiago, Chile	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asesorias Financieras Limitada (1)	Securities brokerage	Santiago, Chile	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	Santiago, Chile	99.64	-	99.64	99.64	-	99.64
Klare Corredora de Seguros S.A. (2)	Insurance brokerage	Santiago, Chile	50.10	-	50.10	50.10	-	50.10
Santander Consumer Finance Limitada (3)	Financial automovite	Santiago, Chile	51.00	-	51.00	51.00	-	51.00
Sociedad operadora de Tarjetas de Pago Santander Getnet Chile S.A. (4)	Card Operator	Santiago, Chile	99.99	0.01	100.00	-	-	-

The details of non-controlling interest in all the subsidiaries can be seen in Note 23 – Non-controlling interest.

(1) On December 18, 2019, Santander Agente de Valores Limitada changes its business name and the company's object, to Santander Asesorías Financieras Limitada, and offering financial advice.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(2) On October 19, 2019 Klare Corredora de Seguros S.A. was created as a digital insurance brokerage, and supporting banking business company and thus subject to banking regulations. The Banks owns the 50,10% of the company's capital share.

(3) On November 15, 2019, Financial Market Commission (CMF) authorized Banco Santander to acquire the 51% of the Santander Consumer Chile S.A. capital share from SK Berge (49%) and Banco Santander S.A. (2%). The sale was completed on November 27, 2019.

(4) On July 6, 2020, the registration of a new subsidiary and business support company called "Sociedad operadora de Tarjetas de Pago Santander Getnet Chile S.A." was made.

ii. Entities controlled by the Bank through other considerations

The following companies have been consolidated based on the fact that the relevant activities of them are determined by the Bank (companies complementary to the banking sector) and therefore the Bank exercises control:

- Santander Gestión de Recaudación y Cobranza Limitada (collection services).
- Bansa Santander S.A. (management of repossessed assets and leasing of properties).
- Multiplica SpA (Development card incentive programs).

iii. Associates

An associate is an entity over which the Bank has the ability to exercise significant influence, but not control or joint control. This ability is usually represented by a share equal to or higher than 20% of the voting rights of the Company and is accounted for using the equity method.

The following companies are considered "Associates" in which the Bank accounts for its participation using the equity method:

Associates	Main activity	Place of Incorporation and operation	Percentage of ownership share	
			As of December 31, 2020 %	2019 %
Centro de Compensación Automatizado S.A.	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Repository of publically offered securities	Santiago, Chile	29.29	29.29
Cámara Compensación de Alto Valor S.A.	Payments clearing	Santiago, Chile	15.00	15.00
Administrador Financiero del Transantiago S.A.	Administration of boarding passes to public transportation	Santiago, Chile	20.00	20.00
Servicios de Infraestructura de Mercado OTC S.A.	Administration of the infrastructure for the financial market of derivative instruments	Santiago, Chile	12.48	12.48

In the case of Cámara Compensación Alto Valor S.A., Banco Santander-Chile has a representative in the Board of Directors, which is why Management has concluded that it exercises significant influence over the same.

In the case of Servicios de Infraestructura de Mercado OTC S.A., the Bank participates, through its executives, actively in the administration, which is why Management has concluded that it exercises significant influence over it.

iv. Share or rights in other companies

Entities over which the Bank has no control or significant influence are presented in this category. These holdings are shown at acquisition value (historical cost) less impairment, if any.

c) Non-controlling interest

Non-controlling interest represents the portion of gains or losses and net assets which the Bank does not own, either directly or indirectly. It is presented separately in the Consolidated Statement of Income, and separately from shareholders' equity in the Consolidated Statement of Financial Position.

In the case of entities controlled by the Bank through other considerations, income and equity are presented in full as non-controlling interest, since the Bank controls them, but does not have any ownership.

Banco Santander-Chile and Subsidiaries

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Reporting segments

The Bank's operating segments correspond to the units whose operating results are regularly reviewed by the highest decision-making authority. Two or more operating segments can be added into one, only when the aggregation is consistent with the basic principle of International Financial Reporting Standard 8 "Operating Segments" (IFRS 8) and the segments have similar economic characteristics and are similar in each one of the following aspects:

- i. the nature of the products and services;
- ii. the nature of the production processes;
- iii. the type or category of customers to whom your products and services are destined;
- iv. the methods used to distribute your products or provide services; and
- v. if applicable, the nature of the regulatory framework, for example, banking, insurance, or public services.

The Bank reports separately on each operating segment that exceeds any of the following quantitative thresholds:

- i. Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined internal and external revenue of all the operating segments.
- ii. the absolute amount of its reported profit or loss is equal to or greater than 10%: (i) the combined reported profit of all the operating segments that did not report a loss; (ii) the combined reported loss of all the operating segments that reported a loss.
- iii. its assets represent 10% or more of the combined assets of all the operating segments.

Operating segments that do not meet any of the quantitative threshold may be treated as segments to be reported, in which case the information must be disclosed separately if management believes it could be useful for the users of the Consolidated Financial Statements.

Information about other business activities of the segments not separately reported is combined and disclosed in the "Other segments" category.

According to the information presented, the Bank's segments were selected based on an operating segment being a component of an entity that:

- i. Engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses from transactions with other components of the same entity);
- ii. whose operating results are regularly reviewed by the entity's chief executive officer, who makes decisions about resources allocated to the segment and assess its performance;
- iii. for which discrete financial information is available.

e) Functional and presentation currency

The Bank, in accordance with IAS 21 "Effects of Variations in Exchange Rates of the Foreign Currency", has defined as functional and presentation currency the Chilean Peso, which is the currency of the primary economic environment in which the Bank operates, it also obeys the currency that influences the structure of costs and revenues. Therefore, all balances and transactions denominated in currencies other than the Chilean Peso are considered as "Foreign currency".

f) Foreign currency transactions

The Bank performs transactions in foreign currencies, mainly in U.S. dollar. Assets and liabilities denominated in foreign currencies and held by the Bank are translated to Chilean pesos based on the representative market rate (discounted spot) on the month end date. The rate used was Ch\$712.47 per US\$1 for December, 2020.

The amount of net foreign exchange gains and losses include recognition of the effects that exchange rate variations have on assets and liabilities denominated in foreign currencies and the profits and losses on foreign exchange spot and forward transactions undertaken by the Bank.

g) Definitions and classification of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of an entity, and a financial liability or equity instrument of another entity.

An "equity instrument" is a legal transaction that evidences a residual interest on the assets of an entity deducting all of its liabilities.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A "financial derivative" is a financial instrument whose value changes in response to changes with regard to an observed market variable (such as an interest rate, a foreign exchange rate, a financial instrument's price, or a market index, including credit ratings), whose initial investment is very small compared with other financial instruments having a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative. As of December 31, 2020, Banco Santander-Chile did not keep implicit derivatives in its portfolio.

ii. Classification of financial assets for measurement purposes

Financial assets are classified into the following specified categories: financial assets trading investments at fair value through profit or loss (FVTPL), 'held to maturity investments', 'available for sale investments' (AFS) financial assets and 'loans and accounts receivable from customers'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A conventional purchase or sale of financial assets is the purchase or sale of a financial asset that requires the delivery of the asset during a period that is generally regulated or arises from a convention established in the market. A conventional purchase or sale of financial assets will be recognized and written off, as appropriate, by applying the accounting of the date of contracting or that of the settlement date.

Financial assets are initially recognized at fair value plus, in the case of financial assets that aren't accounted for at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for loans and accounts receivables other than those financial assets classified at fair value through profit or loss.

Trading investments

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as fair value through profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired with the purpose of selling it in the short term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as FVTPL.

Financial assets FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised incorporates any dividend or interest earned on the financial asset and is included in the 'net income (expense) from financial operations' line item.

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment.

Available for sale investments

AFS investments are non-derivatives that are either designated as AFS or are not classified as (a) loans and accounts receivable from customers, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss (trading investments).

Financial instruments held by the Bank that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Bank also has investments in financial instruments that are not traded in an active market but that are also classified as AFS investments and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available for sale investments are recognised in other comprehensive income and accumulated under the heading of "Valuation Adjustment". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated as the described in f) above. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset.

Loans and accounts receivables from customers

Loans and accounts receivable from customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and accounts receivables from customers (including loans and accounts receivable from customers and interbank loans) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where discounting effects are immaterial.

iii. Classification of financial assets for presentation purposes

For presentation purposes, the financial assets are classified by their nature into the following line items in the Consolidated Financial Statements:

- Cash and deposits in banks: this line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions. Amounts invested as overnight deposits are included in this item and in the corresponding items. If a special item for these operations is not mentioned, they will be included along with the accounts being reported.
- Trading investments: this item includes financial instruments held-for-trading and investments in mutual funds which must be adjusted to their fair value.
- Investments under resale agreements: This item presents the balances corresponding to the transactions for the purchase of instruments with an agreement and the securities loans. In accordance with current regulations, the Bank does not register as its own portfolio those papers purchased with retro-purchase agreements.
- Financial derivative contracts: financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or accounted for as derivatives held for hedging, as shown in Note 8.
- Trading derivatives: includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Hedging derivatives: includes the fair value of derivatives designated as being in a hedging relationship, including the embedded derivatives separated from the hybrid financial instruments.
- Interbank loans: this item includes the balances of transactions with domestic and foreign banks, including the Central Bank of Chile, other than those reflected in certain other financial asset classifications listed above.
- Loans and accounts receivables from customers: these loans are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and rewards incidental to the leased asset, the transaction is presented in loans and accounts receivable from customers while the leased asset is removed from the Bank's financial statements.
- Investment instruments: are classified into two categories: held-to-maturity investments, and available-for-sale investments. The held-to-maturity investment classification includes only those instruments for which the Bank has the ability and intent to hold to maturity. The remaining investments are treated as available for sale.

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified as either financial liabilities FVTPL or other financial liabilities.

Financial liabilities FVTPL

As of December 31, 2020 and, 2019, the bank does not possess any financial liabilities FVTPL.

Other financial liabilities

Other financial liabilities (including interbank borrowings, issued debt instruments and other payables) are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by their nature into the following items in the Consolidated Statement of Financial Position:

- Deposits and other on-demand liabilities: this includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations whose payment may be required during the period are deemed to be on-demand obligations. Operations which become callable the day after the closing date are not treated as on-demand obligations.
- Cash items in process of collection: this item includes balances from asset purchase operations that are not settled the same day, and sale of currencies not yet delivered.
- Obligations under repurchase agreements: this includes the balances of sales of financial instruments under securities repurchase and loan agreements. The Bank does not record as own portfolio instruments acquired under repurchase agreements.
- Time deposits and other time liabilities: this shows the balances of deposit transactions in which a term at the end of which they become callable has been stipulated.
- Financial derivative contracts: this includes financial derivative contracts with negative fair values (i.e. a liability of the Bank), whether they are for trading or for hedge accounting, as set forth in Note 8.
 - Trading derivatives: includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.
 - Hedging derivatives: includes the fair value of derivatives designated as being in a hedging relationship, including the embedded derivatives separated from the hybrid financial instruments.
- Obligations with banks: Includes obligations with other banks in the country, with foreign banks or with the Central Bank of Chile and which were not classified in any previous definition.

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Issued debt instruments: there are three types of instruments issued by the Bank: Obligations under letters of credit, Subordinated bonds and Senior bonds placed in the local and foreign market.
- Other financial liabilities: this item includes credit obligations to persons other than domestic banks, foreign banks, or the Central Bank of Chile, for financing purposes or operations in the normal course of business.

vi. Modified of financial assets

When the contractual modification of the cash flows has its origin in financial difficulties of the counterparty and said flows have been adapted so that it can comply with its payment obligations, this modification will not be considered as substantial and therefore will not imply the cancellation of the current financial instrument.

On the other hand, when the modification of the contractual flows originate for eminently commercial reasons, said modification will be considered as substantial and therefore will imply the cancellation of the original financial instrument and the recognition of a new one. Any difference that is generated between the book value of the derecognized financial instrument and the fair value of the new financial instrument will be recognized in the Consolidated Statement of Income.

h) Valuation of financial instruments and recognition of fair value changes

Generally, financial assets and liabilities are initially recognized at fair value, which, in the absence of evidence against it, is deemed to be the transaction price. Financial instruments, other than those measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Subsequently, and at the end of each reporting period, financial instruments are measured with the following criteria:

i. Valuation of financial instruments

Financial assets are measured according to their fair value, gross of any transaction costs that may be incurred in the course of a sale, except for credit investments and held to maturity investments.

According to IFRS 13 *Fair Value Measurement*, "fair value" is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, the most advantageous market for the asset or liability. Even when there is no observable market to provide pricing information in connection with the sale of an asset or the transfer of a liability at the measurement date, the fair value measurement shall assume that the transaction takes place, considered from the perspective of a potential market participant who intends to maximize value associated with the asset or liability.

When using valuation techniques, the Bank shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs as available. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (i.e. Level 1, 2 or 3).

Although the use of average prices is allowed as a practical resource to determine the fair value of an asset or a liability, the Bank makes a adjustment (FVA or fair value adjustment) when there is a gap between the purchase and sale price (close out cost).

IFRS 13 establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Every derivative is recorded in the Consolidated Statements of Financial Position at fair value as previously described. This value is compared to the valuation at the trade date. If the fair value is subsequently measured positive, this is recorded as an asset, if the fair value is subsequently measured negative, this is recorded as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recorded in "Net income (expense) from financial operations" in the Consolidated Statement of Income.

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price. If, for exceptional reasons, the quoted price cannot be determined on a given date, the fair value is determined using similar methods to those used to measure over the counter (OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV) and option pricing models, among other methods. Also, within the fair value of derivatives are included Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), all with the objective that the fair value of each instrument includes the credit risk of its counterparty and Bank's own risk. Counterparty Credit Risk (CVA) is a valuation adjustment to derivatives contracted in non-organized markets as a result of exposure to counterparty credit risk. The CVA is calculated considering the potential exposure to each counterparty in future periods. Own-credit risk (DVA) is a valuation adjustment similar to the CVA, but generated by the Bank's credit risk assumed by our counterparties.

"Loans and accounts receivable from customers" and Held-to-maturity instrument portfolio are measured at amortized cost using the effective interest method. Amortized cost is the acquisition cost of a financial asset or liability, plus or minus, as appropriate, prepayments of principal and the cumulative amortization (recorded in the consolidated income statement) of the difference between the initial cost and the maturity amount as calculated under the effective interest method. For financial assets, amortized cost also includes any reductions for impairment or uncollectibility. For loans and accounts receivable designated as hedged items in fair value hedges, the changes in their fair value related to the risk or risks being hedged are recorded in "Net income (expense) from financial operations".

The "effective interest rate" is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows over its remaining life. For fixed-rate financial instruments, the effective interest rate incorporates the contractual interest rate established on the acquisition date. Where applicable, the fees and transaction costs that are a part of the financial return are included. For floating-rate financial instruments, the effective interest rate matches the current rate of return until the date of the next review of interest rates.

The amounts at which the financial assets are recorded represent the Bank's maximum exposure to credit risk as at the reporting date. The Bank has also received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, equity instruments and personal securities, assets under leasing agreements, assets acquired under repurchase agreements, securities loans and derivatives.

Capital instruments whose fair value cannot be determined sufficiently objectively and financial derivatives that have these instruments as underlying assets and are settled by delivery thereof are maintained at their acquisition cost, corrected, where appropriate, by losses for deterioration they have experienced.

ii. Valuation techniques

Financial instruments at fair value, determined on the basis of price quotations in active markets, include government debt securities, private sector debt securities, equity shares, short positions, and fixed-income securities issued.

In cases where price quotations cannot be observed in available markets, the Bank's management determines a best estimate of the price that the market would set using its own internal models. In most cases, these models use data based on observable market parameters as significant inputs however for some valuations of financial instruments, significant inputs are unobservable in the market. To determine a value for those instruments, various techniques are employed to make these estimates, including the extrapolation of observable market data.

The most reliable evidence of the fair value of a financial instrument on initial recognition is usually the transaction price, however due to lack of availability of market information, the value of the instrument may be derived from other market transactions performed with the same or similar instruments or may be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

The main techniques used as of December 31, 2020 and 2019, by the Bank's internal models to determine the fair value of the financial instruments are as follows:

- i. In the valuation of financial instruments permitting static hedging (mainly forwards and swaps), the present value method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.
- ii. In the valuation of financial instruments requiring dynamic hedging (mainly structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation indexes and market liquidity.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- iii. In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

The fair value of the financial instruments calculated by the aforementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, quoted market price of shares and market rates of raw materials, volatility, prepayments and liquidity. The Bank's management considers that its valuation models are not significantly subjective, since these methodologies can be adjusted and evaluated, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

iii. Hedging transactions and macrohedge

The Bank uses financial derivatives for the following purposes:

- i. To sell to customers who request these instruments in the management of their market and credit risks;
- ii. to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities ("hedging derivatives"), and
- iii. to obtain profits from changes in the price of these derivatives (trading derivatives).

All financial derivatives that are not held for hedging purposes are accounted for as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:
 - a. Changes in the value of assets and liabilities due to fluctuations, among others, in inflation (UF), the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");
 - b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecasted transactions ("cash flow hedge");
 - c. The net investment in a foreign operation ("hedge of a net investment in a foreign operation").
2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:
 - a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").
 - b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness").
3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

The changes in the value of financial instruments qualifying for hedge accounting are recorded as follows:

- a. For fair value hedges, the gains or losses arising on both hedging instruments and the hedged items (attributable to the type of risk being hedged) are included as "Net income (expense) from financial operations" in the Consolidated Statement of Income.
- b. For fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments and other gains or losses due to changes in fair value of the underlying hedged item (attributable to the hedged risk) are recorded in the Consolidated Financial Statement of Income under "Net income (expense) from financial operations".
- c. For cash flow hedges, the change in fair value of the hedging instrument is included as "Cash flow hedge" in "Other comprehensive income".
- d. The differences in valuation of the hedging instrument corresponding to the ineffective portion of the cash flow hedging transactions are recorded directly in the Consolidated Statement of Income under "Net income (expense) from financial operations".

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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If a derivative designated as a hedging instrument no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, hedge accounting treatment is discontinued. When "fair value hedging" is discontinued, the fair value adjustments to the carrying amount of the hedged item arising from the hedged risk are amortized to gain or loss from that date, when applicable.

When cash flow hedges are discontinued any cumulative gain or loss of the hedging instrument recognized under "Other comprehensive income" (from the period when the hedge was effective) remains recorded in equity until the hedged transaction occurs, at which time it is recorded in the Consolidated Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recorded immediately in the Consolidated Statement of Income.

iv. Embedded Derivatives in hybrid financial instruments

Embedded Derivatives in other financial instruments or in other host contracts are accounted for separately as derivatives if 1) their risks and characteristics are not closely related to the host contracts, 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and 3) provided that the host contracts are not classified as "Trading investments" or as other financial assets (liabilities) at fair value through profit or loss.

v. Offsetting of financial instruments

Financial asset and liability balances are offset, i.e., reported in the Consolidated Statements of Financial Position at their net amount, only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. As of December 31, 2020 and 2019, there is not offsetting of financial asset and liability balances.

vi. Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the extent and the manner in which the risks and rewards associated with the transferred assets are transferred to third parties:

- i. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is derecognized from the Consolidated Statement of Financial Position and any rights or obligations retained or created in the transfer are simultaneously recorded.
- ii. If the Bank retains substantially all the risks and rewards of ownership associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements at a fixed price or at the sale price plus interest, securities lending agreements under which the borrower undertakes to return the same or similar assets, and other similar cases, the transferred financial asset is not derecognized from the Consolidated Financial Statement of Financial Position and continues to be measured by the same criteria as those used before the transfer. However, the following items are recorded:
 - An associated financial liability for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.
 - Both the income from the transferred (but not removed) financial asset as well as any expenses incurred due to the new financial liability.
- iii. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership associated with the transferred financial asset—as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases, the following distinction is made:
 - a. If the transferor does not retain control of the transferred financial asset: the asset is derecognized from the Consolidated Statement of Financial Position and any rights or obligations retained or created in the transfer are recognized.
 - b. If the transferor retains control of the transferred financial asset: it continues to be recognized in the Consolidated Statement of Financial Position for an amount equal to its exposure to changes in value and a financial liability associated with the transferred financial asset is recorded. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

NOTE 01 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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Accordingly, financial assets are only derecognized from the Consolidated Statement of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards of ownership have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized from the Consolidated Financial Statement Financial Position when the obligations specified in the contract are discharged or cancelled or the contract has matured.

i) Recognizing income and expenses

The most significant criteria used by the Bank to recognize its revenues and expenses are summarized as follows:

i. Interest revenue, interest expense, and similar items

Interest revenue, expense and similar items are recorded on an accrual basis using the effective interest method.

However, when a given operation or transaction is past due by 90 days or more, originated from a refinancing or renegotiation, or when the Bank believes that the debtor poses a high risk of default, the interest and adjustments pertaining to these transactions are not recorded directly in the Consolidated Statement of Income unless they have been actually received.

This interest and adjustments are generally referred to as "suspended" and are recorded as memorandum accounts in they are reported as part of the complementary information thereto and as memorandum accounts. This interest is recognized as income, when collected.

The resumption of interest income recognition of previously impaired loans only occurs when such loans become current (i.e. payments were received such that the loans are contractually past-due for less than 90 days) or they are no longer classified under the C3, C4, C5, or C6 risk categories (for loans individually evaluated for impairment).

ii. Commissions, fees, and similar items

Fee and commission income and expenses are recognized in the Consolidated Statement of Income using criteria established in IFRS 15 "Revenue from contracts with customers".

Under IFRS 15, the Bank recognize revenue when (or as) satisfied a performance obligations by transferring a service (ie an asset) to a customer; under this definition an asset is transferred when (or as) the customer obtains control of that asset. The Bank considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Bank transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, and/or the Bank satisfies the performance obligation at a point in time.

The main income arising from commissions, fees and similar items correspond to:

- Fees and commissions for lines of credits and overdrafts: includes accrued fees related to granting lines of credit and overdrafts in checking accounts.
- Fees and commissions for guarantees and letters of credit: includes accrued fees in the period relating to granting of guarantee payment for current and contingent third party obligations.
- Fees and commissions for card services: includes accrued and earned commissions in the period related to use of credit cards, debit cards and other cards.
- Fees and commissions for management of accounts: includes accrued commissions for the maintenance of checking, savings and other accounts.
- Fees and commissions for collections and payments: includes income arising from collections and payments services provided by the Bank.
- Fees and commissions for intermediation and management of securities: includes income from brokerage, placements, administration and securities' custody services.
- Fees and commissions for insurance brokerage fees: includes income arising for insurances distribution.
- Other fees and commissions: includes income arising from currency changes, financial advisory, cashier check issuance, placement of financial products and online banking services.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The main expense arising from commissions, fees and similar items correspond to:

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- Compensation for card operation: includes commission expenses for credit and debit card operations related to income commissions card services.
- Fees and commissions for securities transactions: includes commissions expense for deposits, securities custody service and securities brokerage.
- Other fees and commissions: includes mainly expenses generated from online services.

The Bank has incorporated disaggregated revenue disclosure and reportable segment relationship in Note 28.

Additionally, the Bank maintains certain loyalty programme associated to its credit cards services, for which has deferred a percentage of the consideration received in the statement of financial position to comply with its related performance obligation according IFRS 15, or has liquidated on a monthly basis as far they arise.

iii. Non-financial income and expenses

They are recognized in accordance with the criteria established in IFRS 15, identifying the performance obligation and when they are satisfied (accrued).

iv. Commissions in the formalization of loans

The financial commissions that arise in the formalization of loans, mainly the opening or study and information commissions, are periodized and recorded in the Statement of the Consolidated Income throughout the life of the loan.

j) Impairment of Non-financial assets:

The Bank's non-financial assets, excluding investment properties, are reviewed at the reporting date to determine whether they show signs of impairment (i.e. its carrying amount exceeds its recoverable amount). If any such evidence exists, the recoverable amount of the asset is estimated, in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

In connection with other assets, impairment losses recorded in prior periods are assessed at each reporting date to determine whether the loss has decreased and should be reversed. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Losses for goodwill impairment recognized through capital gains are not reversed.

k) Property, plant, and equipment

This category includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixed assets owned by the consolidated entities or acquired under finance leases. Assets are classified according to their use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use includes but is not limited to tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing accounts receivable from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases. These assets are presented at acquisition cost less the related accumulated depreciation and, if applicable, any impairment losses resulting from comparing the net value of each item to the respective recoverable amount.

Depreciation is calculated using the straight line method over the acquisition cost of assets less their residual value, assuming that the land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Bank applies the following useful lives for the tangible assets that comprise its assets:

ITEM	Useful life (in months)
Land	-
Paintings and works of art	-
Carpets and curtains	36
Computers and hardware	36
Vehicles	36
IT systems and software	36
ATMs	60
Other machines and equipment	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Other installations	120
Buildings	1,200

The consolidated entities assess at each reporting period whether there is any indicator that the carrying amount of any tangible asset exceeds its recoverable amount. If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in accordance with the revised carrying amount and to the new remaining useful life.

The estimated useful lives of the items of property, plant and equipment held for own use are reviewed at the end of each reporting period to detect significant changes. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recorded in the Consolidated Statement of Income in future years on the basis of the new useful lives.

Maintenance expenses relating to tangible assets held for own use are recorded as an expense in the period in which they are incurred.

ii. Assets leased out under operating leases

The criteria used to record the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives, and to record their impairment losses, are the same as those for property, plant and equipment held for own use.

l) Leases

At inception of a contract the Bank assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- the Bank has the right to direct the use of the asset – this is decision-making purpose for which asset is used.

a. As a Lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date in accordance with IFRS 16 "Leases". The main contracts that the Bank has are offices and branches related, which are necessary to carry out its activities.

At the beginning, the right-of-use asset is equal to the lease liability and is calculated as the present value of the lease payments discounted using the incremental interest rate at the commencement date, considering the lease term of each contract. The average incremental interest rate is 1.45%. After initial recognition, the right-of-use is subsequently depreciated using the straight-line method in accordance with the lease term of the contract, and the lease liability is amortised in accordance with the effective interest method. Financial interest is accounted as interest expense, and depreciation as depreciation expense in each period.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The term of the lease comprises non-cancelable periods established within each contract, while for lease contracts with an indefinite useful life, the Bank has determined to assign a useful life equal to the longer non-cancelable period of its lease agreements. The Bank has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term. Any modification in the terms or lease should be treated as a new measurement.

At initial measurement, the Bank measures the right-of-use asset at cost. The rent of these leases are according in UF, and payable in Chilean pesos. According to the provisions of Circular No. 3,649 of the CMF (ex SBIF), the monthly variation in UF that affects the contracts established in said monetary unit should be treated as a new measurement, and therefore, readjustments should be recognized as a modification to the obligation and in parallel the amount of the asset must be adjusted for the right to use leased assets.

The Bank has not entered into to lease agreements with guarantee clauses for residual value or variable lease payments.

b. As a lessor

When the Bank acts as a lessor, it determines at the beginning if it corresponds to a financial or operating lease. To do this, it evaluates whether it has substantially transferred all the risks and benefits of the asset. In the affirmative case, it corresponds to a financial lease, otherwise it is a financial lease. The Bank recognizes the lease income on a straight-line basis over the lease term.

c. Third party financing

The Bank recognises the loans with third parties within "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position, the sum of the present value of the lease payments receivable from the lessee, including the exercise price of the lessee's purchase option at the end of the lease term, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The finance income and expenses arising from these contracts are recorded under "Interest income" and "Interest expense" respectively, in Consolidated Statements of Income to achieve constant return rate over the lease term.

m) Factoring transactions

Factored receivables are valued at the amount disbursed by the Bank in exchange of invoices or other commercial instruments representing the credit which the transferor assigns to the Bank. The price difference between the amounts disbursed and the actual face value of the credits is recorded as interest income in the Consolidated Statement of Income using the effective interest method over the financing period.

When the assignment of these instruments involves no liability on the part of the assignee, the Bank assumes the risks of insolvency of the parties responsible for payment.

n) Intangible assets

Intangible assets are identified as non-monetary assets (separately identifiable from other assets) without physical substance which arise as a result of legal or contractual rights. The Bank recognizes an intangible asset, whether purchased or self-created (at cost), when the cost of the asset can be measured reliably and it is probable that the future economic benefits that are attributable to the asset will flow to the Bank.

Intangible assets are recorded initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Internally developed computer software is recorded as an intangible asset if, among other requirements (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated.

Intangible assets are amortized linearly based on the estimated useful life, which has been defined by default in 36 months, and can be modified to the extent that it is demonstrated that the Bank will benefit from the use of the intangible for a different period mentioned above.

Expenditure on research activities is recorded as an expense in the year in which it is incurred and cannot be subsequently capitalized.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

o) Cash and cash equivalents

The indirect method is used to prepare the cash flow statement, starting with the Bank's consolidated pre-tax income and incorporating non-cash transactions, as well as income and expenses associated with cash flows, which are classified as investing or financing activities.

The cash flow statement was prepared considering the following definitions:

- i. Cash flows: Inflows and outflows of cash and cash equivalents, such as deposits with the Central Bank of Chile, deposits in domestic banks, and deposits in foreign banks.
- ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.
- iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- iv. Financing Activities: Activities that result in changes in the size and composition of equity and liabilities that are not operating or investing activities.

p) Allowances for loan losses

The Bank continuously evaluates the entire loan portfolio and contingent loans, as it is established by the CMF, to timely provide the necessary and sufficient provisions to cover expected losses associated with the characteristics of the debtors and their loans, which determine payment behavior and recovery.

The Bank has established provisions for probable losses in credits and accounts receivable from customers in accordance with the instructions issued by the CMF (ex SBIF) and the credit risk rating and evaluation model approved by the Board of Directors, including the modifications introduced by Circulars N° 3,573 and N° 3,584 and their subsequent amendments which establish the standard method for residential mortgage loans and Circulars N° 3,638 and N° 3,647 related to commercial loans for group portfolio, complement and specify instructions on provisions and credits that make up the impaired portfolio.

The Bank uses the following models established by the CMF, to evaluate its loan portfolio and credit risk:

- Individual assessment - where the Bank assesses a debtor as individually significant when their loans are significant, or when the debtor cannot be classified within a group of financial assets with similar credit risk characteristics, due to its size, complexity or level of exposure.
- Group assessment - a group assessment is relevant for analyzing a large number of transactions with small individual balances due from individuals or small companies. The Bank groups debtors with similar credit risk characteristics giving to each group a default probability and recovery rate based on a historical analysis. The Bank has implemented standard models for mortgage loans (Circular N°3,573 and N°3,584), and commercial loan (Circular N° 3,638 and N°3,647) and internal models for consumer loans.

For the company Santander Consumer Finance Limitada the determination of the provision for credit risk is made using internal models under IFRS 9 to determine the expected losses for this default. These internal models are reviewed monthly and the modifications to said models are approved by the Board of Directors on a quarterly basis, after review and approval by the Company's General Management. These models collectively evaluate the receivables, for which said loans are grouped based on similar credit risk characteristics, which indicate the debtor's ability to pay on the entire debt, principal and interest, in accordance with the terms of the contract. In addition, this allows evaluating a large number of transactions with low individual amounts, regardless of whether they belong to individuals or small companies. Therefore, debtors and loans with similar characteristics are grouped together and each group has a risk level assigned to it. During the first half of 2020, Santander Consumer Finance Limitada carried out a calibration of its credit risk provision models, with the aim of improving the prediction parameters of customer behavior and maintaining the statistical monitoring standards, which resulted in a higher provision with an effect on results of Ch \$ 1,900 million.

I. Allowances for individual assessment

An individual assessment of commercial debtors is necessary according to the CMF, in the case of companies which, due to their size, complexity or level of exposure, must be known and analyzed in detail.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The analysis of the debtor is primarily focused on their credit quality and their risk category classification of the debtor and of their respective contingent loans and loans. These are assigned to one of the following portfolio categories: Normal, Substandard and Impaired. The risk factors considered are: industry or economic sector, owners or managers, financial situation and payment ability, and payment behavior.

The portfolio categories and their definitions are as follows:

- i. Normal Portfolio includes debtors with a payment ability that allows them to meet their obligations and commitments. Evaluations of the current economic and financial environment do not indicate that this will change. The classifications assigned to this portfolio are categories from A1 to A6.
- ii. Substandard Portfolio includes debtors with financial difficulties or a significant deterioration of their payment ability. There is reasonable doubt concerning the future reimbursement of the capital and interest within the contractual terms, with limited ability to meet short-term financial obligations. The classifications assigned to this portfolio are categories from B1 to B4.
- iii. Impaired Portfolio includes debtors and their loans where repayment is considered remote, with a reduced or no likelihood of repayment. This portfolio includes debtors who have stopped paying their loans or that indicate that they will stop paying, as well as those who require forced debt restructuring, reducing the obligation or delaying the term of the capital or interest, and any other debtor who is over 90 days overdue in his payment of interest or capital. The classifications assigned to this portfolio are categories from C1 to C6.

Normal and Substandard Compliance Portfolio

As part of individual assessment, the Bank classifies debtors into the following categories, assigning them a probability of non-performance (PNP) and severity (SEV), which result in the expected loss percentages:

Portfolio	Debtor's Category	Probability of Non-Performance (%)	Severity (%)	Expected Loss (%)
Normal Portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard Portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

The Bank first determines all credit exposures, which includes the accounting balances of loans and accounts receivable from customers plus contingent loans, less any amount recovered through executing the financial guarantees or collateral covering the operations. The percentages of expected loss are applied to this exposure. In the case of collateral, the Bank must demonstrate that the value assigned reasonably reflects the value obtainable on disposal of the assets or equity instruments. When the credit risk of the debtor is substituted for the credit quality of the collateral or guarantor, this methodology is applicable only when the guarantor or surety is an entity qualified in a assimilable investment grade by a local or international company rating agency recognized by the CMF. Guaranteed securities cannot be deducted from the exposure amount, only financial guarantees and collateral can be considered.

Notwithstanding the foregoing, the Bank must maintain a minimum provision of 0.5% over loans and contingent loans in the normal portfolio.

Impaired Portfolio

The impaired portfolio includes all loans and the entire value of contingent loans of the debtors that are over 90 days overdue on the payment of interest or principal of any loan at the end of the month. It also includes debtors who have been granted a loan to refinance loans over 60 days overdue, as well as debtors who have undergone forced restructuring or partial debt condonation.

The impaired portfolio excludes: a) residential mortgage loans, with payments less than 90 days overdue; and, b) loans to finance higher education according to Law 20,027, provided the breach conditions outlined in Circular N°3,454 of December 10, 2008 are not fulfilled.

The provision for an impaired portfolio is calculated by determining the expected loss rate for the exposure, adjusting for amounts recoverable through available financial guarantees and deducting the present value of recoveries made through collection services after the related expenses.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Once the expected loss range is determined, the related provision percentage is applied over the exposure amount, which includes loans and contingent loans related to the debtor.

The allowance rates applied over the calculated exposure are as follows:

Classification	Estimated range of loss	Allowance
C1	Up to 3%	2%
C2	Greater than 3% and less than 20%	10%
C3	Greater than 20% and less than 30%	25%
C4	Greater than 30% and less than 50%	40%
C5	Greater than 50% and less than 80%	65%
C6	Greater than 80%	90%

Loans are maintained in the impaired portfolio until their payment ability is normal, notwithstanding the write off of each particular credit that meets conditions of Title II of Chapter B-2. Once the circumstances that led to classification in the Impaired Portfolio have been overcome, the debtor can be removed from this portfolio once all the following conditions are met:

- i. The debtor has no obligations of the debtor with the Bank more than 30 days overdue;
- ii. the debtor has not been granted loans to pay its obligations;
- iii. at least one of the payments include the amortization of capital;
- iv. if the debtor has made partial loan payments in the last six months, two payments have already been made;
- v. if the debtor must pay monthly installments for one or more loans, four consecutive installments have been made;
- vi. the debtor does not appear to have bad debts in the information provided by the CMF (ex SBIF), except for insignificant amounts.

II. Allowances for group assessments

Group assessments are used to estimate allowances required for loans with low balances related to individuals or small companies.

Group assessments require the formation of groups of loans with similar characteristics by type of debtor and loan conditions, in order to establish both the group payment behavior and the recoveries of their defaulted loans, using technically substantiated estimates and prudential criteria. The model used is based on the characteristics of the debtor, payment history, outstanding loans and default among other relevant factors.

The Bank uses methodologies to establish credit risk, based on internal models to estimate the allowances for the group-evaluated portfolio. This portfolio includes commercial loans with debtors that are not assessed individually, mortgage and consumer loans (including installment loans, credit cards and overdraft lines). These methods allow the Bank to independently identify the portfolio behavior and establish the provision required to cover losses arising during the year.

The customers are classified according to their internal and external characteristics into profiles, using a customer-portfolio model to differentiate each portfolio's risk in an appropriate manner. This is known as the profile allocation method.

The profile allocation method is based on a statistical construction model that establishes a relationship through logistic regression between variables (for example default, payment behavior outside the Bank, socio-demographic data) and a response variable which determines the client's risk, which in this case is over 90 days overdue. Hence, common profiles are established and assigned a Probability of Non-Performance (PNP) and a recovery rate based on a historical analysis known as Severity (SEV).

Therefore, once the customers have been profiled, and the loan's profile assigned a PNP and a SEV, the exposure at default (EXP) is calculated. This exposure includes the book value of the loans and accounts receivable from the customer, plus contingent loans, less any amount that can be recovered by executing guarantees (for credits other than consumer loans).

Notwithstanding the above, on establishing provisions associated with mortgage and commercial loans, the Bank must recognize minimum provisions according to standard methods established by the CMF (ex SBIF) for those types of loans. While this is considered to be a prudent minimum base, it does not relieve the Bank of its responsibility to have its own methodologies of determining adequate provisions to protect the credit risk of the portfolio.

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Standard method of residential mortgage loan provisions

As of January 1, 2016 and in accordance with Circular N° 3,573 issued by the CMF, the Bank began applying the standard method of provisions for residential mortgage loans. According to this method, the expected loss factor applicable to residential mortgage loans will depend on the default of each loan and the relationship between the outstanding principal of each loan and the value of the associated mortgage guarantee (Loans to Value, LTV) at the end of each month.

The allowance rates applied according to default and LTV are the following:

LTV Range	Default days at month closing	0	1-29	30-59	60-89	Impaired portfolio
LTV ≤ 40%	PNP(%)	1,0916	21,3407	46,0536	75,1614	100
	Severity (%)	0,0225	0,0441	0,0482	0,0482	0,0537
	Expected Loss (%)	0,0002	0,0094	0,0222	0,0362	0,0537
40% < LTV ≤ 80%	PNP(%)	1,9158	27,4332	52,0824	78,9511	100
	Severity (%)	2,1955	2,8233	2,9192	2,9192	3,0413
	Expected Loss (%)	0,0421	0,7745	1,5204	2,3047	3,0413
80% < LTV ≤ 90%	PNP(%)	2,5150	27,9300	52,5800	79,6952	100
	Severity (%)	21,5527	21,6600	21,9200	22,1331	22,2310
	Expected Loss (%)	0,5421	6,0496	11,5255	17,6390	22,2310
LTV > 90%	PNP(%)	2,7400	28,4300	53,0800	80,3677	100
	Severity (%)	27,2000	29,0300	29,5900	30,1558	30,2436
	Expected Loss (%)	0,7453	8,2532	15,7064	24,2355	30,2436

LTV = Loan capital/Value of guarantee

If the same debtor has more than one residential mortgage loan with the Bank and one of them over 90 days overdue, all their loans shall be allocated to the impaired portfolio, calculating provisions for each of them in accordance with their respective LTV.

For residential mortgage loans related to housing programs and grants from the Chilean government, the allowance rate may be weighted by a factor of loss mitigation (LM), which depends on the LTV percentage and the price of the property in the deed of sale (S), as long as the debtor has contracted auction insurance provided by the Chilean government.

Standard method of commercial loan provisions

In accordance with the Circular N°. 3,638 and N°. 3,647 issued by the CMF, as of July 1, 2019, the Bank began applying the standard model of provisions for student loans or other types of commercial loans.

Prior to the implementation of the standard method, the Bank used its internal models for the determination of group business provisions.

a. Commercial leasing operations

For these operations, the provision factor must be applied to the current value of commercial leasing operations (including the purchase option) and will depend on the delinquency of each operation, the type of leased asset and the relationship, at closing of each month, between the current value of each operation and the value of the leased asset (PVB), as indicated in the following tables:

Probability Non-Performance (PNP) by default and type of asset (%)		
Default days at month closing	Type of asset	
	Real Estate	Non real Estate
0	0.79	1.61
1-29	7.94	12.02
30-59	28.76	40.88
60-89	58.76	69.38
Impaired portfolio	100.00	100.00

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Severity (SEV) by stage and type of asset (%)		
PVB Stage	Real Estate	Non real Estate
PVB ≤ 40%	0.05	18.2
40% < PVB ≤ 50%	0.05	57.00
50% < PVB ≤ 80%	5.10	68.40
80% < PVB ≤ 90%	23.20	75.10
PVB > 90%	36.20	78.90

PVB= Current value of operation/leased asset value

The determination of the PVB relationship will be made considering the appraisal value, expressed in UF for real estate and pesos for non-real estate, recorded at the time of granting the respective credit, taking into account any situations that may be causing pricing rises of the asset at that time.

b. Student loans

For these operations, the provision factor should be applied to the student loan and the exposure of the contingent credit, when applicable. The determination of this factor depends on the type of student loan and the enforceability of the payment of capital or interest, at the end of each month. When payment is due, the factor will also depend on its default.

For the purposes of the classification of the loan, a distinction is made between those granted for the financing of higher studies granted in accordance with Law No. 20.027 (CAE) and, on the other hand, the CORFO guarantee credits or other student loans.

Probability Non-Performance (PNP) according enforceability, default and type of loan (%)			
Is the principal and interest enforceable	Default days at month closing	Student loans	
		CAE	CORFO and other
Yes	0	5.20	2.90
	1-29	37.20	15.00
	30-59	59.00	43.40
	60-89	72.80	71.90
	Impaired portfolio	100.00	100.00
No	N/A	41.60	16.50

Severity (SEV) by stage PVB and type of asset (%)		
Is the principal and interest enforceable	Student loans	
	CAE	CORFO and other
Yes	70.90	
No	50.30	45.80

c. Generic comercial loans and factoring

For factoring operations and other commercial loans, the provision factor, applicable to the amount of the loans and the exposure of the contingent credit will depend on the default of each operation and the relationship that exists, at the end of each month, between the obligations that the debtor has with the bank and the value of the real guarantees that protect them (PTVG), as indicated in the following tables:

Probability Non-Performance (PNP) by default and PTVG stage (%)			
Default days at month closing	Guarantee		No guarantee
	PTVG ≤ 100%	PTVG > 100%	
0	1.86	2.68	4.91
1-29	11.60	13.45	22.93
30-59	25.33	26.92	45.30
60-89	41.31	41.31	61.63
Impaired portfolio	100.00	100.00	100.00

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Severity (SEV) by PTVG stage (%)			
Guarantee	PTVG stage	Factoring and other comercial loans without responsibility	Factoring with responsibility
Guarantee	PTVG ≤ 60%	5.00	3,20
	60% < PTVG ≤ 75%	20.30	12,80
	75% < PTVG ≤ 90%	32.20	20,30
	90% < PTVG	43.00	27,10
No guarantee		56,90	35.90

The guarantees used for the purposes of calculating the PTVG relationship of this method may be specific or general, including those that are simultaneously specific and general. A guarantee can only be considered if, according to the respective coverage clauses, it was constituted in the first degree of preference in favor of the bank and only guarantees the debtor's credits with respect to which it is imputed (not shared with other debtors). The invoices assigned in the factoring operations, nor the guarantees associated with the mortgage loans, regardless of their coverage clause, will not be considered in the calculation.

For the calculation of the PTVG ratio, the following considerations must be taken:

- i. Transactions with specific guarantees: when the debtor granted specific guarantees, for generic commercial loans and factoring, the PTVG ratio is calculated independently for each secured transaction, such as the division between the amount of the loans and the contingent credit exposure and the value of the real guarantee that protects it.
- ii. Transactions with general guarantees: when the debtor granted general or general and specific guarantees, the Bank calculates the respective PTVG, jointly for all generic commercial loan and factoring and not contemplated in the preceding paragraph i), as the division between the sum of the amounts of the loans and exposures of contingent credits and the general, or general and specific guarantees that, according to the scope of the remaining coverage clauses, safeguard the credits considered in the numerator of the mentioned ratio.

The amounts of the guarantees used in the PTVG ratio of numbers i) and ii) must be determined according to:

- The last valuation of the guarantee, be its appraisal or fair value, according to the type of real guarantee in question. For the determination of fair value, the criteria indicated in Chapter 7-12 of the Updated Collection of Standards should be considered.
- Possible situations that could be causing temporary increases in the values of the guarantees.
- Limitations on the amount of coverage established in their respective clauses.

d. Provisions related to financing with a FOGAPE Covid-19 guarantee

On July 17, 2020, the CMF requested to determine specific provisions of the credits guaranteed by the FOGAPE Covid-19 guarantee, for which the expected losses must be determined estimating the risk of each operation, without considering the substitution of credit quality of the guarantee, according to the corresponding individual or group analysis method, in accordance with the provisions of Chapter B-1 of the Compendium of Accounting Standards. This calculation must be carried out in an aggregate manner, grouping all those operations to which the same deductible percentage is applicable. Therefore, the total amount of the expected losses resulting from the aggregate calculation of each group of operations must be contrasted with the respective total deductible amount that corresponds to them and proceed as follows, when the expected losses of the operations of a group to which the same percentage of deductible corresponds, determined according to the procedure indicated are less than or equal to the aggregate amount of the deductible, the provisions will be determined without considering the coverage of FOGAPE Covid-19, that is, without substituting the credit quality of the direct debtor for the guarantee and when they are greater than the aggregate amount of the deductible, the provisions will be determined using the substitution method provided in section 4.1 letter a) of Chapter B-1 of the Compendium of Accounting Standards and will be recognized in separate accounts at that of commercial, consumption and housing provisions. As of December 31, 2020, the Bank has established provisions for this concept of Ch \$ 35,879 million (Note N ° 10 and 31).

III. Additional provisions

According to CMF regulation, banks are allowed to establish provisions over the limits already described, to protect themselves from the risk of non-predictable economical fluctuations that could affect the macro-economic environment or a specific economic sector. According to N°09 B-1 Chapter from the CMF Compendium of Accounting Standards, these provisions will be recorded in liabilities, similar to provisions for contingent loans.

Banco Santander-Chile and Subsidiaries

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

IV. Charge-offs

As a general rule, charge-offs should be done when the contract rights over cash flow expire. In the case of loans, even if the above does not happen, the Bank will charge-off these amounts in accordance with Title II of Chapter B-2 of the Compendium of Accounting Standards (CMF).

These charge-offs refer to the derecognition from the Consolidated Statements of Financial Position of the respective loan, including any not yet due future payments in the case of installment loans or leasing transactions (for which partial charge-offs do not exist).

Charge-offs are always recorded as a charge to loan risk allowances according to Chapter B-1 of the Compendium of Accounting Regulations, no matter the reason for the charge-off. Any payment received related to a loan previously charged-off will be recognized as recovery of loan previously charged-off at the Consolidated Statement of Income.

Loan and accounts receivable charge-offs are recorded for overdue, past due, and current installments when they exceed the time periods described below since reaching overdue status:

Type of loan	Term
Consumer loans with or without collateral	6 months
Other transactions without collateral	24 months
Commercial loans with collateral	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-mortgage leasing transactions	12 months
Mortgage leasing (household and business)	36 months

V. Recovery of loans previously charged off and accounts receivable from customers

Any recovery on "Loans and accounts receivable from customers" previously charged-off will be recognized as a reduction in the credit risk provisions in the Consolidated Statement of Income.

Any renegotiation of a loan previously charged-off will not give rise to income, as long as the operation continues being considered as impaired. The cash payments received must be treated as recoveries of charged-off loans.

The renegotiated loan can only be included again in assets if it is no longer considered as impaired, also recognizing the capitalization income as recovery of charged-off loans.

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Notes to the Consolidated Financial Statements

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NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

q) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Consolidated Statements of Financial Position when the Bank:

- i. Has a present obligation (legal or constructive) as a result of past events, and
- ii. it is probable that an outflow of resources will be required to settle these obligations and
- iii. the amount of these resources can be reliably measured.

Contingent assets or contingent liabilities are any potential rights or obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence if one or more uncertain future events that are not wholly within control of the Bank.

The Consolidated Financial Statements reflect all significant provisions for which it is estimated that the probability of having to meet the obligation is more than likely than not. Provisions are quantified using the best available information regarding the consequences of the event giving rise to them and are reviewed and adjusted at the end of accounting period. Provisions are used when the liabilities for which they were originally recognized are settled. Partial or total reversals are recognized when such liabilities cease to exist or are reduced.

Provisions are classified according to the obligation covered as follows:

- Provisions for employee salaries and expenses
- Provisions for mandatory dividends
- Provisions for contingent loan risks
- Provisions for contingencies

r) Income taxes and deferred taxes

The Bank records, when appropriate, deferred tax assets and liabilities for the estimated future tax effects attributable to differences between the carrying amount of assets and liabilities and their tax bases. The measurement of deferred tax assets and liabilities is based on the tax rate, in accordance with the applicable tax laws, using the tax rate that applies to the period when the deferred asset and liability will be recovered or settled. The future effects of changes in tax legislation or tax rates are recorded in deferred taxes from the date on which the law is enacted or substantially enacted.

Current taxes for the asset correspond to the provisional payments that exceed the provision for income tax or other loans at income tax, such as training expenses or donations to universities. Additionally, the monthly tax payment (P.P.M.) for recovering by profits absorbed by tax losses. In the case of liabilities they correspond to the provision for income tax calculated according to the results tax for the period, deducted the mandatory or voluntary provisional payments and other credits that apply to this obligation.

s) Use of estimates

The preparation of the financial statements requires the Bank's management to make estimates and assumptions that affect the application of the accounting policies and the reported values of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In certain cases, International Financial Reporting Standards (IFRS) require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between informed market participants at the measurement date. When available, quoted market prices in active markets have been used as the basis for measurement. When quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of internal modeling and other valuation techniques.

The Bank has established allowances to cover probable losses, to estimate allowances. These allowances must be regularly reviewed taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers' ability to pay. Increases in the allowances for loan losses are reflected as "Provision for loan losses" in the Consolidated Statement of Income.

Loans are charged-off when the contractual rights for the cash flows expire, however, for loans and accounts receivable from customers the bank will charge-off in accordance with Title II of Chapter B-2 of the Compendium of Accounting Standards issued by the CMF (ex SBIF). Charge-offs are recorded as a reduction of the allowance for loan losses.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The relevant estimates and assumptions made to calculate provisions are regularly reviewed by the Bank's Management to quantify certain assets, liabilities, revenues, expenses, and commitments. Revised accounting estimates are recorded in the period in which the estimate is revised and in any affected future period.

These estimates are based on the best available information and mainly refer to:

- Allowances for loan losses (Notes 9, 10, and 31)
- Impairment losses of certain assets (Notes 8, 8, 10, 11, and 34)
- The useful lives of tangible and intangible assets (Notes 13, 14 and 34)
- The fair value of assets and liabilities (Notes 6, 7, 8, 11 and 38)
- Commitments and contingencies (Note 23)
- Current and deferred taxes (Note 15)

t) Non-current assets held for sale

Non-current assets held for sale and discontinued operations

As of December 31, 2020 and 2019, the Bank classified the investments in associates held up to now in Redbank and Transbank as held for sale, in accordance with the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", because expects to recover the book value primarily through the sale of these investments. In order to carry out this reclassification, the Bank has ensured that it complies with the requirements established for this:

- It must be available in its current conditions for immediate sale and its sale must be highly probable.
- For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or group of assets for its disposal), and a program to find a buyer and complete said purchase must have been actively initiated.
- I must also expect the sale to meet the conditions for recognition as a sale ended within the year following the date of classification.

For this, the Bank will measure investments at book value, given that it represents the lowest value in relation to fair value less costs to sell. Additionally, the Bank will recognize any impairment loss on non-current assets held for sale, such as a reduction in the value of those assets to fair value less costs to sell.

As of December 31, 2020, the Bank has classified as "non-current assets held for sale" the investments in Transbank and Redbank, while Nexus was sold in January 2020. For more information see Note N° 40.

Assets received or awarded in lieu of payment.

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognized at their fair value. A price is agreed upon by the parties through negotiation or, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction. In the both cases, an independent appraisal is performed.

Any excess of the outstanding loan balance over the fair value is recognized in the Consolidated Statement of Income under "Provision for loan losses".

These assets are subsequently valued at the lower of the amount initially recorded and the net realizable value, which corresponds to its fair value (liquidity value determined through an independent appraisal) less their respective costs of sale. The difference between both are recognized in the Consolidated Statement under "Other operating expenses".

At the end of each year the Bank performs an analysis to review the "selling costs" of assets received or awarded in lieu of payments which will be applied at this date and during the following year. On December 2020 the average selling cost has been estimated at 3.2% of the appraisal value (3.1% for December 31, 2019). Additionally, every 18 months a review of the appraisals (independent) is carried out to adjust the fair value of the assets.

In general, it is estimated that these assets will be disposed of within a period of one year from their award date. In compliance with the provisions of article 84 of the General Banking Law, those goods that are not sold within said period are punished in a single installment. On March 25, 2020, the CMF issued circular No. 2247 where it has resolved to grant an additional period of eighteen months for the sale of all assets that financial institutions have received in payment or are awarded between 1 March 2019 until September 30, 2020, also allowing the punishment of said assets to be carried out in installments, proportional to the number of months between the date of receipt and the date set by the bank for disposal.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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u) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the reported period. Diluted earnings per share are calculated in a similar manner to basic earnings, but the weighted average number of outstanding shares is adjusted to take into consideration the potential diluting effect of stock options, warrants, and convertible debt. As of December 31, 2020 and 2019, the Bank did not have any instruments that generated dilution.

v) Temporary acquisition (assignment) of assets and liabilities

Purchases or sales of financial assets under non-optional repurchase agreements at a fixed price (repos) are recorded in the Consolidated Statements of Financial Position as an financial assignment based on the nature of the debtor (creditor) under "Deposits in the Central Bank of Chile," "Deposits in financial institutions" or "Loans and accounts receivable from customers" ("Central Bank of Chile deposits," "Deposits from financial institutions" or "Customer deposits").

Differences between the purchase and sale prices are recorded as financial interest over the term of the contract.

w) Assets under management and investment funds managed by the Bank

Assets owned by third parties and managed by certain companies that are within the Bank's scope of consolidation (Santander S.A. Sociedad Securitizadora), are not included in the Consolidated Statement of Financial Position. Management fees are included in "Fee and commission income" in the Consolidated Statement of Income.

x) Provision for mandatory dividends

As of December 31, 2020 and 2019, the Bank recorded a provision for minimum mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, which requires at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded as a deduction from "Retained earnings" – "Provision for mandatory dividends" in the Consolidated Statement of Changes in Equity with offset to Provisions.

y) Employee benefits

i. Post-employment benefits – Defined Benefit Plan:

According to current collective labor agreements and other agreements, the Bank has an additional benefit available to its principal executives, consisting of a pension plan, whose purpose is to endow them with funds for a better supplementary pension upon their retirement.

Features of the Plan:

The main features of the Post-Employment Benefits Plan promoted by the Banco Santander-Chile are:

- I. Aimed at the Bank's management.
- II. The general requirement is that the beneficiary must still be employed by the Bank when reaching 60 years old.
- III. The Bank will mixed collective life and savings insurance policy for each beneficiary in the plan. Regular voluntary installments will be paid into this fund by the beneficiary and matched by the Bank.
- IV. The Bank will be responsible for granting the benefits directly.

The projected unit credit method is used to calculate the present value of the defined benefit obligation and the current service cost.

Components of defined benefit cost include:

- Current service cost and any past service cost, which are recognized in profit or loss for the period;
- net interest on the liability (asset) for net defined benefit, which is recognized in profit or loss for the period;
- new liability (asset) remeasurements for net defined benefit include: (a) actuarial gains and losses; (b) the performance of plan assets, and; (c) changes in the effect of the asset ceiling which are recognized in other comprehensive income.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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The liability (asset) for net defined benefit is the deficit or surplus, calculated as the difference between the present value of the defined benefit obligation less the fair value of plan assets.

Plan assets comprise the pension fund taken out by the Bank with a third party that is not a related party. These assets are held by an entity legally separated from the Bank and exist solely to pay benefits to employees.

The Bank recognizes the present service cost and the net interest of the Personnel wages and expenses on the Consolidated Statement of Income. Given the plan's structure, it does not generate actuarial gains or losses. The plan's performance is established and fixed during the period; consequently, there are no changes in the asset's cap. Accordingly, there are no amounts recognized in other comprehensive income.

The post-employment benefits liability, recognized in the Consolidated Statement of Financial Position, represents the deficit or surplus in the defined benefit plans of the Bank. Any surplus resulting from the calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions.

When employees leave the plan before meeting the requirements to be eligible for the benefit, contributions made by the Bank are reduced.

ii. Severance provision:

Severance provision for years of employment are recorded only when they actually occur or upon the availability of a formal and detailed plan in which the fundamental modifications to be made are identified, provided that such plan has already started to be implemented or its principal features have been publicly announced, or objective facts about its execution are known.

iii. Cash-settled share based compensation

The Bank allocates cash-settled share based compensation to executives of the Bank and its Subsidiaries in accordance with IFRS 2. The Bank measures the services received and the obligation incurred at fair value.

Until the obligation is settled, the Bank calculates the fair value at the end of each reporting period, as well as at the date of settlement, recognizing any change in fair value in the income statement for the period.

z) New accounting pronouncements

I. Adoption of new accounting standards and instructions issued by both the current Commission for the Financial Market (CMF) and by The International Accounting Standards Board:

At the date of issuance of these Consolidated Financial Statements, the new accounting pronouncements issued by both the current CMF (ex SBIF) and the International Accounting Standards Board, which have been fully adopted by the Bank, are detailed below.

1. Accounting Standards issued by the current Financial Market Commission (CMF), exSuperintendency of Banks and Financial Institutions.

Circular N ° 2247 - Updated Compilation of Standards. Chapter 10-1. Assets received in lieu of payment. Long sale period. On March 25, 2020, the CMF issued this circular that grants an additional term of 6 more months (18 total) for the disposal of all assets that financial institutions have received in payment or are awarded between March 1, 2019 until December 31, 2020, also allowing the punishment of such assets to be carried out in installments, proportional to the number of months between the date of their receipt and that set by the bank for their disposal. These measures have been adopted by the Bank immediately.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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Circular N ° 2248 - Updated Compilation of Standards. Chapter 12-1. Equity for legal and regulatory purposes. Treatment of guarantees in favor of third parties in bilateral compensation agreements. On March 30, 2020, the CMF issued this circular that modifies the treatment of the derivative variation margin. This topic is not currently addressed in the provisions of Chapter 12-1 of the Updated Compilation of Standards, but is consistent with the provisions of the Basel III Framework, regarding the determination of net exposures of assets and liabilities covered in legally recognized compensation contracts in the jurisdictions to which the parties agree. Specifically, in the case of derivative transactions entered into under a bilateral clearing framework contract, in which the net fair value of the cleared positions is negative, said amount may be deducted from the guarantees established under the contract, at in order to determine the asset subject to risk weighting, provided that the guarantees meet the established conditions. These measures have been adopted by the Bank immediately.

Circular N ° 2250 - Updated Compilation of Standards. Chapter 12-1. Heritage for legal and regulatory purposes. It allows adding a proportion of the State guarantees to the additional provisions. On April 20, 2020, the CMF issued this circular that modifies paragraph 3.1 of Title I of the aforementioned chapter, where it may be added to the additional provisions referred to in letter b), within the limit of 1.25% indicated there. , an amount of up to 15% of the guarantees that cover the risk-weighted assets, the guarantees that correspond to guarantees or re-guarantees granted by the Chilean Treasury, CORFO and FOGAPE. These measures have been adopted by the Bank immediately.

Circular N ° 2257 - Compendium of Accounting Standards for Banks. It allows the recognition of the excess of mortgage guarantee for the home in the standard model of provisions of the group commercial portfolio. On May 22, 2020, the CMF issued this circular, taking into account the effects that the health crisis caused by the Covid-19 pandemic will have on banking activity and credit risk, this Commission has resolved to review the aforementioned restriction, in accordance with transitory manner and until the full validity of the aforementioned new legal framework that includes the Basel III guidelines, allowing the recognition of the excess mortgage guarantee associated with housing loans in the standard provision model of the group commercial portfolio in Chapter B-1, determined from the application of a 20% haircut. These measures have been adopted by the Bank immediately.

Circular N ° 2264 - Information on the deductible associated with financing with the FOGAPE covid-19 guarantee. On July 21, 2020, the CMF issued this circular that modifies chapter C-3 of the Compendium of Accounting Standards and the instructions of file C50 on "Operations associated with the COVID-19 credit line for working capital guaranteed by the State" . Adding in the model of statement of financial position the account 1309.1.14 "Provisions for deductible of guarantees FOGAPE Covid-19" and in the model of income statements the account 4500.1.91 "Provisions for deductible of guarantees FOGAPE Covid-19", while in file C13 it adds field "13. Percentage of the deductible of the state guarantee ". These modifications of chapter C-3 will take effect as of July 2020, and the field of the C50 file must be incorporated for the information referring to the month of July 2020, which is sent on the tenth business day. The Bank has proceeded to implement these regulations immediately.

Circular N ° 2265 - Updated Compilation of Standards, Chapter 12-1. Risk weighting of bank loans guaranteed by the Treasury, Corfo and Fogape. On August 21, 2020, the CMF, in consideration of the situation facing financial markets and audited entities as a result of the health crisis caused by the Covid-19 pandemic, resolved to modify the risk weight of that part of the assets which are guaranteed by the Chilean Treasury, CORFO and FOGAPE, in accordance with the provision of the first transitory article of Law No. 21,130. This new treatment incorporates into category 2 of the classification of risk-weighted assets the amounts of the credits that are guaranteed by the Chilean Treasury, CORFO and FOGAPE, which consequently go from having a weighting for credit risk of 100% to 10%. The Bank has proceeded to implement these regulations immediately.

Circular N ° 2267 - Bank factoring operations. Amends Chapter 8-38 of the Updated Compilation of Standards for banks and Circular N ° 36 for factoring bank affiliates. On August 28, 2020, the CMF issued this letter that allows flexibility in the instructions regarding the discount of invoices by banks and their factoring subsidiaries, allowing the discount of invoices from assignees other than their originator, given the safeguards provided by Law No. 19,983 in force today. This modification is based on the current mechanisms that said law when the requirements for the irrevocability of the acceptance of the invoice by the debtor and the consequent condition of unenforceability that protects the assignees. The Bank has proceeded to implement these regulations immediately.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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Circular N ° 2270 - General criteria and guidelines for determining additional equity requirements as a result of the supervision process pursuant to Title V and Article 66 quinquies of the General Banking Law. On September 11, 2020, the CMF issued this provision, which establishes that, as part of the annual review process, the capital adequacy of banks should be evaluated, both based on compliance with objective regulatory requirements, and to support the risk profile of each institution; considering in the latter case, if the effective equity objective defined by the bank itself, in accordance with the provisions of the new Chapter 21-13, are appropriate to its referred profile. If, as a result of the evaluation process, this Commission determines that a bank requires a higher level of effective equity to face its risks, such measure may be imposed through a well-founded resolution and with the favorable vote of at least four Commissioners, not being able at all If it exceeds 4% of the bank's risk-weighted assets, net of required provisions. This regulation is effective immediately. The Bank is implementing this regulation in order to meet the stipulated deadlines.

Circular N ° 2272 – Additional basic capital, articles 66 bis and 66 ter of the General Banking Law. Incorporates Chapter 21-12 to the Updated Compilation of Standards. On September 25, 2020, the CMF issued these regulations as part of the Basel III implementation process, incorporating the new Chapter 21-12 to the Updated Compilation of Standards, which establishes the procedures for the calculation, implementation and supervision of the buffers of capital for banks. That is, the "conservation buffer" that corresponds to 2.5% of the bank's risk-weighted assets, net of required provisions, above the minimum effective equity required according to article 66 of the LGB, and to " countercyclical buffer "which corresponds to a variable charge that may range between 0% and 2.5% of the bank's risk-weighted assets, net of required provisions and which, like the conservation buffer, must be constituted with capital ordinary level 1. This standard will be effective as of December 1, 2020. The established requirements must consider the overall consolidated situation of the bank. The Bank is carrying out the implementation of these regulations in order to comply with the stipulated deadlines.

Circular N ° 2273 – Ratio between Basic Capital and Total Assets. Incorporates chapter 21-30 to the Updated Compilation of Standards. Issued on October 5, 2020, this regulation contains the adjustments and conditions necessary to determine the leverage ratio, in accordance with the rest of the regulatory changes associated with the factors and methodology to qualify banks of systemic importance and the determination of your effective equity. The ratio between assets and capital cannot be less than 3% between basic capital and total assets (in force since 1997), however, this modification contemplates the possibility of increasing it to 5% for banks that are classified as systemically important, in line with the Basel III guidelines. This regulation is effective immediately. The Bank is carrying out the implementation of these regulations in order to comply with the stipulated deadlines.

Circular N ° 2274 – Equity for legal and regulatory purposes. Incorporates chapter 21-1 to the Updated Compilation of Standards to replace chapter 12-1. Issued on October 8, 2020, this regulation introduces a calculation methodology based on the Basel III Committee standards to adequately comply with the provisions of article 66, 66bis and 66ter of the LGB. The different elements and levels that make up the assets of the banks are defined according to the capacity to absorb losses, including the adjustments and exclusions of the items of assets or liabilities that must be carried out according to the final paragraph of article 66 of the LGB. The new provisions, which are in force as of December 1, 2020 and contemplate a transition period that will last until December 1, 2025. The Bank is implementing these regulations in order to meet the stipulated deadlines.

Circular N ° 2276 - Circular No. 2,276 - Factors and Methodologies for Banks or Group of Banks rated as systemically important. Incorporates chapter 21-11 to the Updated Compilation of Standards and updates provisions of chapter 12-14. Issued on November 2, 2020, this regulation establishes the degree of systemic importance of a bank, it will be considered an index of systemic importance, determined by the weighted sum of the relative percentage participation of each bank in the factors indicated below:

- Size - Weighting 30%
- Local substitutability - Weighting 20%
- Local interconnection - Weighting 30%
- Complexity - Weighting 20%

These regulations will come into effect on December 1, 2020, and the first resolution that qualifies the banks' systemic importance quality will be issued in March 2021, with information from 2020. The additional capital requirement must be established at the rate of a 25% of the required level on December 1, 2021, 50% on December 1, 2022, 75% on December 1, 2023 and 100% on December 1, 2024. The Bank is implementing this regulation of way of meeting the stipulated deadlines.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Circular N ° 2279 - Preferred shares, Bonds without a fixed maturity term and Subordinated Bonds. Incorporates Chapters 21-2 and 21-3 to the Updated Compilation of Standards. Issued on November 24, 2020, this regulation incorporates the following chapters to the RAN:

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- Chapter 21- 2 "Additional level 1 capital instruments for the constitution of effective equity: preferred shares and bonds without a fixed maturity term", this contains the minimum requirements and conditions that preference shares and bonds without expiration term must have (AT1, additional capital instruments level 1). It establishes requirements for the cancellation of dividends and / or interests, and loss absorption mechanisms, purchase and redemption conditions, among others. It is effective as of December 1, 2020, but allows - as a transitory provision - to compute as equivalents of AT1 instruments the subordinated bonds that meet the requirements of Chapter 21-3 RAN and voluntary provisions with a limit of 1.5% of the APR , net of provisions. This will be applicable the first year, and will decrease progressively, reducing by 0.5% each year, until reaching 0% in 4 years.

- Chapter 21-3 "Capital instruments Level 2 (T2) for the constitution of effective equity: Subordinated bonds", this will replace Chapter 9-6 of the RAN as of December 1, 2020 and establishes minimum requirements to be part of the effective equity. Likewise, it establishes requirements for subordinated bonds with clauses of convertibility into shares. It also prohibits subordinated bonds from being acquired by banks, subsidiaries or associates. It applies from December 1, 2020 - as a transitory provision - the issuance of subordinated bonds in force, which do not comply with the conditions established in this chapter, will continue to be recognized as part of the bank's effective equity from December 1, 2020, but the recognition ratio will decrease by 10% annually with respect to the estimated computable amount each year. The Bank is carrying out the implementation of these regulations in order to comply with the stipulated deadlines.

Circular N ° 2280 - Standardized methodology for calculating assets weighted by operational risk. Incorporates chapter 21-8 to the Updated Compilation of Standards. Issued on December 1, 2020, this regulation establishes that, for the calculation of operational risk, a single standard method is established, in accordance with the recommendations of the Basel Committee on Banking Supervision, not allowing the use of its own methodologies that are The second paragraph of article 67 refers. The regulatory standard contained in the new Chapter 21-8 computes assets weighted by operational risk from two components. The first component is a business indicator, prepared with information from the financial statements of each bank (BIC, for its acronym in English); and the second, an adjustment factor made from operating losses experienced in the last 10 years (ILM). These regulations will enter into force on December 1, 2020. Likewise, it was established that until December 1, 2021, assets weighted by operational risk will be equal to 0. The Bank is implementing this regulation in order to comply with with the stipulated deadlines.

Circular N ° 2281 - Determination of Assets Weighted by Credit Risk. Incorporates Chapter 21-6 to the Updated Compilation of Standards. Issued on December 1, 2020, this standard is based on the international standards proposed by the Basel Committee on Banking Supervision in 2017, whose standard method is more sensitive to risk, since it has categories that depend on the type of counterparty and different risk factors, together with the possibility of reducing the weights that are applicable to each type of asset, when they are considered credit risk mitigators, such as the case of compensation agreements, endorsements and sureties, financial guarantees or compensations in balance. In addition, this new framework will allow the use of internal methodologies, subject to compliance with the minimum requirements set forth in the same chapter, which also considers maintaining a management level of at least category B in the latest Commission evaluation. On a temporary basis, it establishes that the calculation of APRCs is carried out in accordance with the current provisions of Title II of Chapter 12-1 of the RAN, until November 30, 2021; The new methodology must be applied as of December 1, 2021. In addition, it includes treatment for agreements and modifies B-1 to agree definitions of group and contingent portfolio. The Bank is carrying out the implementation of these regulations in order to comply with the stipulated deadlines.

Circular N ° 2282 - Circular No. 2,282 - Incorporates chapter 21-7 on the determination of assets weighted by market risk to the Updated Compilation of Standards. Issued on December 1, 2020, the provisions contained in the new chapter only contemplate the definition of a standardized methodology, designed to cover the banks' market risk, in whose determination the standards proposed by the Basel Committee in 2019. The market risk weighting model applies to financial instruments classified in the trading book and has a general market component, associated with movements in reference interest rates, foreign currencies, raw materials and stock prices; and a specific component, associated with idiosyncratic aspects of the issuer, such as credit spread and default. Also, the risk of foreign currency and raw materials is considered for the positions in the book of banking. This regulation is effective as of December 1, 2020, however, it contemplates a transitory provision that considers a market risk weight equal to zero until December 1, 2021. The Bank is implementing this regulation of way to meet the stipulated deadlines

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Accounting Standards issued by the International Accounting Standards Board

Conceptual framework for financial reporting 2018 - This framework was issued on March 29, 2018, and its purpose is to: (a) assist the IASB in the development of IFRS regulations on a consistent basis of concepts, (b) assist preparers in the development of consistent accounting policies when

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there is no standard that applies to a particular transaction or other event, or when a standard allows a series of accounting policies; and (c) assist the parties in the understanding and interpretation of the regulations.

The revised framework includes a new chapter on measurement, guidelines for reporting financial performance, improvements to definition and guidance, and clarifications of important issues (for example: management functions, prudence and measurement of uncertainties in financial reporting).

The IASB also included an amendment that updates references to the framework in certain standards. These amendments are effective for annual periods beginning on January 1, 2020. Bank Management is evaluating the potential impact of this modification.

Amendments to IFRS 3 - Definition of a business - On October 22, 2018, the IASB published this amendment, which clarifies the business definition, with the objective of helping entities determine whether a transaction should be accounted for as a business combination. or as the acquisition of an asset. The modifications:

- (a) Clarify that, to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the ability to produce products;
- (b) eliminate the evaluation of whether market participants can replace the missing processes or supplies and continue with the production of products;
- (c) add guides and illustrative examples to help entities assess whether a substantial process has been acquired;
- (d) restrict the definitions of a business or products focusing on goods and services provided to customers and eliminate the reference to the ability to reduce costs; y
- (e) they add an optional concentration test that allows a simplified evaluation of whether a set of activities and businesses acquired is not a business.

Entities are required to apply the amendments to transactions whose acquisition date is from the beginning of the first annual reporting period beginning on or after January 1, 2020. Early application is permitted. *The implementation of this standard does not have a material impact on the Bank's financial statement.*

Modifications to IAS 1 and IAS 8 - Definition of material or materiality - On October 31, 2019, the IASB published these amendments, whose objective is to improve the understanding of the definition of material or with relative importance, coordinating the wording of the definition in the IFRS Standards and the Conceptual Framework to avoid the possibility of confusion arising from different definitions; incorporating support requirements in IAS 1 in the definition to give them more prominence and clarify their applicability; and supplying the existing guides on the definition of material or with relative importance in one place, together with the definition.

This amendment primarily affects paragraph 7 of IAS 1, paragraph 5 of IAS 8, and eliminates paragraph 6 of IAS 8, and is applicable prospectively to annual periods beginning on or after January 1, 2020. Permit your anticipate app. *The implementation of this standard does not have a material impact on the Bank's financial statement.*

Modifications to IFRS 9, IAS 39 and IFRS 7 – Reference interest rate reform – On September 26, 2019, IASB published this modification that requires additional disclosures regarding the uncertainty generated by the reform at a reference interest rate, this publication constitutes the first reaction to the potential effects that the reform would generate to the IBOR in the states financial and modifies the specific accounting requirements of cash flow hedge coverage assuming that the reference interest rate is not modified as a result of its reform. These modifications are effective as of January 1, 2020 with retroactive effect, and early application allowed. *The implementation of this standard does not have a material impact on the Bank's financial statement.*

Amendment to IFRS 16 - Rental concessions related to Covid-19. On May 29, 2020, the IASB issued this amendment to provide an exception to tenants from not accounting for a lease concession as a lease amendment if it is related to Covid-19. But you must disclose the application of this exception. The modification is effective as of June 1, 2020, with early application allowed even for financial institutions that have not yet been authorized as of May 28, 2020. The Bank has decided not to take any concession in relation to its lease contracts, therefore that this modification has not had an impact on the Bank's Consolidated Financial Statements.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

II. **New accounting standards and instructions issued by both the Commission for the Financial Market (CMF) and by the International Accounting Standards Board that have not come into effect as of December 31, 2020.**

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As of the closing date of these financial statements, new International Financial Reporting Standards had been published as well as interpretations of them, which were not mandatory as of December 31, 2020. Although in some cases the early application is permitted by the IASB, the Bank has not taken that option.

1. Accounting Standards issued by the current Financial Market Commission (CMF), exSuperintendency of Banks and Financial Institutions.

Circular N ° 2243 - Compendium of Accounting Standards for Banks. On December 20, 2019, the CMF issued the updated version of the compendium of accounting standards for banks (CNCB), which mainly incorporates the new modifications introduced by the International Accounting Standards to the international financial reporting standards (IFRS) in recent years, particularly IFRS 9, 15 and 16, also establishes new limitations or precisions due to the need to follow more prudential criteria (ie. Chapter 5 of impairment of IFRS 9) that are detailed in chapter A-2. The amendments seek greater convergence with IFRS, improve financial information disclosures and contribute to the transparency of the banking system. On April 20, 2020, the CMF issued Circular No. 2249 that postpones the entry into force of the new CNCB from January 1, 2011 with a transition date of January 1, 2021 for purposes of comparative financial statements in March 2022. Additionally, the change of criteria for the suspension of the recognition of income for interest and readjustments (chapter B-2), must be adopted no later than January 1, 2022, with the transition date the beginning of any previous month as of such date, recording the impact against equity and revealing the date on which this criterion was adopted.

During 2020, the Bank has conducted an implementation plan for the new compendium based on a diagnosis where, through an exhaustive analysis, it allowed us to determine the impacts generated at the systems level, availability of information, chart of accounts, financial statements and disclosures. , among others and to be able to elaborate an implementation plan and governance of the project that allows us to dimension the tasks to be executed, deadlines and necessary efforts, and to be able to control this process in an optimal way, communicating the advances and situations identified to the senior administration, which it is strongly involved in this process. At the end of 2020, we observed significant progress in the defined implementation plan, where we do not see major inconveniences to face its culmination during 2021.

Circular N ° 2283 - Promotion of market discipline and transparency through the disclosure of information requirements from banking entities (Pillar 3). Incorporates Chapter 21-20 to the Updated Compilation of Standards. Issued on December 1, 2020, this regulation introduces the requirements for banking institutions to disclose information regarding their position and capital structure in a single format, in order to reduce information asymmetries. To do this, banking entities must publish the Pillar 3 document independently or together with their financial statements, reporting each of the tables and forms established in the standard, this will allow the market and users of the information a better evaluation of the situation of each entity when knowing the risk profile of local banking institutions. This regulation becomes effective as of December 1, 2022, and must be published for the first time in 2023 (1st quarter). The Bank is evaluating the impact of this regulation and will include it in the work table on the subject.

2. Accounting Standards issued by the International Accounting Standards Board

IFRS 9, Financial Instruments - On July 24, 2014, the IASB published the final version of IFRS 9 - Financial Instruments, including the regulations already issued together with a new expected loss model and minor modifications to the classification and measurement requirements for financial assets, adding a new category of financial instruments: assets at fair value with changes in other comprehensive result for certain debt instruments. It also includes an additional guide on how to apply the business model and testing of contractual cash flow characteristics.

On October 12, 2017, "Amendment to IFRS 9: Characteristics of Anticipated Cancellation with Negative Compensation" was published, which clarifies that according to the current requirements of IFRS 9, the conditions established in Test SPPI are not met if the Bank should make a settlement payment when the client decides to terminate the credit. With the introduction of this modification, in relation to termination rights, it is allowed to measure at amortized cost (or FVOCI) in the case of negative compensation.

At the local level, the CMF of Banks has established that this standard is part of the new CNCB applicable as of January 1, 2021, except in relation to the impairment of financial instruments (chapter 5.5) and paragraphs 5.4.1 (a) and (b), 5.4.3. and 5.4.4. regarding placements ("Debt from Banks" and "Credits and accounts receivable from customers", or contingent credits), since the criteria for these topics are defined in chapters B-1 and B-3 of the aforementioned Compendium .

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Amendments to IFRS 10 and IAS 28 - Sale and Contribution of Assets between an Investor and its Associate or Joint Venture - On September 11, 2014, the IASB published this amendment, which clarifies the scope of the gains and losses recognized in a transaction that involves to an associate or joint venture, and that this depends on whether the asset sold or contribution constitutes a business. Therefore, the IASB concluded that all of the gains or losses should be recognized against the loss of control of a business. Likewise, profits or losses resulting from the sale or contribution of a

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non-business subsidiary (IFRS 3 definition) to an associate or joint venture must be recognized only to the extent of unrelated interests in the associate or business set.

This standard was initially effective as of January 1, 2016, however, on December 17, 2015 the IASB issued "Effective Date of Amendment to IFRS 10 and IAS 28" indefinitely postponing the entry into force of this standard.

IFRS 17 Insurance Contracts - This regulation issued on May 18, 2017, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to apply to reinsurance contracts held and investment contracts issued with discretionary participation components. IFRS 17 supersedes IFRS 4 Insurance Contracts.

IFRS 17 will apply to annual periods beginning on or after January 1, 2021. Its early application is permitted. This rule does not apply directly to the Bank, however, the Bank has an interest in the insurance business and will ensure that this rule is applied correctly and in a timely manner.

Modification to IAS 1 - Classification of liabilities as current and non-current - On January 23, 2020 the IASB issued this modification that affects only the presentation of liabilities in the statement of financial position. The classification as current or non-current should be based on the rights existing at the end of the reporting period and align the wording in all the affected paragraphs by referring to the right to defer settlement for at least 12 months and specify that only the rights in force at the end of the reporting period affects the classification of a liability. Along the same lines, it clarifies that the classification is not affected by the expectations of whether an entity will exercise its right to defer the settlement of a liability and makes it clear that the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. This modification is effective as of January 1, 2022 with retroactive effect, and early application allowed. The Bank's administration will evaluate the impact that this rule will have on the presentation of the statement of situation.

Annual Improvements to IFRSs 2018-2020. On May 15, 2020, the IASB issued the following improvements:

- IFRS 1 First Adoption of IFRS's - Subsidiary as first-time adopter: the amendment allows a subsidiary that applies paragraph D16 (a) of IFRS 1 measure the accumulated differences using the amounts reported by its parent, based on the date.
- IFRS 9 Financial Instruments - Fees in the "10% test" for derecognition of financial liabilities: The amendment clarifies that Fees should include an entity when it applies the "10% test" in paragraph B3.3.6 of IFRS 9 when assessing derecognition of a financial liability. A entity will include only commissions paid and received between the entity (the debtor) and the lender, including commissions paid and received by the entity or the lender on behalf of others.
- IFRS 16 Leases - Lease Incentives: The amendment to Illustrative Example 13 that accompanies IFRS 16 removes from the example the illustration of reimbursement of improvements to the landlord to resolve any possible confusion regarding the treatment of leasing that may arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture - Taxes on fair value measurement: the amendment eliminates the requirement of paragraph 22 of IAS 41 for entities exclude cash flows from taxes when measuring the fair value of a biological asset using the present value technique. This will guarantee consistency with the requirements of IFRS 13.

The improvements to IFRS 1, IFRS 9 and IAS 41 are effective as of January 1, 2022, with earlier application permitted. The amendment to IFRS 16 only refers to an illustrative example, so it does not set an effective date. The Bank's management will evaluate the impact that this standard will have on the presentation of the situation.

Improvements to IAS 16 Property, plant and equipment - Income before intended use. On May 15, 2020, the IASB published this improvement, which prohibits deducting from the cost of an item of property, plant and equipment any income from the sale of items produced while they are located and placed in the necessary conditions for it to operate. in the manner intended by management. Instead, an entity recognizes the income from the sale of those items and the cost of producing them, in profit or loss. This amendment is effective as of January 1, 2022, with early application permitted. The Bank's administration will evaluate the impact that this regulation will have on the presentation of the statement of situation.

Modification IAS 37 - Onerous contracts, costs of fulfilling a contract. On May 15, 2020, the IASB published this amendment, which establishes that the cost of fulfilling a contract comprises the costs that are directly related to the contract. The costs that are directly related to a contract can be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that are directly related to the fulfillment of contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used to fulfill the contract). This amendment is effective as of January 1, 2022, with early application allowed. The Bank's management will evaluate the impact that this standard will have on the presentation of the statement situation.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Modification to IFRS 3 - Reference to the conceptual framework. On May 15, 2020 the IASB published this amendment which updates IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework. Additionally, it adds to IFRS 3 a requirement for transactions and other events within the scope of IAS 37 or IFRIC 21, for an acquirer to apply IAS 37 or IFRIC 21 (instead of the Conceptual Framework) in identifying liabilities assumed in a business combination, and adds an explicit statement stating that an acquirer should not recognize assets contingents acquired in a business combination. This amendment is effective as of January 1, 2022, with early application permitted. The Bank's management will evaluate the impact that this standard will have on the presentation of the balance sheet.

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Reform of the benchmark interest rate. Phase 2 - On August 27, 2020 the IASB has finalized its response to the ongoing rate reform of interbank offer (IBOR) and other reference interest rates by issuing a package of amendments to IFRS Standards. The amendments are intended to help companies provide investors with useful information on the effects of the reform on the states financial institutions of those companies. The amendments complement those issued in 2019 and focus on the effects on the financial statements when a company replaces the rate of reference interest for an alternative reference rate as a result of the reform.

The modifications of this final phase refer to:

- changes in contractual cash flows: a company will not have to derecognise or adjust the carrying amount of instruments due to the changes required by the reform, but will update the effective interest rate to reflect the change to the reference rate alternative;
- hedge accounting - a business will not have to discontinue its hedge accounting just because it makes the changes required by the reform, if the hedge meets the other hedge accounting criteria; Y
- disclosures: a company will be required to disclose information about new risks arising from the reform and how it manages the transition at alternative reference rates.

These amendments are effective for annual reporting periods beginning on or after January 1, 2021, and early adoption is permitted. The Bank has been working since 2019 on the transition of different risk-free reference rates (hereinafter also "RFR"), including the LIBOR rate. In this context, the Bank's work plan includes the identification of the impacted customers, the impacted areas, the various risks to which the Bank is exposed, the determination of work teams regarding each risk, the involvement of the high administration in a robust project governance plan and an action plan for each of the impacted / identified risk areas, which will allow us to face the challenges imposed by the changes in the reference rates.

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NOTE 02

ACCOUNTING CHANGES

As of the date of these Consolidated Financial Statements, there are no accounting changes to disclose.

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 AND 2019

NOTE 03

SIGNIFICANT EVENTS

As of December 31, 2020, the following significant events have occurred and affected the Bank's operations and Consolidated Financial Statements.

a) The Board

On March 23, 2020, in an extraordinary session of the Board of Directors, it was agreed to modify the summons to the Ordinary Shareholders Meeting, initially scheduled for April 21, 2020 and to establish a new date for April 30, 2020, with the in order to propose a new distribution of profits and payment of dividends, taking it from the 60% originally proposed to 30% of the retained earnings as of December 31, 2019 equivalent to \$ 0.87891310 per share and to propose that 30% of the profits for the fiscal year 2019 is destined to retained earnings and the remaining 40% is destined to increase the Bank's reserves.

In accordance with Chilean laws, the Board of Directors of Banco Santander agreed, on the session held on October 21, 2020, to call an Extraordinary Shareholders' Meeting for November 26, 2020 in order to discuss the proposed distribution of a dividend of \$0.87891310 Chilean pesos per share, corresponding to 30% of the profits for the year 2019, which are classified as retained profits in the Bank's equity, taking into account that, the ratio between the Bank's regulatory capital and its riskweighted assets reached 15.13%, and the ratio between basic capital and its risk-weighted assets was 10.70% as of September 30, 2020.

b) Shareholders Meeting

At the Ordinary Shareholders' Meeting of Banco Santander-Chile held on April 30, 2020, together with approving the Financial Statements for the year 2019, it was agreed to distribute 30% of the net profits for the year (which are called in the financial statements " Profit attributable to equity holders of the Bank "), which amounted to \$ 552,093 million. Said profits correspond to a dividend of \$ 0.87891310 for each share. Likewise, it was approved that the remaining 40% of the profits be destined to increase the Bank's reserves and the remaining 30% be destined to retained earnings from previous years.

Board Election: the election of Messrs. Alfonso Gómez, Claudio Melandri, Rodrigo Vergara, Félix de Vicente, Orlando Poblete, Juan Pedro Santa María, Ana Dorrego, Rodrigo Echenique and Lucía Santa Cruz, as Regular Directors, and Blanca Bustamante and Oscar von Chrismar, as Alternate Directors, who will hold their positions for a period of three years until the next renewal of the entire Board of Directors.

Appointment of external auditors: the appointment of PricewaterhouseCoopers Consultores Auditores SpA as external auditors for the 2020 financial year is approved.

At the Extraordinary Shareholders' Meeting of Banco Santander held on November 26, 2020, the members agreed to distribute a dividend of \$0.87891310 Chilean pesos per share, corresponding to 30% of the retained earnings for 2019, which was paid on the following banking business day after the meeting date.

c) COVID-19

Coronavirus COVID-19 or SARS CoV-2 is a highly contagious infectious disease, which was first detected in Wuhan, China during December 2019. Subsequently, on March 11, 2020, the Organización Mundial de la Salud (OMS) declared as a pandemic. In Chile, on March 18, 2020, the President of the Republic decreed a state of national catastrophe to implement sanitary and economic measures in this regard.

As a consequence of this pandemic, there have been falls in the financial markets and an increasing threat of recession. To mitigate this impact, local and international organizations have published certain aid measures.

On March 23, 2020, the CPM published a package of measures aimed at granting greater flexibility to the financial system:

- Regulatory treatment that facilitates the possibility of deferring up to three installments in the payment of mortgage loans.
- Facilities for banks to make loan terms for SME debtors more flexible up to 6 months.
- Possibility of using surplus mortgage guarantees to guarantee loans to SMEs.
- Extension of terms for the disposal of Assets received in lieu of payment (Circular No. 2247, see Note 1 letter z).
- Treatment of the variation margin of derivatives (Circular N ° 2248, see Note 1 letter z and Note N ° 22 Basel capital requirements).

On April 2, 2020, the CMF published additional transitory measures for the treatment of provisions. The new measures seek to provide an accounting framework for the rescheduling of credit, facilitate its conditions and avoid computing higher provisions.

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 AND 2019

NOTE 03

SIGNIFICANT EVENTS, continued

The exceptional treatment will be in force until July 31, 2020 and considers the freezing of provisions in the following situations:

- Mortgage: the maximum grace period or dividend extension will be 6 months for those debtors who are up to date or have a arrears not exceeding 30 days within the period of validity indicated.
- Commercial: the maximum grace or extension period will be 4 months for those debtors who are up to date or have a default of no more than 30 days or a fee within the indicated period of validity.
- Consumer: the maximum grace or extension period will be 3 months for those debtors who are up to date or have a default of no more than 30 days within the indicated period of validity.

In addition, the CMF requests that measures be taken to facilitate customer and user service, and maintain adequate risk management policies and establish prudent dividend distribution policies, given the situation.

On April 12, 2020, the Government of Chile announced a program, prior agreement with the country's main banks, to provide access to Fogape Covid-19 lines that provide working capital financing with better conditions (rate and grace period) to natural or legal persons, who are entrepreneurs or companies, that have been affected as a result of the pandemic. In relation to the credits that are granted under the Fogape Covid-19 program, the provisions of the credits in installments of the debtor that are rescheduled, and that meet the established conditions, may remain constant during the grace or rescheduling period that granted by the financial institution. This for up to a period of six months. For its part, the Bank has conducted exhaustive reviews of the rescheduled portfolio and Fogape operations, and has decided to establish additional provisions (see letter g).

The aid measures that the Bank has granted in the current pandemic context are classified into new operations granted under Fogape guarantees and rescheduled operations:

Covid-19	As of December 31, 2020
	MCh\$
Operations with Fogape guarantee	2,076,119
Reschedulings	9,098,028

The rescheduling mainly affected mortgage operations, and included the rescheduling of principal, interest, readjustments and related insurance. The rescheduled installments were added at the end of the original maturity of the operation.

The vaccination plan against COVID-19 began on December 24, 2020, with the first arrival of 9,750 doses of the vaccine from the Pfizer BioNtech laboratory. As of December 31, 2020, Chile had received 154,050 doses of the Pfizer BioNtech vaccine, for the vaccination plan in all regions of the country, and will receive more than 6.5 million doses of the AstraZeneca / Oxford vaccine during the first quarter of 2021 and more than 10 million of Coronavac vaccines, to continue the vaccination plan in its next stages. At the time of publication of these financial statements, 2,320,696 people have been vaccinated in Chile, which represents 13% of the population. During the first quarter of 2021, it is expected to vaccinate around 5 million people and reach 80% of the population, that is, approximately 15 million people, by the end of the first half of 2021.

Central Bank of Chile

On April 9, 2020, the Central Bank of Chile (BCCh) announced new measures to support the operation of financial markets, which are indicated below:

- Extension of terms in liquidity management programs in pesos and dollars through REPO, FX - Swap operations to 4,000 million and US \$ 4,500 million in NDF.
- Transitory modification of the monetary reserve regulations, expanding the constitution of the reserve requirement in foreign currency obligations from US dollars to euros, yen and Chilean pesos.
- Temporary adjustment of liquidity requirements for banking companies, suspending compliance with the requirements for mismatches of terms (30 and 90 days) and making it easier to regulate and comply with the short-term liquidity limit (LCR), in coordination with the CMF, which will remain 70% of by 2020.

d) Laws and Regulation

On February 24, 2020, the law that modernizes the tax system is published in the Official Gazette. Among other aspects, this new regulation implies modifications to the Income Tax Law, modifications to the Value Added Tax (VAT) and modifications to the Tax Code.

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NOTE 03

SIGNIFICANT EVENTS, continued

On March 30, 2020, the CMF reports flexibility in the implementation deadlines of Basel III. In coordination with the Central Bank of Chile, they resolved to postpone by one year the implementation of the capital requirements required by the regulation and to maintain the general regulatory framework in force for bank capital requirements until December 2021.

At the end of March 2020, the Central Bank established the Conditional Credit Facility to Increase Loans (FCIC) and the Liquidity Line of Credit (LCL) programs. These are lines for banks, with resources and incentives for them to continue financing and refinancing loans to households and companies, especially those that do not have access to the capital market. The initial amount is equivalent to US \$ 4.8 billion and may increase, as loans increase. In turn, the additional line has a growth margin of four times the initial line, equivalent to US \$ 19.2 billion, which would bring the total closer to US \$ 24 billion. This measure also considers the expansion of collateral to access this facility, including a portfolio of commercial loans of individual evaluation, categories A1 to A3.

On April 20, 2020, the CMF announced that it would postpone the entry into force of the new CNCB from January 1, 2022 with a transition date of January 1, 2021 for purposes of comparative financial statements in March 2022. However, the change of criteria for the suspension of the recognition of income for interests and readjustments (chapter B-2), must be adopted no later than January 1, 2022, with the transition date the beginning of any month prior to such date, recording impact against equity and revealing the date on which this criterion was adopted.

On May 29, 2020, Law No. 21234 was published, which limits the liability of holders or users of payment cards and electronic transactions in the event of loss, theft, theft or fraud. The Law establishes that the burden of proof for operations that the user is unaware of having authorized will always fall on the issuer. The only record of the operations will not be enough, necessarily, to demonstrate that it was authorized by the user, nor that the user acted with fault or carelessness that are attributable to him. The issuer must proceed to cancel charges or restitution of funds within a period of 5 business days from the date of the claim, if the amount is less than 35 UF or 7 additional days for higher amounts. Additionally, issuers are prohibited from offering insurance whose coverage corresponds to risks that must be assumed by the issuer in accordance with the new law.

Financial portability: The Law that regulates the financial portability of clients was published in the Official Gazette on June 9, 2020 with effect from 90 days later. The main purpose of this Law is to facilitate the client's change of financial provider. The Bank is adjusting its processes and controls to comply with the aforementioned Law.

e) Companies

On March 20, 2020, Klare Corredora de Seguros S.A. received notification from the CMF of its registration in the Registry of Assistants of the Insurance Trade as a General and Life Insurance Broker. Currently the company operates under the modality of a 100% digital Insurance Broker.

On July 6, 2020, it was communicated through an essential event that Banco Santander Chile has attended the registration of a new company called "Sociedad operadora de Tarjeta de Pago Santander Getnet Chile SA", prior authorization granted by the CMF through of Resolution No. 3223 dated June 30, 2020, whose purpose is the operation of credit cards, debit cards and payment cards with provision of funds, in accordance with the provisions of the regulations of the Central Bank of Chile and the CMF. This is a subsidiary company and support to the business of Banco Santander-Chile, which has a 99.99% stake together with Santander Asesorias Financieras Limitada with a 0.01% stake.

A Material Event published on December 22, 2020, disclosed that "Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A." called for an Extraordinary Shareholders' Meeting for January 7, 2021. The purpose was to discuss the monetary contribution and the analysis and appraisal of the assets that shareholders will contribute, account for the operations in scope of Title XVI of Law 18,046, and other social interest agreements and granting powers to comply with the resolutions reached in this meeting.

On December 30, 2020, Banco Santander-Chile, made a capital contribution to "Sociedad Operadora de Tarjeta de Pago Santander Getnet Chile S.A.".

f) Issuance of bank bonds

f.1) Senior bonds

During December 2020, the Bank has issued current bonds for USD 750,000,000. The detail of the placements made during the current year is included in Note 19.

Series	Currency	Term (years)	Issuance rate (Annual) %	Issue date	Amount	Maturity date
USD	USD	5	2.70	01-07-2020	750,000,000	01-07-2025
Total	USD				750,000,000	

NOTE 03

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

SIGNIFICANT EVENTS, continued

f.2) Subordinated bonds

During December 2020, the Bank has issued current bonds for USD 200,000,000 and UF 5,000,000. The detail of the placements made during the current year is included in Note 16.

Series	Currency	Term (years)	Issuance rate (Annual) %	Issue date	Amount	Maturity date
USD	USD	10	3.79	01-21-2020	200,000,000	01-21-2030
Total	USD				200,000,000	
USTDW20320	UF	15 and 3 months	3.50	03-01-2020	5,000,000	09-01-2035
Total	UF				5,000,000	

g) Others

The Bank's Board of Directors approved the constitution of additional voluntary provisions in order to mitigate eventual future effects of the current health crisis on the Bank's loan portfolio, these are the dates and amounts of approval:

- June 2020 for MCh \$ 30,000.
- July 2020 for MM \$ 30,000.
- October 2020 for MM \$ 25,000.
- December 2020 for MM \$ 25,000.

The additional provisions were distributed in MCh \$ 90,000 for provisions on the commercial portfolio, MCh \$ 10,000 for provisions on the mortgage portfolio and MCh \$ 10,000 for provisions on the consumer portfolio.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

REPORTING SEGMENTS

The Bank manages and measures the performance of its operations by business segments. The information disclosed in this note is not necessarily comparable to that of other financial institutions, since it is based on management's internal information system by segment.

Inter-segment transactions are conducted under normal arm's length commercial terms and conditions. Each segment's assets, liabilities, and income include items directly attributable to the segment to which they can be allocated on a reasonable basis. A business segment comprises clients to whom a differentiated product offering is directed but which are homogeneous in terms of their performance and which is measured in a similar way.

In order to achieve compliance with the strategic objectives established by senior management and adapt to changing market conditions, from time to time, the Bank makes adjustments in its organization, modifications that in turn impact to a greater or lesser extent, in the way in which it is managed. As such, current disclosure provides information for all periods presented on how the Bank is managed as of December 31, 2020.

The Bank has the reportable segments noted below:

Retail Banking

Consists of individuals and small to middle-sized entities (SMEs) with annual income less than Ch\$2,000 million. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, commercial loans, foreign exchange, mortgage loans, debit cards, checking accounts, savings products, mutual funds, stockbrokerage, and insurance brokerage. Additionally the SME clients are offered government-guaranteed loans, leasing and factoring.

Middle-market

This segment is made up of companies and large corporations with annual sales exceeding Ch\$2,000 million. It serves institutions such as universities, government entities, local and regional governments and companies engaged in the real estate industry who carry out projects to sell properties to third parties and annual sales exceeding Ch\$800 million with no upper limit. The companies within this segment have access to many products including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, savings products, mutual funds, and insurance brokerage. Also companies in the real estate industry are offered specialized services to finance residential projects, with the aim of expanding sales of mortgage loans.

Global Corporate Banking

This segment consists of foreign and domestic multinational companies with sales over Ch\$10,000 million. The companies within this segment have access to many products including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investments, savings products, mutual funds and insurance brokerage.

This segment also consists of a Treasury Division which provides sophisticated financial products, mainly to companies in the Middle-market and Global Corporate Banking segments. These include products such as short-term financing and fund raising, brokerage services, derivatives, securitization, and other tailor-made products. The Treasury area may act as brokers to transactions and also manages the Bank's investment portfolio.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 04

REPORTING SEGMENTS, continued

Corporate Activities ("Other")

This segment mainly includes the results of our Financial Management Division, which develops global management functions, including managing inflation rate risk, foreign currency gaps, interest rate risk and liquidity risk. Liquidity risk is managed mainly through wholesale deposits, debt issuances and the Bank's available for sale portfolio. This segment also manages capital allocation by unit. These activities usually result in a negative contribution to income.

In addition, this segment encompasses all the intra-segment income and all the activities not assigned to a given segment or product with customers.

The segments' accounting policies are those described in the summary of accounting policies. The Bank earns most of its income in the form of interest income, fee and commission income and income from financial operations. To evaluate a segment's financial performance and make decisions regarding the resources to be assigned to segments, the Chief Operating Decision Maker (CODM) bases his assessment on the segment's interest income, fee and commission income, and expenses.

Below are the tables showing the Bank's results by business segment, for the periods ending as of December 31, 2020 and 2019:

	December 31, 2020						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Retail Banking	24,279,248	1,049,543	213,431	28,051	(253,261)	(596,464)	441,300
Middle-market	8,136,402	346,225	38,335	18,311	(105,846)	(91,132)	205,893
Global Corporate Banking	1,704,494	114,229	23,180	78,165	(49,295)	(72,715)	93,564
Other	289,026	83,851	(7,668)	17,058	(102,671)	(8,235)	(17,665)
Total	34,409,170	1,593,848	267,278	141,585	(511,073)	(768,546)	723,092
Other operating income							21,652
Other operating expenses							(92,446)
Income from investments in associates and other companies							1,388
Income tax expense							(131,123)
Result of continuous operations							522,563
Result of discontinued operations							-
Net income for the period							522,563

(1) Loans receivable from customers plus the balance indebted by banks, without deducting their allowances for loan losses.

(2) The sum of net income (expense) from financial operations and foreign exchange gains or losses.

(3) The sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 04

REPORTING SEGMENTS, continued

	December 31, 2019						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Retail Banking	22,918,568	960,248	230,627	30,097	(374,642)	(575.511)	270.819
Middle-market	8,093,496	298,587	38,712	17,178	(42,812)	(97.054)	214.611
Global Corporate Banking	1,671,662	98,154	29,103	94,761	(758)	(65.343)	155.917
Other	48,009	59,862	(11,356)	64,983	(2,235)	(11.953)	99.301
Total	31,905,205	1,041,030	210,384	152,575	(268,443)	(560,780)	574,766
Other operating income							24,598
Other operating expenses							(63,747)
Income from investments in associates and other companies							1,146
Income tax expense							(150,168)
Result of continuous operations							552,477
Result of discontinued operations							1,699
Net income for the period							554,176

(1) Loans receivable from customers plus the balance indebted by banks, without deducting their allowances for loan losses.

(2) The sum of net income (expense) from financial operations and foreign exchange gains or losses.

(3) The sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 05

CASH AND CASH EQUIVALENTS

a) The detail of the balances included under cash and cash equivalents is as follows:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Cash and deposit in banks		
Cash	665,397	861,178
Deposit in the Central Bank of Chile	1,313,394	1,731,079
Deposit in domestic banks	1,571	948
Deposit in foreign banks	822,926	961,315
Subtotal	2,203,288	3,554,520
Cash items in process of collection, net	91,332	156,814
Cash and cash equivalents	2,894,620	3,711,334

The balance of funds held in cash and at the Central Bank of Chile reflects the reserves that the Bank must maintain on average each month.

b) Operations in process of settlement:

Operations in process of settlement are transactions with only settlement pending, which will increase or decrease the funds of the Central Bank of Chile or of banks abroad, usually within the next 24 or 48 working hours to each end of operation. These operations are as follows:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Assets		
Documents held by other banks (document to be cleared)	137,396	217,394
Funds receivable	315,567	137,668
Subtotal	452,963	355,062
Liabilities		
Funds payable	361,631	198,248
Subtotal	361,631	198,248
Cash items in process of collection, net	91,332	156,814

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 06

TRADING INVESTMENTS

The detail of instruments deemed as financial trading investments is as follows:

	As of	
	2020	2019
	MCh\$	MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	419	1,952
Chilean Central Bank Notes	-	-
Other Chilean Central Bank and Government securities	131,827	268,252
Subtotal	132,246	270,204
Other Chilean securities		
Time deposits in Chilean financial institutions	-	-
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institutions bonds	-	-
Chilean corporate bonds	1,472	-
Other Chilean securities	-	-
Subtotal	1,472	-
Foreign financial securities		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	-	-
Subtotal	-	-
Investments in mutual funds		
Funds managed by related entities	-	-
Funds managed by third parties	-	-
Subtotal	-	-
Total	133,718	270,204

As of December 31, 2020 and 2019, there were no trading investments sold under contracts to resell to clients and financial institutions.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTA 07

INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATION UNDER REPURCHASE AGREEMENTS

a) As of December 31, 2020 and 2019, the Bank does not have investment under resale agreements.

b) Obligations arising from repurchase agreements

The Bank raises funds by selling financial instruments and committing itself to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2020 and 2019, obligations related to instruments sold under repurchase agreements are as follows:

	As of December 31,							
	2020				2019			
	From 1 day and less than 3 month MCh\$	More than 3 months and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	From 1 day and less than 3 month MCh\$	More than 3 months and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$
Securities from the Chilean Government and the Chilean Central Bank:								
Chilean Central Bank Bonds	-	-	-	-	-	-	-	-
Chilean Central Bank Notes	461,961	-	-	461,961	-	-	-	-
Other securities from the Government and the Chilean Central Bank	507,448	-	-	507,448	379,891	33	-	379,924
Subtotal	969,409	-	-	969,409	379,891	33	-	379,924
Instruments from other domestic institutions:								
Time deposits in Chilean financial institutions	399	-	-	399	127	4	-	131
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	399	-	-	399	127	4	-	131
Foreign financial securities:								
Foreign government or central bank securities	-	-	-	-	-	-	-	-
Other foreign Chilean securities	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by other	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Totales	969,808	-	-	969,808	380,018	37	-	380,055

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTA N°07

INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATION UNDER REPURCHASE AGREEMENTS, continued

c) Below is the detail by portfolio of collateral associated with repurchase agreements as of December 31, 2019 and 2018, value at fair value:

	As of December 31,					
	2020			2019		
	Available for sale portfolio MCh\$	Trading portfolio MCh\$	Total MCh\$	Available for sale portfolio MCh\$	Trading portfolio MCh\$	Total MCh\$
Securities from the Chilean Government and the Chilean Central Bank:						
Chilean Central Bank Bonds	-	-	-	-	-	-
Chilean Central Bank Notes	461,965	-	461,965	-	-	-
Other securities from the Government and the Chilean Central Bank	507,543	-	507,543	379,924	-	379,924
Subtotal	969,508	-	969,508	379,924	-	379,924
Other Chilean securities:						
Time deposits in Chilean financial institutions	399	-	399	131	-	131
mortgage finance bond of Chilean financial institutions	-	-	-	-	-	-
Chilean financial institution bonds	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-
Subtotal	399	-	399	131	-	131
Foreign financial securities:						
Foreign Central Bank and Government securities	-	-	-	-	-	-
Other Foreign financial instruments	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totales	969,907	-	969,907	380,055	-	380,055

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2020 and 2019, the Bank holds the following portfolio of derivative instruments:

	As of December 31, 2020					
	Notional amount				Fair value	
	Up to 3 Months MCh\$	More than 3 months to 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	Assets MCh\$	Liabilities MCh\$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	50,000	410,687	5,064,113	5,524,800	33,816	83,666
Cross currency swaps	317,400	601,987	5,634,700	6,554,087	294,562	178,529
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	367,400	1,012,674	10,698,813	12,078,887	328,378	262,195
Cash flow hedge derivatives						
Currency forwards	2,121,326	503,280	601,582	3,226,188	2,985	3,556
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	424,358	498,373	9,777,491	10,700,222	35,902	183,386
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	2,545,684	1,001,653	10,379,073	13,926,410	38,887	186,942
Trading derivatives						
Currency forwards	22,729,787	12,175,074	8,215,576	43,120,437	1,085,327	1,158,904
Interest rate swaps	14,006,503	22,118,742	97,803,009	133,928,254	3,651,651	3,588,912
Cross currency swaps	6,719,065	15,138,056	138,352,345	160,209,466	3,921,440	3,819,446
Call currency options	129,339	31,641	57,581	218,561	1,527	909
Call interest rate options	-	-	-	-	-	-
Put currency options	112,145	16,173	58,276	186,594	4,875	1,352
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	43,696,839	49,479,686	244,486,787	337,663,312	8,664,820	8,569,523
Total	46,609,923	51,494,013	265,564,673	363,668,609	9,032,085	9,018,660

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2019					
	Notional amount				Fair value	
	Up to 3 months MCh\$	More than 3 months to 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	Assets MCh\$	Liabilities MCh\$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	381,638	317,610	1,847,138	2,546,386	39,460	34,264
Cross currency swaps	407,008	863,984	13,357,058	14,628,050	226,870	295,281
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	788,646	1,181,594	15,204,196	17,174,436	266,330	329,545
Cash flow hedge derivatives						
Currency forwards	99,105	1,018,656	768,256	1,886,017	4,131	3,505
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	2,266,907	1,938,222	10,848,233	15,053,362	106,413	43,183
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	2,366,012	2,956,878	11,616,489	16,939,379	110,544	46,688
Trading derivatives						
Currency forwards	28,472,586	18,508,702	7,679,464	54,660,752	1,023,683	1,137,496
Interest rate swaps	16,678,487	40,892,909	89,109,046	146,680,442	2,465,235	2,270,686
Cross currency swaps	7,726,724	20,457,463	113,206,678	141,390,865	4,277,450	3,605,516
Call currency options	17,971	47,012	81,804	146,787	5,176	240
Call interest rate options	-	-	-	-	-	-
Put currency options	16,409	41,872	80,655	138,936	190	483
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	52,912,177	79,947,958	210,157,647	343,017,782	7,771,734	7,014,421
Total	56,066,835	84,086,430	236,978,332	377,131,597	8,148,608	7,390,654

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b) Microhedge accounting

Fair value microhedge

The Bank uses cross-currency swaps, interest rate swaps and call money swaps to hedge its exposure to changes in fair value of hedged items attributable to interest rates. The aforementioned hedging instruments change the effective cost of long-term issuances from a fixed interest rate to a variable interest rate.

The hedged items and hedge instruments under fair value hedges as of December 31, 2020 and 2019, classified by term to maturity are as follows:

As of December 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Available for sale investments					
Chilean Sovereign bonds	10,687	10,687	138,044	249,440	408,858
Mortgage finance bonds	-	918	-	-	918
American treasury bonds	-	-	178,118	-	178,118
Chilean General treasury bonds	-	-	-	-	-
Central bank bonds (BCP)	-	-	-	-	-
Time deposits and other demand liabilities					
Time deposits	58,238	58,217	-	-	116,455
Issued debt instruments					
Senior bonds	88,023	801,349	2,112,831	1,220,521	4,222,724
Subordinated bonds	-	-	249,363	142,494	391,857
Obligations with Banks:					
Interbank loans	-	-	-	-	-
Central bank loans	-	-	3,865,000	-	3,865,000
Total	156,948	871,171	6,543,356	1,612,455	9,183,930
Hedging instrument					
Cross currency swaps	96,261	835,484	2,056,864	1,220,521	4,209,130
Interest rate swaps	60,687	35,687	4,486,492	391,934	4,974,800
Total	156,948	871,171	6,543,356	1,612,455	9,183,930
<hr/>					
As of December 31, 2019	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Available for sale investments					
Chilean Sovereign bonds	-	-	5,605	394,690	400,295
Mortgage financing bonds	-	2,728	-	-	2,728
American treasury bonds	-	-	149,474	37,369	186,843
Chilean General treasury bonds	-	289,369	-	-	289,369
Central bank bonds	-	254,685	-	-	254,685
Time deposits and other demand liabilities					
Time deposits	685,259	281,921	225,515	-	1,192,695
Issued debt instruments					
Senior bonds	651,681	1,133,698	2,253,892	3,324,099	7,363,370
Subordinated bonds	-	-	-	-	-
Obligations with Banks:					
Interbank loans	-	-	-	-	-
Total	1,336,940	1,962,401	2,634,486	3,756,158	9,689,985
Hedging instrument					
Cross currency swaps	637,692	1,602,401	2,229,407	3,324,099	7,793,599
Interest rate swaps	699,248	360,000	405,079	432,059	1,896,386
Total	1,336,940	1,962,401	2,634,486	3,756,158	9,689,985

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

Cash flow microhedges

The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of mortgages, bonds and interbank loans at a variable rate. To cover the inflation risk in some items, both forwards as well as currency swaps are used.

The notional values of the hedged items as of December 31, 2020 and 2019, and the periods when the cash flows will be generated are as follows:

As of December 31, 2020	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	1,926,918	2,520,951	2,761,742	2,084,180	9,293,791
Commercial loans	-	-	-	-	-
Available for sale investments					
Time deposits (ASI)	-	-	42,532	-	42,532
Chilean Sovereign bonds	-	-	-	-	-
Chilean Central Bank bonds	-	175,875	891,791	196,428	1,264,094
Time deposits and other time liabilities					
Time deposits	-	-	-	-	-
Issued debt instruments					
Senior bonds (variable rate)	167,430	-	-	-	167,430
Senior bonds (fixed rate)	1,125,253	610,385	643,700	415,865	2,795,203
Interbank borrowings					
Interbank loans	327,736	35,624	-	-	363,360
Total	3,547,337	3,342,835	4,339,765	2,696,473	13,926,410
Hedging instrument					
Cross currency swaps	922,731	2,741,253	4,339,765	2,696,473	10,700,222
Currency forwards	2,624,606	601,582	-	-	3,226,188
Total	3,547,337	3,342,835	4,339,765	2,696,473	13,926,410
As of December 31, 2019					
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	3,334,734	1,505,595	1,995,156	3,136,962	9,972,447
Commercial loans	-	-	-	-	-
Available for sale investments					
Time deposits	-	-	-	-	-
Chilean Sovereign bonds	-	-	82,727	-	82,727
Chilean Central Bank bonds	-	-	267,286	225,981	493,267
Time deposits and other time liabilities					
Time deposits	-	-	-	-	-
Issued debt instruments					
Senior bonds (variable rate)	358,118	341,283	-	-	699,401
Senior bonds (fixed rate)	803,596	1,696,595	1,152,461	1,069,511	4,722,163
Interbank borrowings					
Interbank loans	826,442	142,932	-	-	969,374
Total	5,322,890	3,686,405	3,497,630	4,432,454	16,939,379
Hedging instrument					
Cross currency swaps	4,205,129	2,918,149	3,497,630	4,432,454	15,053,362
Currency forwards	1,117,761	768,256	-	-	1,886,017
Total	5,322,890	3,686,405	3,497,630	4,432,454	16,939,379

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

An estimate of the periods in which flows are expected to be produced is as follows:

b.1) Forecasted cash flows for interest rate risk:

As of December 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	18,219	2,284	2,512	-	23,015
Outflows	(90,303)	(123,604)	(104,198)	(83,397)	(401,502)
Net flows	(72,084)	(121,320)	(101,686)	(83,397)	(378,487)
Hedging instrument					
Inflows	90,303	123,604	104,198	83,397	401,502
Outflows (*)	(18,219)	(2,284)	(2,512)	-	(23,015)
Net flows	72,084	121,320	101,686	83,397	378,487

(*) Only includes cash flow forecast portion of the hedge instruments used to cover interest rate risk.

As of December 31, 2019	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	25,328	10,220	217	-	35,765
Outflows	(356,683)	(245,480)	(154,689)	(163,151)	(920,003)
Net flows	(331,355)	(235,260)	(154,472)	(163,151)	(884,238)
Hedging instrument					
Inflows	356,683	245,480	154,689	163,151	920,003
Outflows (*)	(25,328)	(10,220)	(217)	-	(35,765)
Net flows	331,355	235,260	154,472	163,151	884,238

(*) Only includes cash flow forecast portion of the hedge instruments used to cover interest rate risk.

b.2) Forecasted cash flows for inflation risk:

As of December 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	114,734	257,698	457,046	406,499	1,235,977
Outflows	(32,238)	(19,702)	(55,388)	(26,993)	(134,321)
Net flows	82,496	237,996	401,658	379,506	1,101,656
Hedging instrument					
Inflows	32,238	19,702	55,388	26,993	134,321
Outflows	(114,734)	(257,698)	(457,046)	(406,499)	(1,235,977)
Net flows	(82,496)	(237,996)	(401,658)	(379,506)	(1,101,656)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

As of December 31, 2019	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	74,574	109,486	216,972	422,362	823,394
Outflows	(19,466)	(50,151)	(33,140)	(52,880)	(155,637)
Net flows	55,108	59,335	183,832	369,482	667,757
Hedging instrument					
Inflows	19,466	50,151	33,140	52,880	155,637
Outflows	(74,574)	(109,486)	(216,972)	(422,362)	(823,394)
Net flows	(55,108)	(59,335)	(183,832)	(369,482)	(667,757)

b.3) Forecasted cash flows for exchange rate risk:

As of December 31, 2020 and 2019, the Bank did not have cash flow hedges for exchange rate risk.

c) The accumulated effect of the mark to market adjustment of cash flow hedges produced by hedge instruments used in hedged cash flow was recorded in the Consolidated Statement of Changes in Equity, specifically within Other comprehensive income as of December 31, 2020 and 2019, and is as follows:

Hedged item	As of December 31,	
	2020 MCh\$	2019 MCh\$
Interbank loans	(962)	(1,872)
Issued debt instruments	(6,990)	(16,345)
Available for sale investments	(25,833)	(2,905)
Loans and accounts receivable from customers	(102,980)	(19,313)
Net flows	(136,765)	(40,435)

Since the inflows and outflows for both the hedged element and the hedging instrument mirror each other, the hedges are nearly 100% effective, which means that the fluctuations of fair value attributable to risk components are almost completely offset.

During the year, the bank did not have any cash flow hedges of forecast transactions.

d) Below is a presentation of income generated by cash flow hedges amount that were reclassified from other comprehensive income to income for the year:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Bond hedging derivatives	(3,149)	(120)
Interbank loans hedging derivatives	1	(955)
Cash flow hedge net income	(3,148)	(1,075)

(*) See Note 24 "Equity", letter e).

e) Net investment hedges in foreign operations:

As of December 31, 2020 and 2019, the Bank does not have any net foreign investment hedges in its hedge accounting portfolio.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 08

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

f) Fair value macrohedges

The Bank has macrocoverages for loans and accounts receivable from clients, specifically for the mortgage loan portfolio and for the commercial loan portfolio, the following is the detail,

As of December 31, 2020	Notional amount				Total
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	823,126	786,352	-	735,479	2,344,957
Commercial loans	400,000	150,000	-	-	550,000
Total	1,223,126	936,352	-	735,479	2,894,957
Hedging instrument					
Cross currency swaps	823,126	786,352	-	735,479	2,344,957
Currency forwards	400,000	150,000	-	-	550,000
Total	1,223,126	936,352	-	735,479	2,894,957
As of December 31, 2019					
	Notional amount				Total
	Within 1 year	Between 1 and 3 years	Between 3 and 6 years	Over 6 years	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	633,300	1,189,037	1,545,239	3,466,875	6,834,451
Commercial loans	-	600,000	50,000	-	650,000
Total	633,300	1,789,037	1,595,239	3,466,875	7,484,451
Hedging instrument					
Cross currency swaps	633,300	1,189,037	1,545,239	3,466,875	6,834,451
Currency forwards	-	600,000	50,000	-	650,000
Total	633,300	1,789,037	1,595,239	3,466,875	7,484,451

As of December 31, 2020 and 2019, MCh \$ 327,938 and MCh \$ 210,867 are presented in "other assets" for the valuation of the net assets or liabilities hedged at fair value in a macro hedge (Note No. 16).

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 09

INTERBANK LOANS

a) As of December 31, 2020 and 2019, the balances for "Interbank loans" are as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Domestic banks		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile - not available	-	-
Non-transferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans	-	-
Overdrafts in checking accounts	-	-
Non-transferable domestic bank loans	-	-
Foreign trade credits Chilean exports	4,591	-
Other domestic bank loans	-	-
Allowances and impairment for domestic bank loans	(4)	-
Foreign interbank loans		
Interbank loans – Foreign	14,339	14,852
Overdrafts in checking accounts	-	-
Non-transferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Provisions and impairment for foreign bank loans	(6)	(19)
Total	18,920	14,833

b) The amount of provisions and impairment of interbank loans is detailed below:

	As of December 31,					
	2020			2019		
	Domestic banks MCh\$	Foreign banks MCh\$	Total MCh\$	Domestic banks MCh\$	Foreign banks MCh\$	Total MCh\$
Balance as of January 1	-	19	19	-	29	29
Charge-offs	-	-	-	-	-	-
Provisions established	9	21	30	-	55	55
Provisions released	(5)	(34)	(39)	-	(65)	(65)
Total	4	6	10	-	19	19

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 10

LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

As of December 31, 2020 and 2019, the composition of the loan portfolio is as follows:

As of December 31, 2020	Assets before allowances				Established Allowances			Assets Net Balances MCh\$
	Normal portfolio MCh\$	Substandard portfolio MCh\$	Non-compliance portfolio MCh\$	Total MCh\$	Individual allowances MCh\$	Group allowances MCh\$	Total MCh\$	
Commercial loans								
Commercial loans (*)	12,080,177	700,855	778,863	13,559,895	(268,296)	(252,388)	(520,684)	13,039,211
Foreign trade loans	1,002,748	195,262	41,261	1,239,271	(56,499)	(3,513)	(60,012)	1,179,259
Checking accounts debtors	104,216	9,389	12,005	125,610	(4,553)	(7,225)	(11,778)	113,832
Factoring transactions	488,633	5,195	3,851	497,679	(5,839)	(653)	(6,492)	491,187
Student Loans	56,040	-	7,340	63,380	-	(3,630)	(3,630)	59,750
Leasing transactions	1,119,641	153,005	82,511	1,355,157	(17,001)	(8,002)	(25,003)	1,330,154
Other loans and account receivable	171,523	2,172	22,849	196,544	(5,461)	(13,629)	(19,090)	177,454
Subtotal	15,022,978	1,065,878	948,680	17,037,536	(357,649)	(289,040)	(646,689)	16,390,847
Mortgage loans								
Loans with mortgage finance bonds	7,428	-	381	7,809	-	(45)	(45)	7,764
Mortgage mutual loans	91,115	-	1,845	92,960	-	(329)	(329)	92,631
Other mortgage mutual loans	11,906,388	-	404,668	12,311,056	-	(60,907)	(60,907)	12,250,149
Subtotal	12,004,931	-	406,894	12,411,825	-	(61,281)	(61,281)	12,350,544
Consumer loans								
Installment consumer loans	3,454,520	-	234,072	3,688,592	-	(247,223)	(247,223)	3,441,369
Credit card balances	1,118,130	-	7,778	1,125,908	-	(16,923)	(16,923)	1,108,985
Leasing transactions	3,105	-	16	3,121	-	(35)	(35)	3,086
Other consumer loans	121,411	-	1,847	123,258	-	(4,660)	(4,660)	118,598
Subtotal	4,697,166	-	243,713	4,940,879	-	(268,841)	(268,841)	4,672,038
Total	31,725,075	1,065,878	1,599,287	34,390,240	(357,649)	(619,162)	(976,811)	33,413,429

(*)Contains fogape provisions for Ch \$ 35,789 million.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 10

LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

As of December 31, 2019	Assets before allowances				Established Allowances			Assets Net Balances MCh\$
	Normal portfolio MCh\$	Substandar portfolio MCh\$	Non- compliance portfolio MCh\$	Total MCh\$	Individual allowances MCh\$	Group allowances MCh\$	Total MCh\$	
Commercial loans								
Commercial loans	10,469,840	608,266	698,110	11,776,216	(154,666)	(229,722)	(384,388)	11,391,828
Foreign trade loans	1,520,321	152,811	40,501	1,713,633	(48,055)	(5,081)	(53,136)	1,660,497
Checking accounts debtors	169,328	12,956	14,609	196,893	(3,686)	(9,464)	(13,150)	183,743
Factoring transactions	479,240	6,927	3,233	489,400	(5,134)	(1,104)	(6,238)	483,162
Student Loans	62,308	-	8,965	71,273	-	(4,858)	(4,858)	66,415
Leasing transactions	1,210,854	123,645	90,363	1,424,862	(18,247)	(9,345)	(27,592)	1,397,270
Other loans and account	211,470	1,490	29,594	242,554	(6,761)	(16,319)	(23,080)	219,474
Subtotal	14,123,361	906,095	885,375	15,914,831	(236,549)	(275,893)	(512,442)	15,402,389
Mortgage loans								
Loans with mortgage finance	11,391	-	907	12,298	-	(92)	(92)	12,206
Mortgage mutual loans	96,014	-	4,138	100,152	-	(516)	(516)	99,636
Other mortgage mutual loans	10,626,466	-	524,079	11,150,545	-	(67,853)	(67,853)	11,082,692
Subtotal	10,733,871	-	529,124	11,262,995	-	(68,461)	(68,461)	11,194,534
Consumer loans								
Installment consumer loans	3,653,345	-	257,053	3,910,398	-	(260,129)	(260,129)	3,650,269
Credit card balances	1,357,770	-	19,940	1,377,710	-	(41,315)	(41,315)	1,336,395
Leasing transactions	3,866	-	86	3,952	-	(114)	(114)	3,838
Other consumer loans	243,156	-	3,841	246,997	-	(10,687)	(10,687)	236,310
Subtotal	5,258,137	-	280,920	5,539,057	-	(312,245)	(312,245)	5,226,812
Total	30,115,369	906,095	1,695,419	32,716,883	(236,549)	(656,599)	(893,148)	31,823,735

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 10

LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

b) Portfolio characteristics

As of December 31, 2020 and 2019, the portfolio before allowances is as follows, by customer's economic activity:

	Domestic loans (*)		Foreign interbank loans (**)		Total loans		Distribution percentage	
	As of		As of		As of		As of	
	December 31		December 31		December 31		December 31	
	2020	2019	2020	2019	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	%	%
Commercial loans								
Manufacturing	1,378,221	1,285,814	-	-	1,378,221	1,285,814	4.01	3.93
Mining	433,615	407,042	-	-	433,615	407,042	1.26	1.24
Electricity, gas, and water	384,274	356,410	-	-	384,274	356,410	1.12	1.09
Agriculture and livestock	1,345,864	1,287,282	-	-	1,345,864	1,287,282	3.91	3.93
Forest	179,176	165,208	-	-	179,176	165,208	0.52	0.50
Fishing	234,151	256,553	-	-	234,151	256,553	0.68	0.78
Transport	777,601	763,877	-	-	777,601	763,877	2.26	2.33
Communications	331,115	240,950	-	-	331,115	240,950	0.96	0.74
Construction	959,369	995,435	-	-	959,369	995,435	2.79	3.04
Commerce	3,712,568	3,351,279	14,339	14,852	3,726,907	3,366,131	10.83	10.28
Services	2,863,338	2,796,415	-	-	2,863,338	2,796,415	8.32	8.54
Other	4,442,835	4,008,566	-	-	4,442,835	4,008,566	12.91	12.25
Subtotal	17,042,127	15,914,831	14,339	14,852	17,056,466	15,929,683	49.57	48.65
Mortgage loans	12,411,825	11,262,995	-	-	12,411,825	11,262,995	36.07	34.43
Consumer loans	4,940,879	5,539,057	-	-	4,940,879	5,539,057	14.35	16.92
Total	34,394,831	32,716,883	14,339	14,852	34,409,170	32,731,735	100.00	100.00

(*) Includes domestic interbank loans for Ch\$ 4,591 million as of December 31, 2020 (Ch\$0 million as of December 31, 2019), see Note 9.

(**) Includes foreign interbank loans for Ch\$ 14,339 million as of December 31, 2020 (Ch\$14,852 million as of December 31, 2019), see Note 9.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 10

LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

c) Impaired portfolio (*)

i) As of December 31, 2020 and 2019, the impaired portfolio is the following:

	As of December 31,							
	2020				2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Individually impaired portfolio	588,334	-	-	588,334	487,760	-	-	487,760
Non-performing loans (collectively evaluated)	331,382	108,625	46,428	486,435	400,209	179,863	91,264	671,336
Other impaired portfolio	219,660	298,269	197,285	715,214	218,596	349,261	189,656	757,513
Total	1,139,376	406,894	243,713	1,789,983	1,106,565	529,124	280,920	1,916,609

(*) The impaired portfolio corresponds to the sum of loans classified as substandard B3 and B4 category as well as the non-compliance portfolio (C1-C6). As they are debtors subject to group evaluation, it includes all the credits of the "Portfolio in Default"

ii) The impaired portfolio with or without warranty as of December 31, 2020 and 2019 is the following:

	As of December 31,							
	2020				2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Secured debt	720,785	381,182	34,720	1,136,687	700,331	487,729	30,189	1,218,249
Unsecured debt	418,591	25,712	208,993	653,296	406,234	41,395	250,731	698,360
Total	1,139,376	406,894	243,713	1,789,983	1,106,565	529,124	280,920	1,916,609

iii) The portfolio of non-performing loans as of December 31, 2020 and 2019 is the following:

	As of December 31,							
	2020				2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Secured debt	177,316	101,279	7,136	285,731	204,195	164,200	6,657	375,052
Unsecured debt	154,066	7,346	39,292	200,704	196,014	15,663	84,607	296,284
Total	331,382	108,625	46,428	486,435	400,209	179,863	91,264	671,336

iv) Reconciliation of loans, with past due loans as of December 31, 2020 and 2019, is the following:

	As of December 31,							
	2020				2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
With defaults equal to or greater than 90 days	329,009	107,905	43,128	480,042	399,683	177,730	91,023	668,436
With defaults up to 89 days, classified in past due portfolio	2,373	720	3,300	6,393	526	2,133	241	2,900
Total	331,382	108,625	46,428	486,435	400,209	179,863	91,264	671,336

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 10

LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

d) Allowances

The changes in allowances balances during 2020 and 2019 is the following:

Activity during 2020	Commercial Loans (*)		Mortgage Loans	Mortgage Loans	Interbank Loans	Total MCh\$
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	MCh\$	
Balance as of January 01, 2020	236,549	275,893	68,461	312,245	19	893,167
Allowances established	184,691	124,057	15,884	223,493	30	548,155
Allowances released	(44,878)	(54,394)	(17,141)	(79,846)	(39)	(196,298)
Allowances released due to charge-off	(18,713)	(56,516)	(5,923)	(187,051)	-	(268,203)
Balance as of December 31, 2020	357,649	289,040	61,281	268,841	10	976,821

(*) Contains fogape provisions for Ch \$ 35,789 million.

Activity during 2019	Commercial Loans		Mortgage Loans	Mortgage Loans	Interbank Loans	Total MCh\$
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	MCh\$	
Balance as of January 01, 2019	242,597	230,866	64,241	272,681	29	810,414
Allowances established	93,556	118,187	17,462	246,530	55	475,790
Allowances released	(58,084)	(12,100)	(8,263)	(49,576)	(65)	(128,088)
Allowances released due to charge-off	(41,520)	(61,060)	(4,979)	(157,390)	-	(264,949)
Balance as of December 31, 2019	236,549	275,893	68,461	312,245	19	893,167

In addition to credit risk allowances, there are allowances held for:

- i) Country risk to cover the risk taken when holding or committing resources with any foreign country, these allowances are established according to country risk classifications as set forth in Chapter 7-13 of the Updated Compilation of Rules, issued by the CMF (ex SBIF), the balances of allowances as of December 31, 2020 and 2019 are Ch\$ 49 million and Ch\$ 552 million respectively. These are presented as "Allowances" in the liabilities section of the "Consolidated Interim Statement of Financial Position".
- ii) According to CMF (ex SBIF) regulations (compendium of Accounting Standards), the Bank has established allowances related to the undrawn available credit lines and contingent loans. The balances of allowances as of December 31, 2020 and 2019 are Ch\$ 17,293 million and Ch\$21,411 million, respectively, and are presented as "Allowances" in the liabilities section of the "Consolidated Interim Statement of Financial Position".
- iii) Under the rules of the CMF (ex SBIF), banks are allowed to establish provisions above the limits described above, in order to protect themselves from the risk of unpredictable economic fluctuations that may affect the macroeconomic environment or the situation of a specific economic sector. The Bank has additional provisions for \$ 126,000 million, which are presented as liabilities in the "Provisions" caption of the Consolidated Statements of Financial Position.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 10

LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

e) Portfolio by its impaired and non-impaired condition

	As of December 31, 2020											
	Non-impaired				Impaired				Total portfolio			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total non- impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total portfolio MCh\$
Current portfolio	15,818,599	11,872,157	4,611,792	32,302,548	717,471	223,798	140,463	1,081,732	16,536,070	12,095,955	4,752,255	33,384,280
Overdue for 1-29 days	36,813	23,997	53,581	114,391	22,016	5,806	23,549	51,371	58,829	29,803	77,130	165,762
Overdue for 30-89 days	42,748	108,777	31,793	183,318	70,880	69,385	36,573	176,838	113,628	178,162	68,366	360,156
Overdue for 90 days or more	-	-	-	-	329,009	107,905	43,128	480,042	329,009	107,905	43,128	480,042
Total portfolio before allowances	15,898,160	12,004,931	4,697,166	32,600,257	1,139,376	406,894	243,713	1,789,983	17,037,536	12,411,825	4,940,879	34,390,240
Overdue loans (less than 90 days) presented as portfolio percentage	0.50%	1.11%	1.82%	0.91%	8.15%	18.48%	24.67%	12.75%	1.01%	1.68%	2.94%	1.53%
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	28.88%	26.52%	17.70%	26.82%	1.93%	0.87%	0.87%	1.40%

	As of December 31, 2019											
	Non-impaired				Impaired				Total portfolio			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total non- impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total portfolio MCh\$
Current portfolio	14,608,386	10,421,161	5,068,619	30,098,166	554,860	187,144	110,475	852,479	15,163,246	10,608,305	5,179,094	30,950,645
Overdue for 1-29 days	92,748	47,417	110,679	250,844	38,417	11,213	29,265	78,895	131,165	58,630	139,944	329,739
Overdue for 30-89 days	107,132	265,293	78,839	451,264	113,605	153,037	50,157	316,799	220,737	418,330	128,996	768,063
Overdue for 90 days or more	-	-	-	-	399,683	177,730	91,023	668,436	399,683	177,730	91,023	668,436
Total portfolio before allowances	14,808,266	10,733,871	5,258,137	30,800,274	1,106,565	529,124	280,920	1,916,609	15,914,831	11,262,995	5,539,057	32,716,883
Overdue loans (less than 90 days) presented as portfolio percentage	1.35%	2.91%	3.60%	2.28%	13.74%	31.04%	28.27%	20.65%	2.21%	4.23%	4.86%	3.36%
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	36.12%	33.59%	32.40%	34.88%	2.51%	1.58%	1.64%	2.04%

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 11

AVAILABLE FOR SALE INVESTMENTS

As of December 31, 2020 and 2019, details of instruments defined as available for sale investments are as follows:

	As of December 31	
	2020 MCh\$	2019 MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	-	272,802
Chilean Central Bank Notes	1,008,450	1,186,724
Other Chilean Central Bank and Government securities	5,344,910	1,908,031
Subtotal	6,353,360	3,367,557
<i>of which sold under repurchase agreement</i>	969,409	379,924
Other Chilean securities		
Time deposits in Chilean financial institutions	299	398
Mortgage finance bonds of Chilean financial institutions	14,022	16,748
Chilean financial institution bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	2,410	2,410
Subtotal	16,731	19,556
<i>of which sold under repurchase agreement</i>	399	131
Foreign financial securities		
Foreign Central Banks and Government securities	269,803	197,685
Other foreign financial securities	522,648	425,474
Subtotal	792,451	623,159
<i>of which sold under repurchase agreement</i>	-	-
Total	7,162,542	4,010,272

The Bank holds instruments, belonging to "Chilean central bank and government securities", which guarantee derivatives transactions through Comder Contraparte Central S.A, in the local market as of December 31, 2020 and 2019 for an amount of Ch\$158,600 and Ch\$65,140, while "Foreign financial securities" guarantee derivatives transactions through London Clearing House (LCH) as of December 31, 2020 and 2019 Ch\$67,685 and Ch\$73,109. Additionally, the Bank maintains guarantees with Euroclear as of December 31, 2020 and 2019 Ch\$258,183 and Ch\$390,954 to comply with the initial margin required by European EMIR standard.

As of December 31, 2020, the instruments available for sale include the balances of unrealized net profits of \$ 100,135 million recognized as "Valuation accounts" in equity, distributed between a gain of \$ 98,976 million attributable to equity holders of the Bank and a gain of \$ 1,159 million attributable to non-controlling interest.

As of December 31, 2019 the instruments available for sale include the balances of unrealized net profits of \$ 30,398 million recognized as "Valuation accounts" in equity, distributed between a gain of \$ 29,349 million attributable to equity holders of the Bank and a gain of \$ 1,049 million attributable to non-controlling interest.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 11

AVAILABLE FOR SALE INVESTMENTS, continued

Gross profits and losses realized on the sale of available for sale investments as of december 31, 2020 and 2019, are as follow,

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Sale of available for sale investments generating realized profits	3,696,791	5,781,636
Realized profits	82,925	63,828
Sale of available for sale investments generating realized losses	379,046	607,349
Realized losses	2,246	156

The Bank evaluated those instruments with unrealized losses as of December 31, 2020 and 2019 and concluded they were not impaired. This review consisted of evaluating the economic reasons for any declines, the credit ratings of the securities' issuers, and the Bank's intention and ability to hold the securities until the unrealized loss is recovered. Based on this analysis, the Bank believes that there were no significant or prolonged declines nor changes in credit risk which would cause impairment in its investment portfolio, since most of the decline in fair value of these instruments was caused by market conditions which the Bank considers to be temporary. All of the instruments that have unrealized losses as of December 31, 2020 and 2019, were not in a continuing unrealized loss position for more than one year.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 11

AVAILABLE FOR SALE INVESTMENTS, continued

The following charts show the available for sale investments cumulative unrealized profit and loss, as of December 31, 2020 and 2019:

As of December 31, 2020:

	Less than 12 month				More than 12 month				Total			
	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Chilean central bank and government securities												
Chilean central bank bond	-	-	-	-	-	-	-	-	-	-	-	-
Chilean central bank notes	1,008,450	1,008,450	-	-	-	-	-	-	1,008,450	1,008,450	-	-
Other Chilean central bank and government securities	5,288,189	5,344,910	96,180	(39,459)	-	-	-	-	5,288,189	5,344,910	96,180	(39,459)
Subtotal	6,296,639	6,353,360	96,180	(39,459)	-	-	-	-	6,296,639	6,353,360	96,180	(39,459)
Other Chilean securities												
Time deposits in Chilean financial institutions	299	299	-	-	-	-	-	-	299	299	-	-
Mortgage finance bonds of Chilean financial	13,293	14,022	729	-	-	-	-	-	13,293	14,022	729	-
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	305	2,410	2,105	-	-	-	-	-	305	2,410	2,105	-
Subtotal	13,897	16,731	2,834	-	-	-	-	-	13,897	16,731	2,834	-
Foreign financial securities												
Foreign central bank and government securities	269,477	269,803	20,267	(19,941)	-	-	-	-	269,477	269,803	20,267	(19,941)
Other Foreign securities	482,394	522,648	40,254	-	-	-	-	-	482,394	522,648	40,254	-
Subtotal	751,871	792,451	60,521	(19,941)	-	-	-	-	751,871	792,451	60,521	(19,941)
Total	7,062,407	7,162,542	159,535	(59,400)	-	-	-	-	7,062,407	7,162,542	159,535	(59,400)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 11

AVAILABLE FOR SALE INVESTMENTS, continued

The following charts show the available for sale investments cumulative unrealized profit and loss, as of December 31, 2020 and 2019:

As of December 31, 2019:

	Less than 12 month				More than 12 month				Total			
	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Chilean central bank and government securities												
Chilean central bank fond	270,979	272,802	3,600	(1,777)	-	-	-	-	270,979	272,802	3,600	(1,777)
Chilean central bank notes	1,186,487	1,186,724	237	-	-	-	-	-	1,186,487	1,186,724	237	-
Other Chilean central bank and government securities	1,893,615	1,908,031	39,754	(25,338)	-	-	-	-	1,893,615	1,908,031	39,754	(25,338)
Subtotal	3,351,081	3,367,557	43,591	(27,115)	-	-	-	-	3,351,081	3,367,557	43,591	(27,115)
Other Chilean securities												
Time deposits in Chilean financial institutions	398	398	-	-	-	-	-	-	398	398	-	-
Mortgage finance bonds of Chilean financial	15,962	16,748	786	-	-	-	-	-	15,962	16,748	786	-
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	407	2,410	2,003	-	-	-	-	-	407	2,410	2,003	-
Subtotal	16,767	19,556	2,789	-	-	-	-	-	16,767	19,556	2,789	-
Foreign financial securities												
Foreign central bank and government securities	198,289	197,685	10,841	(11,445)	-	-	-	-	198,289	197,685	10,841	(11,445)
Other Foreign securities	413,737	425,474	12,811	(1,074)	-	-	-	-	413,737	425,474	12,811	(1,074)
Subtotal	612,026	623,159	23,652	(12,519)	-	-	-	-	612,026	623,159	23,652	(12,519)
Total	3,979,874	4,010,272	70,032	(39,634)	-	-	-	-	3,979,874	4,010,272	70,032	(39,634)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 12

INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

- a) The Consolidated Statements of Financial Position reflect investments in associates and other companies amounting to Ch\$10,770 million as of December 31, 2020, Ch\$ 10,467 million as of December 2019, as show in the following table:

Company	Ownership interest		Investment			
	As of December 31,		Investment value		Profit and loss	
	2020	2019	2020	2019	2020	2019
	%	%	MCh\$	MCh\$	MCh\$	MCh\$
Centro de Compensación Automatizado S.A.	33.33	33.33	2,788	2,184	603	293
Sociedad Interbancaria de Depósito de Valores S.A.	29.29	29.29	1,633	1,485	302	252
Cámara de Compensación de Pagos de Alto Valor S.A.	15.00	15.00	971	958	28	29
Administrador Financiero del Transantiago S.A.	20.00	20.00	3,476	3,986	337	390
Servicios de Infraestructura de Mercado OTC S.A.	12.07	12.07	1,528	1,556	(24)	60
Subtotal			10,396	10,169	1,246	1,024
Shares or rights in other companies						
Bladex			136	136	-	13
Stock Exchanges			228	154	142	109
Otras			10	8	-	-
Total			10,770	10,467	1,388	1,146

- b) Investments in associates and other companies do not have market prices.
- c) Summary of financial information of the partners between exercises 2020 and 2019:

	As of December 31,							
	2020				2019			
	Assets MCh\$	Liabilities MCh\$	Equity MCh\$	Net Income MCh\$	Assets MCh\$	Liabilities MCh\$	Equity MCh\$	Net Income MCh\$
Centro de Compensación Automatizado S.A.	11,134	2,953	6,371	1,810	8,550	1,998	5,671	881
Sociedad Interbancaria de Depósito de Valores S.A.	5,840	314	4,496	1,030	5,074	4	4,209	861
Cámara de Compensación de Pagos de Alto Valor S.A.	7,158	722	6,246	190	7,372	986	6,193	193
Administrador Financiero del Transantiago S.A.	49,841	30,670	17,227	1,944	54,712	34,787	17,978	1,947
Servicios de Infraestructura de Mercado OTC S.A.	14,480	2,232	12,441	(192)	15,152	2,682	11,993	477
Total	88,453	36,891	46,781	4,782	90,860	40,457	46,044	4,359

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 12

INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES, continued

- d) Restriction on the ability of partners to transfer funds to investors.

There are no significant restriction in relation to the ability of the associates to transfer funds in the form of dividends in Cash or reimbursements of loans or advances, to the bank.

- e) Activity with respect to investments in other companies during 2020 and 2019, is as follow:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Opening balance as of January 1,	10,467	32,293
Acquisition of investments	-	-
Sale of investments	(20)	-
Participation in income	1,388	1,146
Dividends received	(508)	(130)
Other adjustment (*)	(557)	(22,842)
Totales	10,770	10,467

(*)During 2019, the Bank has entered into a process of sale of the shares of some companies, therefore, the treatment established in IFRS 5 on the participation of said companies has been applied, which is described in note No. 01 letter t) and note No. 40, additionally in this line are the effects of MTM for investments owned by the Bank's subsidiaries.

- f) We have evaluated the objective evidence indicated in IAS No 28 and we have not detected any type of impairment on the investments that the Bank.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 13 INTANGIBLE ASSETS

a) As of December 31, 2020 and 2019 the composition of intangible assets is as follows:

	Average remaining useful life	Net opening balance as of January 1, 2020 MCh\$	As of December 31, 2020		
			Gross balance MCh\$	Accumulated amortization MCh\$	Net balance MCh\$
Software development	2	73,389	320,531	(237,994)	82,537
Total		73,389	320,531	(237,994)	82,537

	Average remaining useful life	Net opening balance as of January 1, 2019 MCh\$	As of December 31, 2019		
			Gross balance MCh\$	Accumulated amortization MCh\$	Net balance MCh\$
Software development	2	66,923	250,002	(176,613)	73,389
Total		66,923	250,002	(176,613)	73,389

b) The changes in the value of intangible assets during the periods of December 31, 2020 and 2019 is as follows:

b.1) Gross balance

Gross balances	Software development MCh\$	Total MCh\$
Balances as of January 1, 2020	250,002	250,002
Additions	35,170	35,170
Disposals and impairment (*)	(638)	(638)
Other	-	-
Balances as of December 31, 2020	284,534	284,534
Balances as of January 1, 2019	218,415	218,415
Additions	32,860	32,860
Disposals and impairment (*)	(1,227)	(1,227)
Other	(46)	(46)
Balances as of December 31, 2019	250,002	250,002

(*) See Note 34 a).

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 13

INTANGIBLE ASSETS, continued

b.2) Accumulated amortization

Accumulated amortization	Software development MCh\$	Total MCh\$
Balances as of January 1, 2020	(176,613)	(176,613)
Amortization for the period	(25,384)	(25,384)
Other changes	-	-
Balances as of December 31, 2020	201,997	201,997
Balances as of January 1, 2019	(151,492)	(151,492)
Amortization for the period	(26,348)	(26,348)
Other changes	1,227	1,227
Balances as of December 31, 2019	(176,613)	(176,613)

- c) The Bank has no restriction on intangible assets as of December 31, 2020 and 2019. Additionally, the intangible assets have not been pledged as guarantee to secure compliance with financial liabilities. Also, the Bank has no debt related to Intangible assets as of those dates.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 14

FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT

a) As of December 31, 2020 and 2019 the property, plant and equipment balances is as follows:

	Net opening balance as of January 1, 2020 MCh\$	As of December 31, 2020		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
		Land and building (*)	120,133	179,420
Equipment	55,494	243,084	(190,636)	52,448
Other	22,206	75,159	(54,447)	20,712
Total	197,833	497,663	(310,423)	187,240

	Net opening balance as of January 1, 2019 MCh\$	As of December 31, 2019		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
		Land and building	120,245	175,370
Equipment	56,865	219,600	(164,106)	55,494
Other	21,963	69,758	(47,552)	22,206
Total	199,073	464,728	(266,895)	197,833

b) The changes in the value of property, plant and equipment as of December 31, 2020 and 2019 is the following:

b.1) Gross balance

2020	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2020	175,370	219,600	69,758	464,728
Additions	1,556	25,233	7,500	34,289
Disposals	(3,719)	(1,748)	(2,099)	(7,566)
Impairment due to damage	-	-	-	-
Other	6,213	-	-	6,213
Balances as of December 31, 2020	179,420	243,084	75,159	497,663

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 14

FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

2019	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2019	166,910	192,328	62,156	421,394
Additions	9,473	33,302	7,602	50,377
Disposals	-	(6,030)	-	(6,030)
Impairment due to damage (*)	(1,013)	-	-	(1,013)
Other	-	-	-	-
Balances as of December 31, 2019	175,370	219,600	69,758	464,728

(*) Banco Santander-Chile have recognized in its consolidated financial statements as of December 31, 2019 an impairment of \$ 1,013 million, due to social unrest in the country.

b.2) Accumulated depreciation

2020	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2020	(55,237)	(164,106)	(47,552)	(266,895)
Depreciation for the period	(8,987)	(28,370)	(8,915)	(46,273)
Sales and disposals during the period	3,701	1,840	2,021	7,562
Others	(4,817)	-	-	(4,817)
Balances as of December 31, 2020	(65,341)	(190,636)	(54,447)	(310,423)

2019	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2019	(54,671)	(135,463)	(40,193)	(230,327)
Depreciation for the period	(8,120)	(29,968)	(6,869)	(44,957)
Sales and disposals during the period	7,554	1,325	-	8,879
Others	-	-	(490)	(490)
Balances as of December 31, 2019	(55,237)	(164,106)	(47,552)	(266,895)

c) The composition of the right of use assets as of December 31, 2020 and 2019 is as follows:

	Net opening balance as of January 1, 2020 MCh\$	As of December 31, 2020		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
Land and building	157,572	197,573	(49,576)	147,997
Lease improvements	52,928	129,079	(75,465)	53,614
Equipment	-	-	-	-
Other	-	-	-	-
Total	210,500	326,652	(125,041)	201,611
	Net opening balance as of January 1, 2019 MCh\$	As of December 31, 2019		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
Land and building	154,284	182,910	(25,338)	157,572
Lease improvements	54,513	127,035	(74,107)	52,928
Equipment	-	-	-	-
Other	-	-	-	-
Total	208,797	309,945	(99,445)	210,500

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 14

FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

d) The movement of the right of use assets under lease during the 2020 period, is as follows:

d.1) Gross balance

2020	Land and building MCh\$	Lease improvement s MCh\$	Total MCh\$
Balances as of January 1, 2020	182,910	127,035	309,945
Additions	24,136	12,070	36,206
Disposals	(9,473)	(3,813)	(13,286)
Impairment	-	-	-
Other	-	(6,213)	(6,213)
Balances as of December 31, 2020	197,573	129,079	326,652
2019	Land and building MCh\$	Lease improvement s MCh\$	Total MCh\$
Balances as of January 1, 2019	154,284	122,658	276,942
Additions	48,008	7,013	55,021
Disposals	(17,669)	(2,636)	(20,305)
Impairment (*)	(1,713)	-	(1,713)
Other	-	-	-
Balances as of December 31, 2019	182,910	127,035	309,945

(*) Banco Santander-Chile have recognized in its consolidated financial statements as of December 31, 2019 an impairment of \$ 1,713 million, due to social unrest in the country.

d.2) Accumulated amortization

2020	Land and building MCh\$	Lease improvement s MCh\$	Total MCh\$
Balances as of January 1, 2020	(25,338)	(74,107)	(99,445)
Amortization for the period	(27,731)	(10,038)	(37,769)
Sales and disposals during the period	3,496	3,862	7,358
Transfers	-	-	-
Others	(3)	4,817	4,815
Balances as of December 31, 2020	(49,576)	(75,465)	(125,041)
2019	Land and building MCh\$	Lease improvement s MCh\$	Total MCh\$
Balances as of January 1, 2019	-	(68,145)	(68,145)
Amortization for the period	(26,889)	(7,898)	(34,787)
Sales and disposals during the period	1,551	1,936	3,487
Transfers	-	-	-
Others	-	-	-
Balances as of December 31, 2019	(25,338)	(74,107)	(99,445)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 14

FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

e) Obligation for lease contract

As of December 31, 2020 and 2019, the obligations for lease agreements are as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Obligations for lease contracts	149,585	158,494
Totales	149,585	158,494

f) Expenses associated with assets for the right to use leased assets and Obligations for lease agreements

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Depreciation	37,769	34,787
Interests	2,651	2,965
Short term lease	1,625	4,177
Total	42,045	41,929

g) As of December 31, 2020 and 2019, the maturity level of the obligations for lease agreements, according to their contractual maturity is as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Due within 1 year	25,526	26,061
Due after 1 year but within 2 years	23,461	24,311
Due after 2 years but within 3 years	21,472	21,667
Due after 3 years but within 4 years	19,343	19,411
Due after 4 years but within 5 years	16,336	16,982
Due after 5 years	43,447	50,062
Total	149,585	158,494

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 14

FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

h) Operational leases - Lessor

As of December 31, 2020 and 2019, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of	
	2020	2019
	MCh\$	MCh\$
Due within 1 year	740	603
Due after 1 year but within 2 years	1,015	598
Due after 2 years but within 3 years	736	500
Due after 3 years but within 4 years	639	498
Due after 4 years but within 5 years	448	412
Due after 5 years	1,283	1,563
Total	4,861	4,174

- i) As of December 31, 2020 and 2019 the Bank has no finance leases which cannot be unilaterally cancelled.
- j) The Bank has no restriction on property, plant and equipment as of December 31, 2020 and 2019. Additionally, the property, plant, and equipment have not been provided as guarantees to secure compliance with financial liabilities. The Bank has no debt in connection with property, plant and equipment.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 15

CURRENT AND DEFERRED TAXES

a) Current taxes

As of December 31, 2020 and 2019, the Bank recognizes taxes payable (recoverable), which is determined based on the currently applicable tax legislation, This amount is recorded net of recoverable taxes, and is shown as follows:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Summary of current tax liabilities (assets)		
Current tax (assets)	-	(11,648)
Current tax liabilities	12,977	-
Total tax payable (recoverable)	12,977	(11,648)
Detail of current tax (assets) liabilities (net)		
Income tax	172,944	154,578
Less:		
Provisional monthly payments	(156,387)	(161,097)
Credit for training expenses	(2,137)	(2,145)
Grant credits	(1,360)	(1,149)
Other	(83)	(1,835)
Total tax payable (recoverable)	12,977	(11,648)

b) Income Tax

The effect that the tax expense has on income for the period ended December 31, 2020 and 2019 is comprised of the following items:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Income tax expense		
Current tax	172,944	154,578
Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	(38,614)	11,372
Subtotal	134,330	165,950
Tax for rejected expenses (Article N° 21)	1,354	927
Other	(4,561)	(16,709)
Net income tax expense	131,123	150,168

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 15

CURRENT AND DEFERRED TAXES, continued

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate used in the determination of the income tax expense as of December 31, 2020 and 2019 is as follows:

	As of December 31,			
	2020		2019	
	Tax rate %	Amount MCh\$	Tax rate %	Amount MCh\$
Tax calculated over profit before tax	27.00	176,495	27.00	189,714
Permanent differences (1)	(6.54)	(42,730)	(7.16)	(50,297)
Rate change effect	0.21	1,354	0.13	927
Other	(0.61)	(3,996)	1.40	9,824
Effective rates and income tax expense	20.06	131,123	21.37	150,168

(1) Mainly corresponds to the permanent differences originated from the Own Tax Monetary Correction and the effect of the bonds received to article 104 of LIR.

d) Effect of deferred taxes on other comprehensive income

A summary of the separate effect of deferred tax on other comprehensive income, showing the asset and liability balances, for the periods ended December 31, 2020 and 2019 is the following:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Deferred tax assets		
Available for sale investments	14.091	7.799
Cash flow hedges	36.927	10.919
Total deferred tax assets recognized through other comprehensive income	51,018	18,718
Deferred tax liabilities		
Available for sale investments	(41.128)	(16.007)
Cash flow hedges	-	-
Total deferred tax liabilities recognized through other comprehensive income	(41,128)	(16,007)
Net deferred tax balances in equity	9,890	2,711
Deferred taxes in equity attributable to equity holders of the bank	10,203	2,993
Deferred tax in equity attributable to non-controlling interests	(313)	(282)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 15

CURRENT AND DEFERRED TAXES, continued

e) Effect of deferred taxes on income

During 2020 and 2019, the Bank has registered in its financial statements the effects from deferred taxes.

Below are effects of deferred taxes on assets, liabilities and income allocated due to temporary differences:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Deferred tax assets		
Interests and adjustments	8,166	9,531
Non-recurring charge-offs	17,705	15,325
Assets received in lieu of payment	3,294	2,933
Exchange rate adjustments	89	-
Property, plant and equipment	-	6,381
Provision for loan losses	259,245	198,990
Provision for expenses	101,321	89,098
Leased assets	89,458	116,226
Subsidiaries tax losses	7,394	5,416
Assets for the right to use leased assets	428	249
Total deferred tax assets	487,100	444,149
Deferred tax liabilities		
Valuation of investments	(19,967)	(17,341)
Property, plant and equipment	(7,394)	-
Anticipated expenses	(16,691)	(20,347)
Valuation provision	(6,591)	(6,509)
Derivatives	(37,265)	(36,512)
Exchange rate adjustments	-	(2,817)
Others	(30)	(75)
Total deferred tax liabilities	(87,938)	(83,601)

f) Summary of deferred tax assets and liabilities

A summary of the effect of deferred taxes on equity and income is as follows:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Deferred tax assets		
Recognized through other comprehensive income	51,018	18,718
Recognized through profit or loss	487,100	444,149
Total deferred tax assets	538,118	462,867
Deferred tax liabilities		
Recognized through other comprehensive income	(41,128)	(16,007)
Recognized through profit or loss	(87,938)	(83,601)
Total deferred tax liabilities	129,066	(99,608)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 15

CURRENT AND DEFERRED TAXES, continued

g) Supplementary information related to the circular issued by internal tax service and the CMF.

For purposes of disclosure and accreditation of provisions and penalties, banks must include in the tax note of their states annual financial statements, a detail of the movements and effects generated by the application of article 31, No. 4 of the LIR, as established in the document attached to the joint circular.

g.1) Receivables and accounts receivable

	As of December 31,							
	2020				2019			
	Assets at tax value				Assets at tax value			
	Assets at financial value MCh\$	Total MCh\$	Overdue		Assets at financial value MCh\$	Total MCh\$	Overdue	
with guarantee MCh\$			without guarantee MCh\$	with guarantee MCh\$			without guarantee MCh\$	
Interbank loans	18,930	18,930	-	-	14,852	14,852	-	-
Commercial loans	15,184,701	15,212,954	112,967	130,565	14,158,593	14,185,448	113,326	158,278
Consumer loans	4,937,758	4,990,250	427	8,678	5,091,801	5,136,406	1,393	16,691
Mortgage loans	12,411,825	12,423,182	65,043	592	11,262,995	11,273,701	63,944	1,445
Total	32,553,214	32,645,316	178,437	139,835	30,528,241	30,610,407	178,663	176,414

g.2) Provision on overdue portfolio without guarantees

	Balance as of January 1, 2020 MCh\$	Charged-off MCh\$	Provisions established MCh\$	Provisions released MCh\$	Balance as of December 31, 2020 MCh\$
Commercial loans	158,278	(89,258)	331,542	(269,997)	130,565
Consumer loans	16,691	(145,810)	176,506	(38,709)	8,678
Mortgage loans	1,445	(2,027)	32,986	(31,812)	592
Total	176,414	(237,095)	541,034	(340,518)	139,835

	Balance as of January 1, 2019 MCh\$	Charged-off MCh\$	Provisions established MCh\$	Provisions released MCh\$	Balance as of December 31, 2019 MCh\$
Commercial loans	177,971	(67,926)	325,245	(277,012)	158,278
Consumer loans	22,127	(144,962)	177,766	(38,240)	16,691
Mortgage loans	1,031	(1,727)	34,404	(32,263)	1,445
Total	201,129	(214,615)	537,415	(347,515)	176,414

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 15

CURRENT AND DEFERRED TAXES, continued

g.3) Direct charged-off and recoveries

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Direct charged-off Art, 31 No, 4, second paragraph	(31,949)	(32,709)
Condonations that originated liberation of provisions	-	-
Recoveries or renegotiations of credits charged off	70,154	82,487
Total	38,205	49,778

g.4) Application Article 31 No, 4 paragraphs I and II

	As of December 31,	
	2020 MCh\$	2019 MM\$
Charged-off according to first paragraph	-	-
Condonations according to third paragraph	3,594	5,602
Total	3,594	5,602

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 16 OTHER ASSETS

The composition of other assets is the following:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Assets for leasing (1)	62,967	67,139
Assets received or awarded in lieu of payment (2)		
Assets received in lieu of payment	8,289	12,387
Assets awarded at judicial sale	17,430	22,177
Provision on assets received in lieu of payment or awarded	(1,196)	(2,042)
Subtotal	24,523	32,522
Other assets		
Guarantee deposits (margin accounts) (3)	608,359	314,616
Non-current assets classified as held for sale (4)	22,036	22,394
Investments in gold	765	680
VAT credit tax	27,519	22,663
Prepaid expenses (6)	327,938	210,867
Assets recovered from leasing held for sale	387,668	432,030
Macro-hedging valuation adjustment (5)	3,191	3,575
Pension plan assets	673	670
Accounts and notes receivable	100,504	147,108
Notes receivable through brokerage and simultaneous transactions	41,960	43,354
Other receivable accounts	33,567	44,262
Other assets	97,186	92,428
Subtotal	1,651,366	1,334,647
Total	1,738,856	1,434,308

- 1) Corresponds to the assets available to be delivered under the financial lease modality.
- 2) The goods received in payment correspond to the goods received as payment of debts due from customers. The set of goods that remain acquired in this way must not exceed 20% of the Bank's effective equity at any time. These assets currently represent 0.16% (0.29% as of December 31, 2019) of the Bank's effective equity.
The assets awarded in judicial auction, correspond to assets that have been acquired at judicial auction in payment of debts previously contracted with the Bank. The assets acquired at judicial auction are not subject to the above mentioned margin. These properties are assets available for sale. For most assets, the sale can be completed within one year from the date the asset is received or acquired, in case the good is not sold within a year, it must be punished. Additionally, a provision is recorded for the difference between the initial award value plus the additions and their estimated realizable value, when the former is higher.
- 3) Correspond to deposits left in guarantee from determined derivative contracts. These guarantees become operative when the valuation from these derivatives surpasses the defined thresholds for the contracts, these can be in favor or against the Bank.
- 4) Corresponds to the interests in Redbanc S.A. and Transbank S.A., which have been reclassified as non-current assets classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", for additional information see Note 1 t), Note 40.
- 5) Corresponds to the balances of the market value of the net assets or liabilities covered by hedges in a macro hedge (Note No. 08).
- 6) In this item, the Bank has recorded the prepaid expense related to the Santander LATAM Pass program, which will naturally be consumed as our clients use the Bank's transactional products, and therefore, the respective LATAM miles are assigned to them. Pass (loyalty program administered by LATAM Airlines Group SA). During the month of May 2020, LATAM Airlines Group S.A initiated a reorganization process in the Court of the Southern District of New York under Chapter 11, a process whose main objective is for the airline to continue operating. In this context, LATAM has publicly indicated that its intention is to honor all current and future tickets, as well as travel vouchers, miles and frequent flyer programs. The Court of the Southern District of New York, agreed in the first hearing to honor and maintain the frequent flyer program, explicitly "in the ordinary course of business" (that is, without changes), since it considered it as an important asset for the company. Along the same lines, LATAM has formalized two tranches of the DIP (Debtor in Possession) financing proposal for a total of USD 2,200 million, managing to capture all the resources that LATAM has indicated as necessary to operate during the crisis.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 17

TIME DEPOSITS AND OTHER TIME LIABILITIES

As of December 31, 2020 and 2019, the composition of the item time deposits and other liabilities time is as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Deposits and other demand liabilities		
Checking accounts	11,342,648	8,093,108
Other deposits and demand accounts	1,583,183	741,103
Other demand liabilities	1,635,062	1,463,221
Subtotal	14,560,893	10,297,432
Time deposits and other time liabilities		
Time deposits	10,421,872	13,064,932
Time savings account	153,330	123,787
Other time liabilities	6,589	4,098
Subtotal	10,581,791	13,192,817
Total	25,142,684	23,490,249

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 18

INTERBANK BORROWINGS

a) As of December 31, 2020 and 2019 the line item interbank borrowings is as follow:

	As of December 31	
	2020 MCh\$	2019 MCh\$
Loans obtained from the Central Bank of Chile	4,959,260	-
Loans from financial institutions in the country	217,102	286,603
Loans from financial institutions abroad		
Banco Santander S.A., Madrid	534,496	-
The Bank of Nova Scotia	171,024	134,819
The Bank of New York Mellon	106,860	119,616
Bank of America N.A. US Foreign	90,711	355,051
Zurcher Kantonalbank	71,304	-
Wells Fargo Bank N.A.	71,259	231,823
State Bank of India	36,013	28,231
Sumitomo Mitsui Banking Corporation	35,628	179,415
Wachovia Bank NA	10,254	-
Banco Santander Hong Kong	7,960	3,697
Bank of Tokio Mitsubishi	2,055	156
Banco Santander Brasil S.A.	1,694	7,873
Standard Chartered Bank	1,691	153,373
Jp Morgan Chase, New York	1,571	-
Standard Chartered Bank	1,516	3,613
Caja Madrid - Caja de Ahorros	862	-
The Hongkong and Shanghai Bank	801	-
Korea Exchange Bank	760	761
Industrial and Commercial Bank	755	898
Hong Kong and Shanghai Banking	598	684
Kookmin Bank	376	185
Banco Do Brasil	265	-
U.S. Bank	248	-
China Merchants Bank	231	597
Taiwan Cooperative Bank	227	131
Bank of China	223	952
Hua Nan Commercial Bank Ltd.	200	102
Banque Bruxelles Lambert S.A.	174	-
Banca Monte Dei Paschi Di Siena	163	58
Unicredito Italiano Spa	161	583
Keb Hana Bank	156	119
Banco Santander Central Hispano	141	848
Bper Banca S.P.A.	137	-
Hdfc Bank Limited	131	72
Bank Leumi Le Israel B.M.	128	-
Bank of Baroda	124	9
Fortis Bank S.A./N.V. Brussels	108	50
Banca Commerciale Italiana	88	50
Caixa Destalvis I Pensions de Barcelona	87	63
Banco Bpm Spa	84	66
Rabobank, Hong Kong Branch	79	477
Banco de la Republica Oriental	74	23
Kbc Bank Nv	68	406
Canara Bank	61	66
Habib Bank Limited	61	38
First Union National Bank	60	-
Caixabank S.A.	58	166
Icici Bank Limited	52	-
Kotak Mahindra Bank Limited	49	-
Citibank N.A.	46	269,841
Arab Bank Plc	41	-
China Construction Bank	38	-
Credit Agricole Italia S.P.A.	33	-
Bankinter, S.A.	31	-
Banco de La Nacion Argentina	30	-
Bank of East Asia, Limited	29	82
Banco Popular Espanol, S.A.	29	-
Banco Interamericano de Finanz	20	-
Agricultural Bank of China	18	152
Woori Bank	15	155
Denizbank A.S., Istanbul	15	-
United Bank of India	14	113
Banco Popolare	14	-
Subtotal	1,152,199	1,495,414

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 18

INTERBANK BORROWINGS, continued

	As of December 31	
	2020 MCh\$	2019 MCh\$
Loans from financial institutions abroad		
Habib Metropolitan Bank Limite	13	-
E. Sun Commercial Bank Ltd.	11	159
Nova Ljubljanska Banka D.D.	7	-
Indian Overseas Bank	6	-
Shanghai Commercial and Saving	1	6
Mizuho Bank Ltd Ny	-	269.404
Barclays Bank Plc London	-	98.803
Corporacion Andina De Fomento	-	75.097
Zürcher Kantonalbank	-	75.002
The Toronto Dominion Bank	-	71.191
Hsbc Bank PLC	-	69.786
Bank of Montreal	-	56.123
Banco Latinoamericano de Comer	-	18.731
Banco Bilbao Vizcaya Argentaria	-	571
BBVA Bancomer, S.A.	-	553
Bank of Communications	-	385
Bank of The West	-	261
Danske Bank A/S	-	224
Deutsche Bank A.G.	-	193
Bank of Taiwan	-	135
Shinhan Bank	-	133
Banca Di Credito Cooperativo	-	112
Joint Stock Commercial Bank Fo.	-	110
Banca Nazionale Del Lavoro S.P	-	106
Industrial Bank of Korea	-	96
Banco Bradesco S.A.	-	84
Bank of Ningbo	-	83
China Everbright Bank	-	70
Cassa Di Risparmio Di Parma E	-	69
Mizuho Corporate Bank Ltd.	-	67
Banco Comercial Portugues	-	63
Shanghai Pudong Development Ba	-	59
Kasikornbank Public Company Li	-	33
Banco Rio de La Plata S.A.	-	24
Australia And New Zealand Bank	-	23
Citic Industrial Bank	-	19
Shangai Pudong Development Ban	-	14
Banco Caixa Geral	-	10
Hsbc Bank USA	-	2
Subtotal	38	737.801
Total	6,328,599	2,519,818

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 18

INTERBANK BORROWINGS, continued

b) Obligation with Central Bank of Chile

Within the framework of the measures that the Central Bank has arranged to face the impact of the shocks to which the Chilean economy has been exposed, as a result of the current Covid-19 pandemic, the Conditional Credit Facility for the Increase of the Placements (FCIC). This corresponds to a special financial line open to banks, in order for them to continue financing loans to households and companies.

This facility can be withdrawn through an operation similar to a REPO, that is, its use is backed by eligible collaterals. Among these are: Central Bank, government and private bonds (bank and corporate) and, more recently, commercial loans from the individual evaluation portfolio that are classified as having high credit quality. The resources destined for the FCIC can also be accessed through the Liquidity Credit Line (LCL), whose limit is the reserve requirement in national currency.

The FCIC consists of an initial line and an additional one. The first reaches US \$ 4.8 billion. The additional line can reach 4 times the initial line, this US \$ 19,200 million and its availability depends on two factors: growth of the base portfolio and targeting of credits towards smaller companies, in addition to the aforementioned, the Central Bank created the FCIC 2 for an amount of US \$ 16,000 million.

The maturity of these obligations are as follows:

	As of December,	
	2020	2019
	MCh\$	MCh\$
Due Within 1 year	-	-
Due Within 1 y 2 years	1,104,759	-
Due Within 2 y 3 years	-	-
Due Within 3 y 4 years	3,854,501	-
Due Within 5 years	-	-
Total	4,959,260	-

c) Loans from domestic financial institutions

These obligations maturities are as follows:

	As of December,	
	2020	2019
	MCh\$	MCh\$
Due Within 1 year	217,102	158,855
Due Within 1 y 2 years	-	117,344
Due Within 2 y 3 years	-	8,167
Due Within 3 y 4 years	-	2,237
Due Within 5 years	-	-
Total	217,102	286,603

d) Foreign obligations

	As of December,	
	2020	2019
	MCh\$	MCh\$
Due Within 1 year	1,116,570	1,970,790
Due Within 1 y 2 years	35,667	225,025
Due Within 2 y 3 years	-	37,400
Due Within 3 y 4 years	-	-
Due Within 5 years	-	-
Total	1,152,237	2,233,215

Banco Santander-Chile and Subsidiaries**Notes to the Consolidated Financial Statements**

AS OF DECEMBER 31, 2020 and 2019

**NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES**

As of December 31, 2020 and 2019, the composition for this item is as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Other financial liabilities		
Obligations to public sector	-	9,198
Other domestic obligations	175,344	204,705
Foreign obligations	8,974	12,455
Subtotal	184,318	226,358
Issued debt instruments		
Mortgage finance bonds	12,314	18,502
Senior bonds	6,749,989	8,574,213
Mortgage Bonds	84,335	89,924
Subordinated bonds	1,357,539	818,084
Subtotal	8,204,177	9,500,723
Total	8,388,495	9,727,081

Debts classified as current are either demand obligations or will mature in one year or less. All other debts are classified as non-current. The Bank's debts, both current and non-current, are summarized below:

	As of December 31, 2020		
	Current MCh\$	Non-current MCh\$	Total MCh\$
Mortgage finance bonds	4,982	7,332	12,314
Senior bonds	1,124,558	5,625,431	6,749,989
Mortgage Bonds	5,465	78,870	84,335
Subordinated bonds	-	1,357,539	1,357,539
Issued debt instruments	1,135,005	7,069,172	8,204,177
Other financial liabilities	184,028	290	184,318
Total	1,319,033	7,069,462	8,388,495

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

	As of December 31, 2019		
	Current MCh\$	Non-current MCh\$	Total MCh\$
Mortgage finance bonds	6,013	12,489	18,502
Senior bonds	2,078,202	6,496,011	8,574,213
Mortgage Bonds	5,137	84,787	89,924
Subordinated bonds	-	818,084	818,084
Issued debt instruments	2,089,352	7,411,371	9,500,723
Other financial liabilities	226,033	325	226,358
Total	2,315,385	7,411,696	9,727,081

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortized on a quarterly basis. The range of maturity of these bonds is between five and twenty years. Loans are indexed to UF and create a yearly interest rate of 5.20% as of December 31, 2020 (5.39% as of December 31, 2019).

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Due within 1 year	4,982	6,013
Due after 1 year but within 2 years	3,816	4,944
Due after 2 years but within 3 years	2,375	3,928
Due after 3 years but within 4 years	979	2,442
Due after 4 years but within 5 years	162	1,005
Due after 5 years	-	170
Total mortgage finance bonds	12,314	18,502

b) Senior bonds

The following table shows senior bonds by currency:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Santander bonds in UF	4,017,708	4,814,604
Santander bonds in USD	1,263,714	1,649,238
Santander bonds in CHF	466,738	499,485
Santander bonds in Ch\$	639,489	1,242,633
Santander bonds in AUD	125,781	124,748
Santander bonds in JPY	68,093	77,797
Santander bonds in EUR	168,466	165,708
Total senior bonds	6,749,989	8,574,213

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of senior bonds:

As of December 31, 2020 the Bank has placed bonds for UF 1,996,000 and USD 742,500,000 detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate (Annual)	Issue date	Amount	Maturity date
W1	UF	1,996,000	5 and 3 months	1.55 anual	12-01-2018	2,000,000	06-01-2025
Total UF		1,996,000				2,000,000	
Bond USD	USD	742,500,000	5	2.70 anual	07-01-2020	750,000,000	07-01-2025
Total USD		742,500,000				750,000,000	

During 2020, the Bank repurchased the following bonds:

Date	Type	Currency	Amount
01-02-2020	Senior	UF	357,000
01-03-2020	Senior	UF	300,000
01-09-2020	Senior	UF	60,000
01-09-2020	Senior	UF	27,000
01-13-2020	Senior	CLP	50,000,000
01-14-2020	Senior	UF	109,000
01-14-2020	Senior	CLP	9,820,000,000
01-14-2020	Senior	UF	131,000
01-14-2020	Senior	UF	322,000
01-15-2020	Senior	USD	2,490,000
01-15-2020	Senior	UF	47,000
01-16-2020	Senior	CLP	400,000,000
01-16-2020	Senior	UF	1,000
01-17-2020	Senior	UF	28,000
01-20-2020	Senior	UF	74,000
01-21-2020	Senior	UF	171,000
01-21-2020	Senior	UF	181,000
01-21-2020	Senior	CLP	330,000,000
01-22-2020	Senior	CLP	11,430,000,000
01-24-2020	Senior	UF	2,000
01-29-2020	Senior	UF	1,000
01-29-2020	Senior	CLP	120,000,000
01-30-2020	Senior	CLP	10,000,000
01-31-2020	Senior	UF	40,000
02-06-2020	Senior	CLP	6,000,000,000
02-07-2020	Senior	CLP	1,180,000,000
02-11-2020	Senior	CLP	7,430,000,000
02-12-2020	Senior	CLP	2,520,000,000
02-13-2020	Senior	CLP	10,000,000,000
02-17-2020	Senior	UF	2,000
02-17-2020	Senior	UF	15,000
02-18-2020	Senior	UF	50,000
02-18-2020	Senior	UF	4,000
02-20-2020	Senior	UF	350,000
02-20-2020	Senior	UF	115,000
02-21-2020	Senior	UF	57,000
02-21-2020	Senior	UF	24,000
02-24-2020	Senior	UF	250,000
02-24-2020	Senior	UF	10,000
02-26-2020	Senior	UF	169,000
02-26-2020	Senior	UF	1,000
02-27-2020	Senior	UF	180,000
02-27-2020	Senior	UF	11,000

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

Date	Type	Currency	Amount
27-02-2020	Senior	CLP	6,750,000,000
02-03-2020	Senior	UF	1,000
05-03-2020	Senior	UF	2,000
09-03-2020	Senior	UF	261,000
09-03-2020	Senior	UF	150,000
11-03-2020	Senior	UF	2,000
17-03-2020	Senior	UF	850,000
18-03-2020	Senior	UF	150,000
19-03-2020	Senior	USD	5,000,000
23-03-2020	Senior	UF	95,000
23-03-2020	Senior	USD	5,000,000
24-03-2020	Senior	CLP	1,250,000,000
30-03-2020	Senior	UF	62,000
31-03-2020	Senior	UF	360,000
31-03-2020	Senior	UF	5,000
01-04-2020	Senior	CLP	1,000,000,000
02-04-2020	Senior	UF	5,184,000
02-04-2020	Senior	CLP	16,710,000,000
03-04-2020	Senior	CLP	32,800,000,000
03-04-2020	Senior	UF	27,000
06-04-2020	Senior	CLP	101,400,000,000
06-04-2020	Senior	UF	157,000
06-04-2020	Senior	USD	10,000,000
07-04-2020	Senior	CLP	3,990,000,000
07-04-2020	Senior	UF	6,659,000
07-04-2020	Senior	USD	10,000,000
08-04-2020	Senior	CLP	210,000,000
13-04-2020	Senior	CLP	970,000,000
14-04-2020	Senior	CLP	2,000,000,000
17-04-2020	Senior	CLP	11,900,000,000
05-05-2020	Senior	USD	49,000,000
14-05-2020	Senior	USD	47,000,000
02-06-2020	Senior	CLP	6,020,000,000
03-06-2020	Senior	UF	100,000
03-06-2020	Senior	CLP	10,750,000,000
05-06-2020	Senior	USD	5,000,000
08-06-2020	Senior	CLP	23,000,000,000
12-06-2020	Senior	CLP	150,000,000
16-06-2020	Senior	CHF	12,160,000
17-06-2020	Senior	CHF	36,785,000
19-06-2020	Senior	CLP	112,490,000,000
22-06-2020	Senior	CLP	1,500,000,000
26-06-2020	Senior	CLP	3,500,000,000
02-07-2020	Senior	CLP	4,620,000,000
10-07-2020	Senior	CHF	2,000,000
10-07-2020	Senior	CLP	500,000,000
15-07-2020	Senior	CLP	490,000,000
17-07-2020	Senior	UF	1,000
17-07-2020	Senior	CLP	29,780,000,000
13-08-2020	Senior	UF	345,000
14-08-2020	Senior	USD	3,350,000
21-08-2020	Senior	UF	100,000
21-08-2020	Senior	UF	77,000
24-08-2020	Senior	UF	11,000
25-08-2020	Senior	UF	14,000
09-09-2020	Senior	UF	24,000
09-09-2020	Senior	UF	70,000
09-09-2020	Senior	UF	45,000
10-09-2020	Senior	UF	210,000
23-09-2020	Senior	USD	5,000,000
28-09-2020	Senior	UF	50,000
29-09-2020	Senior	UF	1,000
30-09-2020	Senior	UF	43,000

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

Date	Type	Currency	Amount
10-01-2020	Senior	UF	4,000
10-06-2020	Senior	UF	1,000
10-06-2020	Senior	UF	1,000
10-06-2020	Senior	CLP	50,000,000
10-06-2020	Senior	UF	1,000
10-06-2020	Senior	UF	1,000
10-15-2020	Senior	UF	2,000
10-20-2020	Senior	CHF	2,000,000
10-01-2020	Senior	USD	5,153,000
10-19-2020	Senior	USD	20,000,000
11-16-2020	Senior	USD	1,000,000
11-18-2020	Senior	USD	10,000,000
11-15-2020	Senior	USD	477,510,000

During 2019 the Bank has placed bonds for UF 29,678,000, CLP 150,000,000,000, EUR 55,000,000, AUD 185,000,000 y en CHF 250,000,000, detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate	Issue date	Series Maximum amount	Maturity date
T7	UF	5,000,000	4	2.50%	02-01-2016	5,000,000	02-01-2023
T8	UF	5,678,000	4 and 6 months	2.55%	02-01-2016	5,678,000	08-01-2023
T14	UF	9,000,000	8	2.80%	02-01-2016	18,000,000	02-01-2027
T6	UF	5,000,000	10	1.70%	11-01-2018	5,000,000	05-01-2029
T10	UF	5,000,000	5 and 4 months	2.60%	02-01-2016	5,000,000	08-01-2024
Total	UF	29,678,000				38,678,000	
U9	CLP	75,000,000,000	2 and 8 months	ICP + 0.80%	11-01-2018	75,000,000,000	11-19-2021
P-5	CLP	75,000,000,000	2 and 6 months	5.3%	03-01-2015	150,000,000,000	03-01-2022
Total	CLP	150,000,000,000				225,000,000,000	
EUR	EUR	30,000,000	7	1.10%	02-01-2019	40,000,000	02-07-2026
EUR	EUR	25,000,000	15	1.25%	11-26-2019	25,000,000	11-26-2034
Total	EUR	55,000,000				65,000,000	
AUD	AUD	22,000,000	15	3.66%	05-20-2019	22,000,000	05-20-2034
AUD	AUD	20,000,000	5	1.13%	07-11-2019	20,000,000	07-11-2024
AUD	AUD	28,000,000	5	1.13%	07-17-2019	28,000,000	07-17-2024
AUD	AUD	15,000,000	5	1.13%	07-17-2019	15,000,000	07-17-2024
AUD	AUD	75,000,000	20	3.05%	08-30-2019	75,000,000	02-28-2039
AUD	AUD	12,000,000	15	3.16%	11-12-2019	12,000,000	11-20-2034
AUD	AUD	13,000,000	15	2.91%	11-21-2019	13,000,000	11-27-2034
Total AUD		185,000,000				185,000,000	
CHF	CHF	150,000,000	5 and 6 months	0.38%	03-12-2019	150,000,000	09-27-2024
CHF	CHF	100,000,000	10	0.14%	08-29-2019	100,000,000	08-29-2029
Total	CHF	250,000,000				250,000,000	

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2019, the Bank partially repurchased the following bonds:

Date	Type	Currency	Amount
02-12-2019	Senior	CLP	10,000,000,000
02-14-2019	Senior	CLP	30,000,000,000
02-19-2019	Senior	CLP	4,200,000,000
02-22-2019	Senior	CLP	14,240,000,000
02-22-2019	Senior	CLP	30,000,000
02-22-2019	Senior	CLP	10,000,000
03-01-2019	Senior	CLP	11,800,000,000
03-04-2019	Senior	CLP	40,080,000,000
03-05-2019	Senior	CLP	20,000,000,000
03-15-2019	Senior	UF	156,000
03-19-2019	Senior	UF	418,000
03-20-2019	Senior	CLP	6,710,000,000
03-20-2019	Senior	UF	154,000
03-21-2019	Senior	UF	100,000
03-25-2019	Senior	UF	100,000
03-26-2019	Senior	UF	90,000
04-08-2019	Senior	CLP	3,950,000,000
04-10-2019	Senior	UF	409,000
04-16-2019	Senior	UF	55,000
04-17-2019	Senior	CLP	130,000,000
04-18-2019	Senior	CLP	330,000,000
05-16-2019	Senior	CLP	14,880,000,000
05-16-2019	Senior	UF	9,000
06-13-2019	Senior	UF	1,000
10-01-2019	Senior	CLP	10,960,000,000
10-02-2019	Senior	CLP	100,000,000
10-04-2019	Senior	CLP	60,000,000
11-05-2019	Senior	CLP	15,220,000,000
11-07-2019	Senior	CLP	3,620,000,000
11-13-2019	Senior	CLP	5,320,000,000
11-14-2019	Senior	UF	2,977,000
11-28-2019	Senior	UF	340,000
12-02-2019	Senior	UF	105,000

ii. Maturities for senior bonds are the following:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Due within 1 year	1,124,558	2,078,202
Due after 1 year but within 2 years	1,047,241	1,147,825
Due after 2 years but within 3 years	742,081	1,221,393
Due after 3 years but within 4 years	1,228,524	742,238
Due after 4 years but within 5 years	1,250,897	1,278,746
Due after 5 years	1,356,688	2,105,809
Total senior bonds	6,749,989	8,574,213

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

c) Mortgage bonds

The detail of mortgage bonds per currency is the following:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Mortgage bonds in UF	84,335	89,924
Total mortgage bonds	84,335	89,924

i. Placement of Mortgage bonds

As of December 31, 2020 and 2019, the Bank has not placed any mortgage bonds.

ii. Maturities of mortgage bonds is as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Due within 1 year	5,465	5,137
Due after 1 year but within 2 years	8,773	8,248
Due after 2 years but within 3 years	9,056	8,514
Due after 3 years but within 4 years	9,348	8,788
Due after 4 years but within 5 years	9,649	9,072
Due after 5 years	42,044	50,165
Total mortgage bonds	84,335	89,924

d) Subordinated bonds

Detail of subordinated bonds per currency is as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Subordinated bonds denominated in Ch\$	-	-
Subordinated bonds denominated in USD	202,634	-
Subordinated bonds denominated in UF	1,154,905	818,084
Total subordinated bonds	1,357,539	818,084

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 and 2019

NOTE 19

ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of subordinated bonds

As of December 31, 2020 the Bank has placed bonds for USD 200,000,000 and UF 11,000,000 detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate	Issue date	Series Maximum amount	Maturity date
Bono USD	USD	200,000,000	10	3.79%	01-21-2020	200,000,000	21-01-2030
Total USD		200,000,000				200,000,000	
USTDH20914	UF	3,000,000	14 y 5 months	3.00%	09-01-2014	3,000,000	01-09-2034
USTDH30914	UF	3,000,000	19 y 5 months	3.15%	09-01-2014	3,000,000	01-09-2039
USTDW20320	UF	5,000,000	15 y 3 months	3.50%	03-01-2020	5,000,000	01-09-2035
Total UF		11,000,000				11,000,000	

ii. The maturity of the subordinated bonds is as follows:

The maturity of the subordinated bonds is as follows:

	As of	
	2020	2019
	MCh\$	MCh\$
Due within 1 year	-	-
Due after 1 year but within 2 years	-	-
Due after 2 years but within 3 years	-	-
Due after 3 years but within 4 years	-	-
Due after 4 years but within 5 years	-	-
Due after 5 years	1,357,539	818,084
Total mortgage bonds	1,357,539	818,084

e) Other financial liabilities

The composition of other financial liabilities, by maturity, is detailed below:

	As of	
	2020	2019
	MCh\$	MCh\$
Non-current portion:		
Due after 1 year but within 2 years	42	40
Due after 2 year but within 3 years	47	43
Due after 3 year but within 4 years	50	47
Due after 4 year but within 5 years	55	52
Due after 5 years	96	143
Non-current portion subtotal	290	325
Current portion:		
Amounts due to credit card operators	134,790	151,984
Acceptance of letters of credit	1,460	5,709
Other long-term financial obligations, short-term portion	47,778	68,340
Current portion subtotal	184,028	226,033
Total other financial liabilities	184,318	226,358

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 20

MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2020 and 2019, the detail of the maturities of assets and liabilities is as follows:

As of December 31, 2020	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Up to 1 year Subtotal MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	More than 1 year Subtotal MCh\$	Total MCh\$
Assets										
Cash and deposits in banks	2,803,288	-	-	-	2,803,288	-	-	-	-	2,803,288
Cash items in process of collection	452,963	-	-	-	452,963	-	-	-	-	452,963
Trading investments	-	680	2,630	499	3,809	633	18,257	111,019	129,909	133,718
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-
Financial derivatives contracts	-	385,231	401,486	795,881	1,582,598	1,723,334	1,692,142	4,034,011	7,449,487	9,032,085
Interbank loans (1)	-	12,969	5,961	-	18,930	-	-	-	-	18,930
Loans and accounts receivables from customers (2)	170,214	1,233,302	1,437,698	3,670,246	6,511,460	3,659,994	308,651	23,910,135	27,878,780	34,390,240
Available for sale investments	-	1,006,983	493	188,977	1,196,453	205,150	2,378,752	3,382,187	5,966,089	7,162,542
Held to maturity investments	-	-	-	-	-	-	-	-	-	-
Guarantee deposits (margin accounts)	608,359	-	-	-	608,359	-	-	-	-	608,359
Total assets	4,034,824	2,639,165	1,848,268	4,655,603	13,177,860	5,589,111	4,397,802	31,437,352	41,424,265	54,602,125
Liabilities										
Deposits and other demand liabilities	14,560,893	-	-	-	14,560,893	-	-	-	-	14,560,893
Cash items in process of collection	361,631	-	-	-	361,631	-	-	-	-	361,631
Obligations under repurchase agreements	-	969,808	-	-	969,808	-	-	-	-	969,808
Time deposits and other time liabilities	159,918	5,843,682	2,912,985	1,434,246	10,350,831	163,053	44,384	23,523	230,960	10,581,791
Financial derivatives contracts	-	386,690	445,376	931,358	1,763,424	1,552,482	1,708,509	3,994,245	7,255,236	9,018,660
Interbank borrowings	16,832	238,414	222,992	855,434	1,333,672	1,140,426	3,854,501	-	4,994,927	6,328,599
Issued debts instruments	-	344,732	447,117	343,156	1,135,005	1,813,341	2,499,560	2,756,271	7,069,172	8,204,177
Other financial liabilities	144,478	38,148	1,375	27	184,028	89	105	96	290	184,318
Obligations for lease agreements	-	-	-	25,526	25,526	44,933	35,679	43,447	124,059	149,585
Guarantees received (margin accounts)	624,205	-	-	-	624,205	-	-	-	-	624,205
Total liabilities	15,867,957	7,821,474	4,029,845	3,589,747	31,309,023	4,714,324	8,142,738	6,817,582	19,674,644	50,983,667

(1) Interbank loans are presented on a gross basis, The amount of allowances is Ch\$10 million.

(2) Loans and accounts receivables from customers are presented on a gross basis, Provisions on loans amounts according to customer type are the following: Commercial loans Ch\$ 646,689 million, Mortgage loans Ch\$ 61,281 million and Consumer loans Ch\$ 268,841 million.

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Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 and 2019

NOTE 20

MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2019	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Up to 1 year Subtotal MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	More than 1 year Subtotal MCh\$	Total MCh\$
Financial Assets										
Cash and deposits in banks	3,554,520	-	-	-	3,554,520	-	-	-	-	3,554,520
Cash items in process of collection	355,062	-	-	-	355,062	-	-	-	-	355,062
Trading investments	-	38,644	-	645	39,289	181,705	37,659	11,551	230,915	270,204
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-
Financial derivatives contracts	-	371,775	400,196	1,543,446	2,315,417	1,383,493	1,346,329	3,103,369	5,833,191	8,148,608
Interbank loans (1)	-	13,647	919	286	14,852	-	-	-	-	14,852
Loans and accounts receivables from customers (2)	315,191	2,958,221	2,408,280	5,658,557	11,340,249	6,004,493	3,610,620	11,761,521	21,376,634	32,716,883
Available for sale investments	-	1,131,500	3,752	52,130	1,187,382	508,596	725,419	1,588,875	2,822,890	4,010,272
Held to maturity investments	-	-	-	-	-	-	-	-	-	-
Guarantee deposits (margin accounts)	314,616	-	-	-	314,616	-	-	-	-	314,616
Total financial assets	4,539,389	4,513,787	2,813,147	7,255,064	19,121,387	8,078,287	5,720,027	16,465,316	30,263,630	49,385,017
Financial Liabilities										
Deposits and other demand liabilities	10,297,432	-	-	-	10,297,432	-	-	-	-	10,297,432
Cash items in process of collection	198,248	-	-	-	198,248	-	-	-	-	198,248
Obligations under repurchase agreements	-	380,055	-	-	380,055	-	-	-	-	380,055
Time deposits and other time liabilities	142,273	5,184,567	4,905,414	2,417,703	12,649,957	357,856	163,121	21,883	542,860	13,192,817
Financial derivatives contracts	-	422,749	427,825	951,684	1,802,258	1,253,280	1,180,948	3,154,168	5,588,396	7,390,654
Interbank borrowings	94	363,560	624,167	1,141,824	2,129,645	387,936	2,237	-	390,173	2,519,818
Issued debts instruments	-	285,159	759,519	1,044,674	2,089,352	2,394,851	2,042,291	2,974,229	7,411,371	9,500,723
Other financial liabilities	161,021	5,155	30,969	28,888	226,033	83	99	143	325	226,358
Obligations for lease agreements	-	-	-	26,061	26,061	45,978	36,393	50,062	132,433	158,494
Guarantees received (margin accounts)	994,714	-	-	-	994,714	-	-	-	-	994,714
Total financial liabilities	11,793,782	6,641,245	6,747,894	5,610,834	30,793,755	4,439,984	3,425,089	6,200,485	14,065,558	44,859,313

(1) Interbank loans are presented on a gross basis, The amount of allowances is Ch\$ 19 million.

(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to customer type of loan are the following: Commercial loans for Ch\$ 512,442 million, Mortgage loans for Ch\$ 68,461 million and Consumer loans for Ch\$ 312,245 million.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 21 PROVISIONS

a) As of December 31, 2020 and 2019, the detail for the provisions is as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Provision for employee salaries and expenses	104,270	101,223
Provision for mandatory dividends	155,234	165,628
Provision for contingent loan risks:		
Provision for lines of credit of immediate disponibility	17,293	21,411
Other provisions for contingent loans	19,460	17,195
Provision for contingencies	33,814	15,388
Additional provisions	126,000	16,000
Provision for foreign bank loans	49	552
Total	456,120	337,397

b) Below is the activity regarding provisions during the year ended December 31, 2020 and 2019:

	Provision						Total MCh\$
	Provision for employee salaries and expenses MCh\$	Provision for mandatory dividends MCh\$	Provision for contingent loan risks MCh\$	Provision for contingencies MCh\$	Additional provisions MCh\$	Provision for foreign bank loans MCh\$	
Balances as of January 1, 2020	101,223	165,628	38,606	15,388	16,000	552	337,397
Provision established	76,281	155,234	7,823	25,088	126,000	279	390,705
Application of provisions	(71,481)	(165,628)	-	-	-	-	(237,109)
Provisions released	(1,755)	-	(9,676)	(6,662)	(16,000)	(782)	(34,875)
Reclasification	-	-	-	-	-	-	-
Other	2	-	-	-	-	-	2
Balances as of December 31, 2020	104,270	155,234	36,753	33,814	126,000	49	456,120
Balances as of January 1, 2019	93,379	177,571	29,407	8,963	20,000	620	329,940
Provision established	78,316	165,628	15,879	27,975	16,000	398	304,196
Application of provisions	(70,385)	(177,571)	-	(155)	-	-	(248,111)
Provisions released	(552)	-	(6,680)	(21,395)	(20,000)	(466)	(49,093)
Reclasification	-	-	-	-	-	-	-
Other	465	-	-	-	-	-	465
Balances as of December 31, 2019	101,223	165,628	38,606	15,388	16,000	552	337,397

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 21

PROVISIONS, continued

- c) Provisions for personal salaries and expenses

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Provision for seniority compensation	6,658	6,797
Provision for stock-based personal benefits	-	-
Provision for performance bonds	65,786	68,595
Provision for vacation	29,307	23,864
Provision for other personal benefits	2,519	1,967
Total	104,270	101,223

- d) Compensation year of services

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Balances as of January	6,797	9,531
Increase in the provision	2,690	3,782
Payments made	(2,663)	(6,435)
Advance payments	-	-
Released of provisions	(166)	(84)
Other movements	-	3
Total	6,658	6,797

- e) Movement of the provision for compliance bonds

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Balances as of January	68,595	59,633
Increase in the provision	58,924	61,808
Payments made	(60,144)	(52,839)
Advance payments	(1,589)	(468)
Released of provisions	-	461
Total	65,786	68,595

- f) Provision for vacation

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Balances as of January	23,864	22,792
Increase in the provision	13,585	11,644
Payments made	(8,144)	(10,572)
Advance payments	-	-
Released of provisions	2	-
Total	29,307	23,864

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 22 OTHER LIABILITIES

Other liabilities consist of:

	As of	
	December 31,	
	2020	2019
	MCh\$	MCh\$
Accounts and notes payable	227,518	214,216
Income received in advance	6,698	640
Adjustment due to macro-hedging valuation	51,089	-
Guarantees received (margin accounts) (1)	624,205	994,714
Notes payable through brokerage and simultaneous transactions (2)	12,504	1,418,340
Other payable obligations	139,622	61,555
Withholding VAT	14,129	8,147
Accounts payable insurance companies	13,911	9,510
Other liabilities	76,177	99,203
Total	1,165,853	2,806,325

- (1) Guarantee deposits (margin accounts) correspond to collaterals associated with derivative financial contracts. These guarantees operate when the mark to market from derivative financial instruments exceed the levels of threshold agreed in the contracts, which could result in a delivery or reception of collateral for the Bank.
- (2) On December 31, 2019, Santander Corredora de Bolsa acted as an intermediary in the public offer of shares held between Latam and Delta, which was paid to shareholders on January 3, 2020.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 23

CONTINGENCIES AND COMMITMENTS

a) Lawsuits and legal procedures

At the date of issuance of these consolidated financial statements, there are several legal actions brought against the Bank in relationship with operations of the line of business. As of December 31, 2020, the Bank maintains provisions for this concept that amount to \$ 1,024 million (\$ 1,274 million as of December 31, 2019), which are in the Consolidated Statement of Financial Position, forming part of the item "Provisions for contingencies".

Banco Santander Chile

There are 14 lawsuits for various legal actions in the amount of \$ 873 million, our attorneys have not estimated material losses for these lawsuits.

Santander Corredores de Bolsa Limitada

Lawsuit "Echeverría with Santander Corredora" (currently Santander Corredores de Bolsa Ltda.), Followed before the 21st Civil Court of Santiago, Rol C-21.366-2014, on Compensation for damages due to failures in the purchase of shares, the amount of the claim is for \$ 60,000,000. Regarding its current situation as of December 31, 2020, this lawsuit is in the evidence gathering stage, therefore, Santander Corredores de Bolsa Limitada is waiting for the court to resolve.

Santander Corredora de Seguros Limitada

There are lawsuits amounting to UF 13,314 corresponding to processes mainly for goods delivered in leasing. Our lawyers have not estimated additional material losses for these trials.

Santander Consumer Finance Limitada

Lawsuit "Erna Mining and Machinery Service with Santander Consumer Finance Ltda.", Followed before the 11th Civil Court of Santiago, Rol C-9459-2019, according to the latest update, the abandonment of the procedure has not yet been requested.

Trial "Banco Bilbao Viscaya Argentaria Chile with Roca Olivares Olga", followed before the 2nd Civil Court of Talcahuano, Rol C-1272-2017, main trial filed since 2020.

Trial "Hawas with Santander Consumer", followed before the 30th Civil Court of Santiago, Rol C-890-2019, notice of evidence is notified, in which it is indicated that the probationary term is suspended.

Trial "Rocío Barrientos with Santander Consumer", followed by the 2nd San Bernardo Local Police Court, Rol 2779-5-2020, ordering evidentiary proceedings: completed. Waiting for sentence.

b) Contingent loans

To meet customer needs, the Bank acquired several irrevocable commitments and contingent liabilities, although these obligations should not be recognized in the Consolidated Statement of Financial Position, these contain credit risks and are therefore part of the Bank's overall risk.

The following table shows the Bank's contractual obligations to issue loans:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Contingent loans		
Letters of credit issued	165,119	140,572
Foreign letters of credit confirmed	82,779	70,192
Performance guarantees	1,090,643	1,929,894
Personal guarantees	441,508	451,950
Subtotal	1,780,049	2,592,608
On demand credit lines	8,391,414	8,732,422
Other irrevocable credit commitments	406,234	485,991
Total	10,577,697	11,811,021

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 23

CONTINGENCIES AND COMMITMENTS, continued

c) Held securities

The Bank holds securities in the normal course of its business as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Third party operations		
Collections	83,392	90,966
Transferred financial assets managed by the Bank	18,017	21,507
Assets from third parties managed by the Bank and its affiliates	1,352,032	1,592,845
Subtotal	1,453,441	1,705,318
Custody of securities		
Securities held in custody	11,022,790	9,731,894
Securities held in custody deposited in other entity	808,186	1,206,541
Issued securities held in custody	10,461,847	21,636,819
Subtotal	22,292,823	32,575,254
Total	23,746,264	34,280,572

The Bank classified the portfolios managed by private banking in "Assets from third parties managed by the Bank and its affiliates", as of December 31, 2020, the balance for this was Ch\$ 1,592,810 million (Ch\$ 1,592,810 million at December 31, 2019),

d) Guarantees

Banco Santander-Chile has an integral bank policy of coverage of Official Loyalty N°5014196 in force with the company Compañía de Seguros Chilena Consolidada SA, Coverage for 50,000,000 USD per claim with an annual limit of 100,000,000 USD, which covers both the Bank and its subsidiaries, with an expiration date of June 30, 2021.

Santander Corredores de Bolsa Limitada

- i) As of December 31, 2020, 2020 the Company has comprehensive guarantees in the Santiago Stock Exchange to cover simultaneous operations carried out through its own portfolio for a total of Ch\$ 6,493 (Ch\$ 6,360 as of December 31, 2019).
- ii) Additionally, as of December 31, 2020, the Company holds a guarantee in CCLV Contraparte Central S.A., in cash, for an amount of Ch\$ 11,800 (Ch\$ 9,300 as of December 31, 2019).
- iii) In order to ensure the correct and full compliance of all its obligations as Brokerage Broker, in accordance with the provisions of articles 30 and following of Law N° 18,045 on Securities Market, the Company has delivered fixed-income securities to the Santiago Stock Exchange for a present value of Ch\$ 1,001 as of December 31, 2020 (Ch\$ 1,010 as of December 31, 2019).
- iv) As of December 31, 2020, 2020, the company has a guarantee for equity loans in the amount of \$ 3,481 million (\$ 3,542 million as of December 31, 2019).

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 23

CONTINGENCIES AND COMMITMENTS, continued

Santander Corredora de Seguros Limitada

- i) In accordance with those established in Circular N° 1,160 of the CMF, the company has contracted an insurance policy to respond to the correct and full compliance with all obligations arising from its operations as an intermediary in the hiring insurance.
- ii) The insurance policy for insurance brokers N°123015222, which covers UF 500, and the professional liability policy for insurance brokers N° 4790716 for an amount equivalent to UF 60,000, were contracted with the Insurance Company Generales Chilena Consolidada SA Both are valid from April 15, 2019 to April 15, 2020.

Klare Corredora de Seguros S.A.

In accordance with the provisions of Circular No. 1,160 of the CMF, the Company has contracted an insurance policy to respond to the correct and complete fulfillment of all the obligations arising from its operations as an intermediary in the contracting of insurance. The guarantee policy for insurance brokers No. 163143, which covers UF 500, contracted with Compañía HDI Seguros de Garantía y Crédito S.A. They are valid from April 15, 2020 to April 14, 2021.

Sociedad Operadora de Cards de Pago Santander Getnet Chile S.A.

From July 1, 2020 to June 30, 2021, Banco Santander Chile has established the integral bank policy for employee loyalty coverage No. FL00297A, in force with Compañía de Seguros Chilena Consolidada SA, coverage with a general limit of USD50,000,000 per event and USD100,000,000 in the annual aggregate, in each and every event which jointly covers both the Bank and its Subsidiaries.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 24 EQUITY

a) Capital

As of December 31, 2020 and 2019 the Bank has 188,446,126,794 shares outstanding amounting Ch\$ 891,303 million, all of which are subscribed for and paid in full. All shares have the same rights, and have no preferences or restrictions.

The movement in shares for the period of December 31, 2020 and 2019 is the following:

	Shares	
	As of December 31,	
	2020	2019
Issued as of January 1	188,446,126,794	188,446,126,794
Issuance of paid shares	-	-
Issuance of outstanding shares	-	-
Stock options exercised	-	-
Issued a period end	188,446,126,794	188,446,126,794

As of December 31, 2020 and 2019 the Bank does not own any of its shares in treasury, nor do any of the consolidated companies.

As of December 31, 2020 the shareholder composition is the following:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S,A,	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon	-	22,450,671,671	22,450,671,671	11.91
Banks on behalf of third parties	15,925,407,468	-	15,925,407,468	8.45
Pension funds (AFP) on behalf of third parties	9,929,343,874	-	9,929,343,874	5.27
Stock brokers on behalf of third parties	6,892,162,980	-	6,892,162,980	3.66
Other minority holders	6,655,539,533	-	6,655,539,533	3.53
Total	165,995,455,123	22,450,671,671	188,446,126,794	100.00

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 24 EQUITY, continued

As of December 31, 2019 the shareholder composition is the following:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S,A,	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon	-	24,822,041,271	24,822,041,271	13.17
Banks on behalf of third parties	15,957,137,883	-	15,957,137,883	8.47
Pension fund (AFP) on behalf of third parties	9,995,705,956	-	9,995,705,956	5.30
Stock brokers on behalf of third parties	5,551,024,270	-	5,551,024,270	2.95
Other minority holders	5,527,216,146	-	5,527,216,146	2.93
Total	163,624,085,523	24,822,041,271	188,446,126,794	100.00

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

b) Reserves

During 2020, on the occasion of the Shareholders' Meeting held in April, it was agreed to capitalize 40% of the retained earnings from previous years into reserves, equivalent to \$ 220,838 million (\$ 236,761 million in 2019).

c) Dividends

The distribution of dividends has been disclosed in the Consolidated Statements of Changes in Equity.

d) Diluted earnings per share and basic earnings per share

As of December 31, 2020 and 2019, the composition of diluted earnings per share and basic earnings per share are as follows:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
a) Basic earnings per share		
Total attributable to equity holders of the Bank	517,447	552,093
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch\$)	2.746	2.930
Diluted earnings per share continuing operations (in Ch\$)	2.746	2.921
b) Diluted earnings per share		
Total attributable to equity holders of the Bank	517,447	552,093
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Assumed conversion of convertible debt	-	-
Adjusted number of shares	-	-
Diluted earnings per share (in Ch\$)	2.746	2.930
Diluted earnings per share continuing operations (in Ch\$)	2.746	2.930

As of December 31, 2020 and 2019, the Bank does not own instruments with dilutive effects.

Banco Santander-Chile and Subsidiaries**Notes to the Consolidated Financial Statements**

AS OF DECEMBER 31, 2020 AND 2019

NOTE 24**EQUITY, continued****e) Other comprehensive income of available for sale investments and cash flow hedges:**

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Available for sale investments		
As of January 1,	30,398	6,424
Gain (losses) on the re-valuation of available for sale investments, before tax	26,128	(16,023)
Reclassification from other comprehensive income to net income for the year	-	-
Net income realized	43,609	39,997
Subtotal	69,737	23,974
Total	100,135	30,398
Cash flow hedges		
As of January 1,	(40,435)	9,803
Gains (losses) on the re-valuation of cash flow hedges, before tax	(93,182)	(49,163)
Reclassification and adjustments on cash flow hedges, before tax	(3,148)	(1,075)
Amounts removed from equity and included in carrying amount of non-financial asset (liability) whose acquisition or assignment was hedged as a highly probable transaction	-	-
Subtotal	(96,330)	(50,238)
Total	(136,765)	(40,435)
Other comprehensive income, before tax	(36,630)	(10,037)
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	(27,037)	(8,208)
Income tax relating to cash flow hedges	36,927	10,919
Total	9,890	2,711
Other comprehensive income, net of tax	(26,740)	(7,326)
Attributable to:		
Equity holders of the Bank	(27,586)	(8,093)
Non-controlling interest	846	767

The Bank expects that the results included in "Other comprehensive income" will be reclassified to profit or loss when the specific conditions have been met.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 25

CAPITAL REQUIREMENTS (BASEL)

In accordance with Chilean General Banking Law, the Bank must maintain a minimum ratio of effective equity to risk-weighted consolidated assets of 8% net of required allowances, and a minimum ratio of basic equity to consolidated total assets of 3%, net of required allowances. However, as a result of the Bank's merger in 2002, the CMF (ex SBIF) has determined that the Bank's combined effective equity cannot be lower than 11% of its risk-weighted assets. Effective net equity is defined for these purposes as basic equity (capital and reserves) plus subordinated bonds, up to a maximum of 50% of basic equity.

Assets are allocated to different risk categories, each of which is assigned a weighting percentage according to the amount of capital required to be held for each type of asset. For example, cash, deposits in banks and financial instruments issued by the Central Bank of Chile have a 0% risk weighting, meaning that it is not necessary to hold equity to back these assets according to current regulations. Property, plant and equipment have a 100% risk weighting, meaning that a minimum capital equivalent to 11% of these assets must be held. All derivatives traded off the exchanges are also assigned a risk weighting, using a conversion factor applied to their notional values, to determine the amount of their exposure to credit risk. Off-balance-sheet contingent credits are also included for weighting purposes, as "Credit equivalents".

According to Chapter 12-1 of the CMF (ex SBIF), Recopilación Actualizada de Normas [Updated Compilation of Rules] effective January 2010, the CMF changed existing regulation with the enforcement of Chapter B-3 from the Compendium of Accounting Standards, which changed the risk exposure of contingent allocations from 100% exposure to the following:

Type of contingent loan	Exposure
a) Pledges and other commercial commitments	100%
b) Foreign letters of credit confirmed	20%
c) Letters of credit issued	20%
d) Guarantees	50%
e) Interbank guarantee letters	100%
f) Available lines of credit	35%
g) Other loan commitments:	
- Higher education loans Law N°. 20,027	15%
- Other	100%
h) Other contingent loans	100%

On January 12, 2019, Law 21,130 that Modernizes Banking Legislation was published in the Official Gazette. This law introduces modifications, among other regulatory bodies, to the General Law of Banks (LGB), to Law 21,000 that created the Commission for the Financial Market, to the Organic Law of the State Bank of Chile and to the Tax Code.

Among the main changes introduced by this Law, the integration of the SBIF with the Commission for the Financial Market (CMF), new capital requirements in accordance with the international standards established by Basel III, as well as new limits for credit operations, stand out.

The new Law adopts the highest international standards in banking regulation and supervision, strengthening international competitiveness and contributing to the financial stability of Chile.

On March 30, 2020, the CMF informs on the flexibility to implement Basel III. In coordination with the Central Bank of Chile, they resolved to postpone the implementation of the capital requirements required by the standard by one year and to maintain the current general regulatory framework for banking capital requirements until December 2021.

As of the date of these consolidated financial statements, the CMF has issued the following circulars related to Basel III,

- Circular No. 2,270 - General criteria and guidelines for determining additional equity requirements as a result of the supervision process pursuant to Title V and article 66 quinquies of the General Banking Law. Updates Chapter 1-13 and introduces new Chapter 21-13 to the Updated Collection of Standards for Banks.
- Circular No. 2,272 - Additional basic capital, articles 66 bis and 66 ter of the General Banking Law. Incorporates Chapter 21-12 to the Updated Compilation of Standards.
- Circular No. 2,273 - Ratio between basic capital and total assets. Incorporates Chapter 21-30 to the Updated Compilation of Standards.
- Circular No. 2,274 - Equity for legal and regulatory purposes. Incorporates Chapter 21-1 into the Updated Compilation of Standards to replace Chapter 12-1.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 25

CAPITAL REQUIREMENTS (BASEL), continued

- Circular No. 2,276 - Factors and methodology for banks or a group of banks rated as systemically important. It incorporates Chapter 21-11 the Updated Compilation of Standards and updates provisions of Chapter 12-14.
- Circular No. 2,279 - Preferred shares, bonds without a fixed maturity term and subordinated bonds. Incorporates Chapters 21-2 and 21-3 to the Updated Compilation of Standards.
- Circular No. 2,280 - Standardized Methodology for the Computation of Assets Weighted by Operational Risk. Incorporates Chapter 21- 8 to the Updated Compilation of Standards.
- Circular No. 2,281 - Determination of weighted assets for credit risk. Incorporates Chapter 21-6 to the Updated Compilation of Standards.
- Circular No. 2,282 - Incorporates a new Chapter 21-7 on the determination of assets weighted by market risk to the Updated Compilation of Standards.
- Circular No. 2,283 - Promotion of market discipline and transparency through the disclosure of information requirements from banking entities (Pillar 3). Incorporates Chapter 21-20 to the Updated Compilation of Standards.
- Circular N ° 2,284 - Creates R11 file related to the measurement of the systemic importance index.

These standards come into effect as of December 1, 2020, their applications will be gradual depending on the standard to be dealt with.

The levels of basic capital and effective net equity as of December 31, 2020 and 2019, are the following:

	Consolidated assets		Risk-weighted assets (***)	
	As of		As of	
	December 31,		December 31,	
	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	2,803,288	3,554,520	-	-
Cash in process of collection	452,963	355,062	173,466	112,948
Trading investments	133,718	270,204	14,655	26,825
Investments under resale agreements	-	-	-	-
Financial derivative contracts (*)	2,742,701	1,355,786	1,602,495	964,623
Interbank loans, net	18,920	14,833	15,250	14,833
Loans and accounts receivables from customers, net	33,413,429	31,823,735	26,651,340	27,316,050
Available for sale investment	7,162,542	4,010,272	618,908	258,958
Investments in associates and other companies	10,770	10,467	10,770	10,467
Intangible assets	82,537	73,389	82,537	73,389
Property, plant, and equipment	187,240	197,833	187,240	197,833
Right of use assets	201,611	210,500	201,611	210,500
Current taxes	-	11,648	-	1,165
Deferred taxes	538,118	462,867	53,812	46,287
Other assets(**)	1,236,376	1,434,308	1,233,016	1,421,361
Off-balance-sheet assets				
Contingent loans	4,378,214	4,938,194	2,615,644	2,823,713
Total	53,362,427	48,723,618	33,460,744	33,478,952

(*) "Financial derivative contracts" are presented at their "Credit Equivalent Risk" value as established in Chapter 12-1 of the Updated Compilation of Rules issued by the CMF.

(**) On March 30, 2020, the CMF published circular No. 2248, which indicates that the CMF has authorized the presentation of net positions of derivatives and guarantees granted to third parties, under the protection of bilateral compensation agreements recognized by the Central Bank of Chile. For purposes of computing assets for capital adequacy.

(***) On August 21, 2020, circular No. 2265 was published indicating the new treatment, where the amounts of the credits that are guaranteed by the Chilean Treasury are incorporated into category 2 of the risk-weighted asset classification, CORFO and FOGAPE, which consequently went from having a credit risk weight of 100% to 10%.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 25

CAPITAL REQUIREMENTS (BASEL), continued

The ratios of basic capital and effective net equity at the close of each period are as follows:

	Ratio			
	As of December 31,		As of December 31,	
	2020 MCh\$	2019 MCh\$	2020 %	2019 %
Basic capital	3,567,916	3,390,823	6.69	6.96
Effective net equity	5,143,843	4,304,401	15.37	12.86

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 26

NON-CONTROLLING INTEREST

a) It reflects the net amount of equity of dependent entities attributable to capital instruments which do not belong, directly or indirectly, to the Bank, including the portion of the income for the period that has been attributed to them.

The non-controlling interest included in the equity and the income from the subsidiaries is summarized as follows:

As of December 31, 2020	Non controlling interest %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Available for sale investments MCh\$	Deferred tax MCh\$	Total other comprehensive income MCh\$	Comprehensive income MCh\$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	174	(4)	(4)	1	(3)	(7)
Santander Corredores de Bolsa Limitada	49.41	22,613	351	(38)	9	(29)	322
Santander Asesorías Financieras Limitada	0.97	493	(5)	152	(41)	111	106
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Klare Corredora de Seguros S.A.	49.90	2,902	(880)	-	-	-	(880)
Santander Consumer Finance Limitada	49.00	29,648	5,619	-	-	-	5,619
Subtotal		55,834	5,081	110	(31)	79	5,160
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	4,808	(127)	-	-	-	(127)
Bansa Santander S.A.	100.00	19,565	349	-	-	-	349
Multiplica Spa	100.00	4,476	(187)	-	-	-	(187)
Subtotal		28,849	35	-	-	-	35
Total		84,683	5,116	110	(31)	79	5,195
As of December 31, 2019	Non- controlling interest %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Available for sale investments MCh\$	Deferred tax MCh\$	Total other comprehensive income MCh\$	Comprehensive income MCh\$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	178	6	1	-	1	7
Santander Corredores de Bolsa Limitada	49.41	22,301	625	(261)	71	(190)	435
Santander Asesorías Financieras Limitada	0.97	498	9	-	-	-	9
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Klare Corredora de Seguros S.A.	49.90	3,782	(503)	-	-	-	(503)
Santander Consumer Chile S.A	49.00	24,425	1,405	-	-	-	1,405
Subtotal		51,186	1,542	(260)	71	(189)	1,353
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	3,777	1,031	-	-	-	1,031
Bansa Santander S.A. (1)	100.00	20,051	(486)	-	-	-	(486)
Multiplica Spa	100.00	4,480	(4)	-	-	-	(4)
Subtotal		28,308	541	-	-	-	541
Total		79,494	2,083	(260)	71	(189)	1,894

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 26

NON-CONTROLLING INTEREST, continued

b) A summary of the financial information of subsidiaries included in the consolidation with non-controlling interests (before consolidation or conforming adjustments) is as follows:

		As of December 31,				As of December 31,			
		2020				2019			
		Assets	Liabilities	Capital	Net Income	Assets	Liabilities	Capital	Net Income
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Santander Corredora de Seguros Limitada	Filial	79,936	10,777	70,554	(1,395)	82,918	12,372	68,159	2,387
Santander Corredores de Bolsa Limitada	Filial	94,802	49,038	45,053	711	1,479,974	1,434,843	43,866	1,265
Santander Asesorías Financieras Limitada (*)	Filial	52,070	1,142	51,454	(526)	51,505	51	50,481	973
Santander S.A, Sociedad Securitizadora	Filial	630	175	547	(92)	636	88	639	(91)
Klare Corredora de Seguros S.A.	Filial	6,415	599	7,579	(1,763)	8,303	724	8,586	(1,007)
Santander Consumer Finance Limitada	Filial	693,992	633,177	49,348	11,467	505,059	452,528	39,951	12,580
Sociedad operadora de Tarjetas de Pago Santander Getnet Chile S.A.	Filial	16,448	1,185	16,273	(1,010)	-	-	-	-
Santander Gestión de Recaudación y Cobranzas Limitada	EPE	7,789	3,108	4,808	(127)	8,200	3,392	3,777	1,031
Bansa Santander S.A.	EPE	84,496	64,582	19,565	349	87,607	68,042	20,051	(486)
Multiplica Spa	EPE	4,336	47	4,476	(187)	4,480	4	4,480	(4)
Total		1,040,914	763,830	269,657	7,427	2,228,682	1,972,044	239,990	16,648

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 27 INTEREST INCOME

This item refers to interest earned in the period from the financial assets whose return, whether implicitly or explicitly, is determined by applying the effective interest rate method, regardless of the value at fair value, as well as the effect of hedge accounting.

- a) As of December 31, 2020 and 2019, the income from interest income, not including income from hedge accounting, is attributable to the following items:

Items	As of December 31,							
	2020				2019			
	Interest MCh\$	Inflation adjustments MCh\$	Prepaid fees MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Prepaid fees MCh\$	Total MCh\$
Resale agreements	124	-	-	124	718	-	-	718
Interbank loans	36	-	-	36	1,263	-	-	1,263
Commercial loans	722,116	174,360	10,207	906,683	780,284	160,462	16,478	957,224
Mortgage loans	322,687	314,777	491	637,955	349,663	283,820	455	633,938
Consumer loans	564,363	338	5,245	569,946	593,592	384	8,107	602,083
Investment instruments	69,276	36,141	-	105,417	71,150	26,169	-	97,319
Other interest income	9,078	4,384	-	13,462	18,387	3,592	-	21,979
Interest income without income from hedge accounting	1,687,680	530,000	15,943	2,233,623	1,815,057	474,427	25,040	2,314,524

- b) As indicated in section i) of Note 1, suspended interest relates to loans with payments over 90 days overdue, which are recorded in off-balance sheet accounts until they are effectively received.

As of December 31, 2020 and 2019, the suspended interest and adjustments income consists of the following:

Items	As of December 31,					
	2020			2019		
	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$
Commercial loans	11,621	8,551	20,172	13,675	9,248	22,923
Mortgage loans	2,364	221	2,585	3,729	284	4,013
Consumer loans	2,351	6,662	9,013	4,238	7,439	11,677
Total	16,336	15,434	31,770	21,642	16,971	38,613

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 27

INTEREST INCOME, continued

c) As of December 31, 2020 and 2019, the expenses from interest expense, excluding expense from hedge accounting, are as follows:

Items	As of December 31,					
	2020			2019		
	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$
Demand deposits	(13,576)	(1,526)	(15,102)	(14,018)	(1,508)	(15,526)
Repurchase agreements	(1,899)	-	(1,899)	(9,710)	-	(9,710)
Time deposits and liabilities	(141,091)	(20,876)	(161,967)	(335,307)	(27,172)	(362,479)
Interbank borrowings	(45,103)	-	(45,103)	(50,354)	-	(50,354)
Issued debt instruments	(232,551)	(140,095)	(372,646)	(250,512)	(145,487)	(395,999)
Other financial liabilities	(637)	(11)	(648)	(1,310)	(33)	(1,343)
Obligations for lease agreements	(2,651)	-	(2,651)	(2,965)	-	(2,965)
Other interest expense	(9,576)	(14,722)	(24,298)	(16,651)	(11,300)	(27,951)
Interest expense without expenses from hedge accounting	(447,084)	(177,230)	(624,314)	(680,827)	(185,500)	(866,327)

d) As of December 31, 2020 and 2019, the income and expense from interest is as follows:

Items	As of December 31,	
	2020 MCh\$	2019 MCh\$
Interest income less income from hedge accounting	2,233,623	2,314,524
Interest expense less expense from hedge accounting	(624,314)	(866,327)
Net interest income (expense) from hedge accounting	1,609,309	1,448,197
Hedge accounting (net)	(15,461)	(31,346)
Total net interest income	1,593,848	1,416,851

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 28

FEES AND COMMISSIONS

- a) Fees and commissions includes the value of fees earned and paid during the year, except those which are an integral part of the financial instrument's effective interest rate:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Fee and commission income		
Fees and commissions for lines of credits and overdrafts	7,428	10,315
Fees and commissions for guarantees and letters of credit	36,277	35,039
Fees and commissions for card services	196,308	225,702
Fees and commissions for management of accounts	34,825	35,949
Fees and commissions for collections and payments	23,242	33,355
Fees and commissions for intermediation and management of securities	11,272	10,154
Fees and commissions for insurance marketing	39,764	49,664
Office banking	15,119	13,655
Fees for other services rendered	44,072	47,331
Other fees earned	42,855	37,494
Total	451,162	498,658
	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Fee and commission expense		
Compensation for card operations	(123,011)	(171,513)
Fees and commissions for securities transactions	(896)	(1,001)
Office banking	(2,078)	(1,860)
Other fees	(57,899)	(37,198)
Total	(183,884)	(211,572)
Net fees and commissions income	267,278	287,086

The fees earned in transactions with letters of credit are presented in the Consolidated Interim Statement of Income in the item "Interest income".

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 28

FEES AND COMMISSIONS, continued

b) Income and expenses from commissions that are generated through the different segments of the business are presented in the following chart as well as the calendar which recognizes ordinary activity income.

As of December 31, 2020	Segments					Calendar recognizing ordinary activity income		
	Retail Banking	Middle Market	Global Corporate Banking	Others	Total	Transferred through time	Transferred in an exact moment	Accrual model
	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$
Fee and commission income								
Fees and commissions for lines of credits and overdrafts	6,334	690	398	6	7,428	7,428	-	-
Fees and commissions for guarantees and letters of credit	11,304	17,505	7,112	356	36,277	36,277	-	-
Fees and commissions for card services	187,098	6,620	2,568	22	196,308	47,073	149,235	-
Fees and commissions for management of accounts	31,508	2,495	819	3	34,825	34,825	-	-
Fees and commissions for collections and payments	21,281	1,514	367	80	23,242	-	11,303	11,939
Fees and commissions for intermediation and management of securities	3,353	299	8,149	(529)	11,272	-	11,272	-
Fees and commissions for insurance marketing	39,764	-	-	-	39,764	-	-	39,764
Office banking	10,393	4,077	649	-	15,119	-	15,119	-
Fees for other services rendered	39,318	3,606	1,028	120	44,072	-	44,072	-
Other fees earned	18,948	11,716	12,850	(659)	42,855	-	42,855	-
Totals	369,301	48,522	33,940	(601)	451,162	125,603	273,856	51,703
Fee and commission expense								
Compensation for card operations	(118,255)	(3,020)	(1,070)	(666)	(123,011)	-	(68,550)	(54,461)
Fees and commissions for securities transactions	-	-	(69)	(827)	(896)	-	(896)	-
Office banking	(1,326)	(434)	(314)	(4)	(2,078)	-	(2,078)	-
Other fees	(36,289)	(6,733)	(9,307)	(5,570)	(57,899)	-	(57,899)	-
Totals	(155,870)	(10,187)	(10,760)	(7,067)	(183,884)	-	(129,423)	(54,461)
Net fees and commissions income	213,431	38,335	23,180	(7,668)	267,278	125,603	144,433	(2,758)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 28

FEES AND COMMISSIONS, continued

Income and expenses from commissions that are generated through the different segments of the business are presented in the following chart as well as the calendar which recognizes ordinary activity income, continued:

As of December 31, 2019	Segments					Calendar recognizing ordinary activity income		
	Retail Banking	Middle Market	Global Corporate Banking	Others	Total	Transferred through time	Transferred in an exact moment	Accrual model
	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$	Mch\$
Fee and commission income								
Fees and commissions for lines of credits and overdrafts	6,123	935	3,240	17	10,315	10,315	-	-
Fees and commissions for guarantees and letters of credit	11,553	17,531	5,842	113	35,039	35,039	-	-
Fees and commissions for card services	218,635	6,042	950	75	225,702	41,347	184,355	-
Fees and commissions for management of accounts	32,608	2,515	823	3	35,949	35,949	-	-
Fees and commissions for collections and payments	36,129	2,185	464	(5,423)	33,355	-	12,854	-
Fees and commissions for intermediation and management of securities	3,219	245	8,301	(1,611)	10,154	-	10,154	-
Fees and commissions for insurance marketing	49,664	-	-	-	49,664	-	-	49,664
Office banking	9,280	3,782	606	(13)	13,655	-	13,655	-
Fees for other services rendered	42,499	3,748	839	245	47,331	-	47,331	-
Other fees earned	12,462	10,727	14,293	12	37,494	-	37,494	-
Totals	422,172	47,710	35,358	(6,582)	498,658	122,650	305,843	70,165
Fee and commission expense								
Compensation for card operations	(168,024)	(3,475)	(321)	307	(171,513)	-	(171,513)	-
Fees and commissions for securities transactions	-	-	(33)	(968)	(1,001)	-	(1,001)	-
Office banking	(1,186)	(389)	(282)	(3)	(1,860)	-	(1,860)	-
Other fees	(22,335)	(5,134)	(5,619)	(4,110)	(37,198)	-	(37,198)	-
Totals	(191,545)	(8,998)	(6,255)	(4,774)	(211,572)	-	(211,572)	-
Net fees and commissions income	230,627	38,712	29,103	(11,356)	287,086	122,650	(94,271)	70,165

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 29

NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

Includes the amount of the adjustments from the financial instruments variation, except those attributable to the interest accrued by the application of the effective interest rate method of the value adjustments of the assets, as well as the results obtained in their sale.

As of December 31, 2020 and 2019, the detail of income from financial operations is as follows:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Profit and loss from financial operations		
Trading derivatives	42,704	(162,183)
Trading investments	1,671	11,878
Sale of loans and accounts receivables from customers		
Current portfolio	48	63
Charged-off portfolio	(110)	3,248
Available for sale investments	80,679	63,672
Repurchase of issued bonds (1)	1,848	3,265
Other profit and loss from financial operations	(36,039)	1,892
Total	90,800	(78,165)

(1) As of December 31, 2020 the Bank hasn't made any repurchases of bonds, see Note 19.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 30

NET FOREIGN EXCHANGE INCOME

Net foreign exchange income includes the income earned from foreign currency trading, differences arising from converting monetary items in a foreign currency to the functional currency, and those generated by non-monetary assets in a foreign currency at the time of their sale.

As of December 31, 2020 and 2019, net foreign exchange income is as follows:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Net foreign exchange gain (loss)		
Net gain (loss) from currency exchange differences	81,921	(84,566)
Hedging derivatives	(27,624)	362,374
Income from assets indexed to foreign currency	(3,512)	7,376
Income from liabilities indexed to foreign currency	-	-
Total	50,785	285,184

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 31

PROVISIONS FOR LOAN LOSSES

a) The movement in provisions for loan losses registered as of December 31, 2020 and 2019 is the following:

As of December 31, 2020	Loans and accounts receivable from customers								
	Interbank loans Individual MCh\$	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Additional Provisions MCh\$	Total MCh\$
		Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	Individual MCh\$	Group MCh\$		
Charged-off of loans	-	(22,703)	(60,529)	(10,709)	(32,669)	-	-	-	(126,610)
Provisions established	(30)	(184,691)	(124,057)	(15,884)	(223,493)	(11,160)	(1,898)	(110,000)	(671,213)
Total provisions and charge-offs	(30)	(207,394)	(184,586)	(26,593)	(256,162)	(11,160)	(1,898)	(110,000)	(797,823)
Provisions released	39	44,878	54,394	17,141	79,846	7,976	7,550	-	211,824
Recovery of loans previously charged-off	-	12,199	13,770	9,584	39,373	-	-	-	74,926
Net charge to income	9	(150,317)	(116,422)	132	(136,943)	(3,184)	5,652	(110,000)	(511,073)

As of December 31, 2019	Loans and accounts receivable from customers								
	Interbank loans Individual MCh\$	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Additional Provisions MCh\$	Total MCh\$
		Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	Individual MCh\$	Group MCh\$		
Charged-off of loans	-	(18,192)	(47,514)	(13,965)	(70,588)	-	-	-	(150,259)
Provisions established	(55)	(93,556)	(118,187)	(17,462)	(246,530)	(7,709)	(10,865)	(16,000)	(510,364)
Total provisions and charge-offs	(55)	(111,748)	(165,701)	(31,427)	(317,118)	(7,709)	(10,865)	(16,000)	(660,623)
Provisions released (*)	65	58,084	12,100	8,263	49,576	5,916	3,458	20,000	157,462
Recovery of loans previously charged-off	-	11,336	15,293	13,652	42,433	-	-	-	82,714
Net charge to income	10	(42,328)	(138,308)	(9,512)	(225,109)	(1,793)	(7,407)	4,000	(420,447)

b) The detail for Charge-off to individually significant loans, is the following:

As of December 31, 2020	Loans and accounts receivable from customers					
	Commercial loans		Mortgage loans	Consumer loans		Total MCh\$
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$		
Charge-off of loans	41,416	117,045		16,632	219,720	394,813
Provision applied	(18,713)	(56,516)		(5,923)	(187,051)	(268,203)
Net charge offs of individually significant loans	22,703	60,529		10,709	32,669	126,610

As of December 31, 2019	Loans and accounts receivables from customers					
	Commercial loans		Mortgage loans	Consumer loans		Total MCh\$
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$		
Charge-off of loans	59,712	108,574		18,944	227,978	415,208
Provision applied	(41,520)	(61,060)		(4,979)	(157,390)	(264,949)
Net charge offs of individually significant loans	18,192	47,514		13,965	70,588	150,259

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 32

PERSONNEL SALARIES AND EXPENSES

As of December 31, 2020 and 2019, the composition for personnel salaries and expenses is the following:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
Personnel compensation	265,312	260,445
Bonuses or gratuities	77,046	78,534
Stock-based benefits	(1,589)	(315)
Seniority compensation	22,380	25,006
Pension plans	1,026	567
Training expenses	2,887	4,918
Day care and kindergarden	2,769	2,731
Health and welfare funds	6,531	6,644
Other personnel expenses	32,308	31,627
Total	408,670	410,157

Share-based compensation (settled in cash)

In accordance with IFRS 2, equity instruments settled in cash are allocated to executives of the Bank and its Subsidiaries as a form of compensation for their services.

The Bank measures the services received and the cash obligation at fair value at the end of each reporting period and on the settlement date, recognizing any change in fair value in the income statement for the period.

The balance corresponding to benefits based on equity instruments as of December 31, 2020 and 2019 amounts to \$ 1,589 million and \$ 315 million, respectively.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 33

ADMINISTRATIVE EXPENSES

As of December 31, 2020 and 2019, the composition for administrative expenses is the following:

	As of December 31,	
	2020 MCh\$	2019 MCh\$
General administrative expenses	142,848	124,896
Maintenance and repair of property, plant and equipment	20,300	19,214
Expenses for short-term lease agreements	1,625	4,177
Insurance premiums	5,064	3,848
Office supplies	4,774	5,126
IT and communication expenses	68,436	52,017
Lighting, heating, and other utilities	5,455	2,848
Security and valuables transport services	12,365	12,187
Representation and personnel travel expenses	2,375	4,109
Judicial and notarial expenses	860	1,277
Fees for technical reports and auditing	8,460	7,643
Other expenses of obligations for lease agreements	13,134	12,450
Outsourced services	72,513	71,572
Data processing	38,032	31,921
Archive service	2,619	3,518
Valuation service	3,208	3,644
Outsourced staff	6,177	10,139
Other	22,477	22,350
Board expenses	1,517	1,356
Marketing expenses	16,791	20,891
Taxes, payroll taxes, and contributions	16,781	14,897
Real estate taxes	2,214	1,936
Patents	2,135	1,913
Other taxes	5	5
Contributions to CMF (ex SBIF)	12,427	11,043
Total	250,450	233,612

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 34

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) The values of depreciation and amortization during December 31, 2020 and 2019 are detailed below:

	As December 31,	
	2020 MCh\$	2019 MCh\$
Depreciation and amortization		
Property, plant, and equipment depreciation	(46,273)	(44,957)
Intangible assets amortization	(25,384)	(26,348)
Amortization for Right of use assets	(37,769)	(34,787)
Total depreciation and amortization	(109,426)	(106,092)
Impairment of fixed assets (*)	-	(1,013)
Impairment of intangibles (**)	(638)	-
Impairment for Right of use assets (*)	-	(1,713)
Totales	(110,064)	(108,818)

(*) As of December 31, 2019, the amount for impairment amounts to \$ 2,726 million, mainly due to claims due to social upheaval that the country suffered as of October 18, 2019.

(**) As of December 31, 2020, the intangible impairment amount amounts to \$ 638 million due to obsolescence of computer projects.

b) The changes in book value due to depreciation and amortization for December 31, 2020 and 2019 are the following:

	Depreciation and amortization			
	2020			
	Property, plant, and equipment MCh\$	Intangible assets MCh\$	Right of use assets MCh\$	Total MCh\$
Balances as of January 1, 2020	(266,895)	(176,613)	(99,445)	(542,953)
Depreciation and amortization for the period	(46,273)	(25,384)	(37,769)	(109,426)
Sales and disposals in the period	7,606	-	7,358	14,964
Other	(4,817)	-	4,815	(2)
Balance as of December 31, 2020	(310,379)	(201,997)	(125,041)	(637,417)

	Depreciation and amortization			
	2019			
	Property, plant, and equipment MCh\$	Intangible assets MCh\$	Right of use assets MCh\$	Total MCh\$
Balances as of January 1, 2019	(230,327)	(151,492)	(68,145)	(449,964)
Depreciation and amortization for the period	(44,957)	(26,348)	(34,787)	(106,092)
Sales and disposals in the period	8,389	1,227	3,487	13,103
Other	-	-	-	-
Balance as of December 31, 2019	(266,895)	(176,613)	(99,445)	(542,953)

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 35

OTHER OPERATING INCOME AND EXPENSES

a) Other operating income is conformed by the following concepts:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Income from assets received in lieu of payment		
Income from sale of assets received in lieu of payment	5,934	5,613
Recovery of charge-offs and income from assets received in lieu of payment	11,213	10,933
Other income from assets received in lieu of payment	2,233	664
Subtotal	19,380	17,210
Provisions released due to country risk		
	503	67
Subtotal	503	67
Other income		
Income from sale of fixed assets		
Compensation from insurance companies due to damages	865	2,456
Income other than interest and commissions from leasing contracts	702	4,681
Other	202	184
Subtotal	1,769	7,321
Total	21,652	24,598

b) Other operating expenses is conformed by the following concepts:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Allowances and expenses for assets received in lieu of payment		
Charge-offs of assets received in lieu of payment	15,276	17,638
Provisions on assets received in lieu of payment	1,456	1,809
Expenses for maintenance of assets received in lieu of payment	1,485	2,072
Subtotal	18,217	21,519
Credit card expenses	546	1,077
Customer services	1,559	2,456
Other expenses		
Operating charge-offs	10,675	8,349
Life insurance and general product insurance policies	32,987	21,205
Gain (Loss) for sale of PP&E	-	67
Expense for the Retail Association	326	343
Expense on sale of participation on associates	20	126
Land tax leasing operation (*)	3,174	-
Commercial representation expenses	3,501	256
Other	20,803	5,623
Subtotal	71,486	35,969
Total	91,808	61,021

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 36

TRANSACTIONS WITH RELATED PARTIES

Associated and dependent entities are the Bank's "related parties", however, this also includes its "key personnel" from the executive staff (members of the Bank's Board of Directors and Managers of Banco Santander-Chile and its affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also includes those companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent company i.e., Banco Santander S.A. (located in Spain).

Article 89 of the Ley de Sociedades Anónimas (Public Companies Act), which is also applicable to banks, states that any transaction with a related party must be made under equitable conditions similar to those that customarily prevail in the market.

Article 84 of the Ley General de Bancos (General Banking Act) establishes limits for loans that can be granted to related parties and prohibits lending to the Bank's directors, General Manager, or representatives.

Transactions between the Bank and its related parties are specified below and have been divided into four categories:

Companies with relation to the Santander Group

This category includes all the companies that are controlled by the Santander Group around the world, and hence, it also includes the companies over which the Bank exercises any degree of control (Affiliates and special-purpose entities).

Associated companies

This category includes the entities over which the Bank exercises a significant degree of influence, in accordance with section b) of Note 1, and which generally belong to the group of entities known as "business support companies".

Key personnel

This category includes members of the Bank's Board of Directors and managers of Banco Santander-Chile and its affiliates, together with their close relatives.

Other

This category encompasses the related parties that are not included in the groups identified above and which are, in general, entities over which the key personnel could exercise significant influence or control.

The terms for transactions with related parties are equivalent to those which prevail in transactions made under market conditions or to which the corresponding considerations in kind have been attributed.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 36

TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties

Loans and receivables as well as contingent loans are as follows:

	As of December 31,				As of December 31,			
	2020				2019			
	Santander Group Companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Santander Group Companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$
Loans and accounts receivable								
Commercial loans	352,590	265	3,939	900	246,868	375	2,986	685
Mortgage loans	-	-	22,428	-	-	-	20,473	-
Consumer loans	-	-	6,131	-	-	-	5,781	-
Loans and account receivable	352,590	265	32,498	900	246,868	375	29,240	685
Provision for loan losses	(1,138)	(9)	(137)	(14)	(122)	(182)	(179)	(10)
Net loans	351,452	256	32,361	886	246,746	193	29,061	675
Guarantees	3,323	-	27,203	442	462,513	-	23,918	288
Contingent loans								
Personal guarantees	-	-	-	-	-	-	-	-
Letters of credit	3,447	-	-	93	4,112	-	-	63
Performance guarantees	811	-	-	-	464,691	-	-	-
Contingent loans	4,258	-	-	93	468,803	-	-	63
Provision for contingent loans	(6)	-	-	-	(835)	-	-	-
Net contingent loans	4,252	-	-	93	467,968	-	-	63

	As of December 31,				As of December 31,			
	2020				2019			
	Santander Group companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Santander Group companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$
Opening balances as of January 1,	715,671	375	29,240	748	572,745	459	33,871	7,899
Loans granted	388,896	-	8,080	727	193,798	167	4,826	500
Loan payments	(747,719)	(110)	(4,822)	(482)	(50,872)	(251)	(9,457)	(7,651)
Total	356,848	265	32,498	993	715,671	375	29,240	748

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 36

TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of December 31,				As of December 31,			
	2020				2019			
	Santander Group Companies	Associated companies	Key personnel	Other	Santander Group Companies	Associated companies	Key personnel	Other
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Assets								
Cash and deposits in banks	703,069	-	-	-	171,816	-	-	-
Trading investments	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-
Financial derivative contracts	978,696	186,038	33	7	2,058,715	218,610	-	55
Available for sale investments	-	-	-	-	-	-	-	-
Other assets	445,609	412,277	-	-	185,317	210,579	-	-
Liabilities								
Deposits and other demand liabilities	17,118	4,484	5,997	3,242	25,261	93,761	4,624	566
Obligations under repurchase agreements	961,718	-	101	-	138,498	5,000	270	80
Time deposits and other time liabilities	1,409,404	100	4,706	864	1,183,235	282,171	4,246	2,204
Financial derivative contracts	1,137,502	354,108	-	-	2,159,660	288,013	-	3
Bank obligation	544,291	-	-	-	-	-	-	-
Issued debts instruments	349,022	-	-	-	363,154	-	-	-
Other financial liabilities	-	-	-	-	6,231	-	-	-
Other liabilities	1,210	232,344	-	-	8,130	146,164	-	-

c) Recognized income (expense) with related parties

	As of December 31,							
	2020				2019			
	Companies with relation to the Santander Group	Associated companies	Key personnel	Other	Companies with relation to the Santander Group	Associated companies	Key personnel	Other
MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Income (expense) recorded								
Income and expenses from interest and	(30,586)	21	1,202	10	(41,181)	(5,235)	1,151	26
Fee and commission income and expenses	46,823	22,596	152	24	28,274	14,499	232	28
Net income (expense) from financial operations and foreign exchange transactions (*)	(390,737)	240,565	-	-	(586,318)	(84,236)	-	-
Other operating income and expenses	492	(522)	-	-	406	(2,026)	-	-
Key personnel compensation and expenses	-	-	(31,961)	-	-	-	(37,377)	-
Administrative and other expenses	(45,478)	(16,763)	-	-	(11,877)	(47,757)	-	-
Total	(419,486)	245,897	(30,607)	34	(610,696)	(124,755)	(35,994)	54

(*) Primarily relates to derivative contracts used to hedge economically the exchange risk of assets and liabilities that hedge positions of the Bank and its subsidiaries.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 36

TRANSACTIONS WITH RELATED PARTIES, continued

d) Payment to Board members and key management personnel

The compensation received by key management personnel, including Board members and all the executives holding Manager positions, is shown in the "Personnel salaries and expenses" and/or "Administrative expenses" of the Consolidated Interim Statements of Income, and detailed as follows:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Personnel compensation	16,220	16,264
Board member's salaries and expenses	1,452	1,358
Bonuses or gratuity	12,583	16,104
Compensation in stock	(1,589)	(315)
Training expenses	1,079	2,378
Seniority compensation	1,026	567
Health funds	87	37
Other personnel expenses	276	273
Pension Plans	827	711
Total	31,961	37,377

e) Composition of key personnel

As of December 31, 2020 and 2019, the composition of the Bank's key personnel is as follows:

Position	N° of executives	
	As of December 31,	As of December 31,
	2020	2019
Directors	11	11
Division managers	13	13
Managers	96	106
Total key personnel	120	130

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 37 PENSION PLANS

The Bank has an additional benefit available to its principal executives, consisting of a pension plan, The purpose of the pension plan is to endow the executives with funds for a better supplementary pension upon their retirement,

For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pension with an equivalent contribution, The executives will be entitled to receive this benefit only when they fulfill the following conditions:

- a. Aimed at the Bank's management
- b. The general requisite to apply for this benefit is that the employee must be carrying out his/her duties when turning 60 years old,
- c. The Bank will create a pension fund, with life insurance, for each beneficiary in the plan, Periodic contributions into this fund are made by the manager and matched by the Bank,
- d. The Bank will be responsible for granting the benefits directly,

If the working relationship between the manager and the respective company ends, before s/he fulfills the abovementioned requirements, s/he will have no rights under this benefit plan,

In the event of the executive's death or total or partial disability, s/he will be entitled to receive this benefit,

The Bank will make contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank, The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company,

Plan Assets owned by the Bank at the end of 2020 totaled Ch\$8,224 million (Ch\$7,195 million in 2019).

The amount of the defined benefit plans has been quantified by the Bank, based on the following criteria:

Calculation method

Use of the projected unit credit method which considers each working year as generating an additional amount of rights over benefits and values each unit separately, It is calculated based primarily on fund contribution, as well as other factors such as the legal annual pension limit, seniority, age and yearly income for each unit valued individually,

Actuarial hypothesis assumptions:

Actuarial assumption with respect to demographic and financial variables are non-biased and mutually compatible with each other, The most significant actuarial hypotheses considered in the calculation were,

Assets related to the pension fund contributed by the Bank into the Seguros Euroamérica insurance company with respect to defined benefit plans are presented as net of associated commitments,

	Plans post-employment 2020	Plans post-employment 2019
Mortality chart	RV-2014	RV-2014
Termination of contract rates	5,0%	5,0%
Impairment chart	PDT 1985	PDT 1985

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 37

PENSION PLANS, continued

Activity for post-employment benefits is as follows:

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Plan assets	8,224	7,195
Commitments for defined-benefit plans		
For active personnel	(7,551)	(6,525)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balances at year end	673	670

Year's cash flow for post-employment benefits is as follows

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
a) Fair value of plan assets		
Opening balance	7,195	6,804
Expected yield of insurance contracts	385	333
Employer contributions	870	859
Actuarial (gain) losses	-	-
Premiums paid	-	-
Benefits paid	(226)	(801)
Fair value of plan assets at year end	8,224	7,195
b) Present value of obligations		
Present value of obligation opening balance	(6,525)	(5,958)
Net incorporation of Group companies	-	-
Service cost	(1,026)	(567)
Interest cost	-	-
Curtailement/settlement effect	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gain) losses	-	-
Other	-	-
Present value of obligations at year end	(7,551)	(6,525)
Net balance at year end	673	670

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 37

PENSION PLANS, continued

Plan expected profit:

	As of December 31,	
	2020	2019
Type of expected yield from the plan's assets	UF + 2.50% anual	UF + 2.50% anual
Type of yield expected from the reimbursement rights	UF + 2.50% anual	UF + 2.50% anual

Plan associated expenses

	As of December 31,	
	2020	2019
	MCh\$	MCh\$
Current period service expenses	1.026	567
Interest cost	-	-
Expected yield from plan's asset	(385)	(333)
Expected yield of insurance contracts linked to the Plan:	-	-
Extraordinary allocations	-	-
Actuarial (gain)/losses recorded in the period	-	-
Past service cost	-	-
Other	-	-
Total	641	234

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the main market (or the most advantageous) at the measurement date in the current market conditions (in other words, an exit price) regardless of whether that price is directly observable or estimated by using a different valuation technique. The measurement of fair value assumes the sale transaction of an asset or the transference of the liability happens within the main asset or liability market, or the most advantageous market for the asset or liability.

For financial instruments with no available market prices, fair values have been estimated by using recent transactions in analogous instruments, and in the absence thereof, the present values or other valuation techniques based on mathematical valuation models sufficiently accepted by the international financial community. In the use of these models, consideration is given to the specific particularities of the asset or liability to be valued, and especially to the different kinds of risks associated with the asset or liability.

These techniques are significantly influenced by the assumptions used, including the discount rate, the estimates of future cash flows and prepayment expectations. Hence, the fair value estimated for an asset or liability may not coincide exactly with the price at which that asset or liability could be delivered or settled on the date of its valuation, and may not be justified in comparison with independent markets.

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2020 and 2019:

	As of December 31, 2020		As of December 31, 2019	
	Book value MCh\$	Fair value MCh\$	Book value MCh\$	Fair value MCh\$
Assets				
Trading investments	133,718	133,718	270,204	270,204
Financial derivative contracts	9,032,085	9,032,085	8,148,608	8,148,608
Loans and accounts receivable from customers and interbank loans, (net)	33,432,349	36,990,699	31,838,568	34,668,858
Investments available for sale	7,162,542	7,162,542	4,010,272	4,010,272
Guarantee deposits (margin accounts)	608,359	608,359	314,616	314,616
Liabilities				
Deposits and interbank borrowings	31,471,283	32,047,227	26,010,067	26,200,921
Financial derivative contracts	9,018,660	9,018,660	7,390,654	7,390,654
Issued debt instruments and other financial liabilities	8,388,495	9,590,678	9,727,081	10,718,997
Guarantees received (margin accounts)	624,205	624,205	994,714	994,714

Fair value is approximated to book value in the following accounts, due to their short-term nature in the following cases: cash and bank deposits, operations with liquidation in progress and buyback contracts as well as security loans.

In addition, the fair value estimates presented above do not attempt to estimate the value of the Bank's profits generated by its business activity, nor its future activities, and accordingly, they do not represent the Bank's value as a going concern.

Below is a detail of the methods used to estimate the financial instruments' fair value.

a) Operations pending settlement, trading investments, available for sale investment instruments, repurchase agreements and securities loans

The estimated fair value of these financial instruments was established using market values or estimates from an available dealer, or quoted market prices of similar financial instruments. Investments with maturities of less than 1 year are evaluated at recorded value since they are considered as having a fair value not significantly different from their recorded value, due to their short maturity term. To estimate the fair value of debt investments or representative values in these lines of businesses, we take into consideration additional variables and elements, as long as they apply, including the estimate of prepayment rates and credit risk of issuers.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

b) Loans and accounts receivable from customers and interbank loans

Fair value of commercial, mortgage and consumer loans and credit cards is measured through a discounted cash flow (DCF) analysis. To do so, we use current market interest rates considering product, term, amount and similar loan quality. Fair value of loans with 90 days or more of delinquency are measured by means of the market value of the associated guarantee, minus the rate and term of expected payment. For variable rate loans whose interest rates change frequently (monthly or quarterly) and that are not subjected to any significant credit risk change, the estimated fair value is based on their book value.

c) Deposits

Disclosed fair value of deposits that do not bear interest and saving accounts is the amount payable at the reporting date and, therefore, equals the recorded amount. Fair value of time deposits is calculated through a discounted cash flow calculation that applies current interest rates from a monthly calendar of scheduled maturities in the market.

d) Short and long term issued debt instruments

The fair value of these financial instruments is calculated by using a discounted cash flow analysis based on the current incremental lending rates for similar types of loans having similar maturities.

e) Financial derivative contracts

The estimated fair value of financial derivative contracts is calculated using the prices quoted on the market for financial instruments having similar characteristics.

The fair value of interest rate swaps represents the estimated amount that the Bank expects to receive to cancel the contracts or agreements, considering the term structures of the interest curve, volatility of the underlying asset and credit risk of counterparties.

If there are no quoted prices from the market (either direct or indirect) for any derivative instrument, the respective fair value estimates have been calculated by using models and valuation techniques such as Black-Scholes, Hull, and Monte Carlo simulations, taking into consideration the relevant inputs/outputs such as volatility of options, observable correlations between underlying assets, counterparty credit risk, implicit price volatility, the velocity with which the volatility reverts to its average value, and the straight-line relationship (correlation) between the value of a market variable and its volatility, among others.

Fair value and hierarchy measurement

IFRS 13: Fair Value Measurement, provides a hierarchy of reasonable values which separates the inputs and/or valuation technique assumptions used to measure the fair value of financial instruments. The hierarchy reflects the significance of the inputs used in making the measurement. The three levels of the hierarchy of fair values are the following:

- Level 1: the inputs are quoted prices (unadjusted) on active markets for identical assets and liabilities that the Bank can access on the measurement date.
- Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

The hierarchy level within which the fair value measurement is categorized in its entirety is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

The best evidence of a financial instrument's fair value at the initial time is the transaction price (Level 1).

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

In cases where quoted market prices cannot be observed. Management makes its best estimate of the price that the market would set using its own internal models which in most cases use data based on observable market parameters as a significant input (Level 2) and, in very specific cases, significant inputs not observable in market data (Level 3). Various techniques are employed to make these estimates, including the extrapolation of observable market data.

Financial instruments at fair value and determined by quotations published in active markets (Level 1) include:

- Chilean Government and Department of Treasury bonds
- Mutual Funds

Instruments which cannot be 100% observable in the market are valued according to other inputs observable in the market (Level 2).

The following financial instruments are classified under Level 2:

Type of financial instrument	Model used in valuation	Description
· Mortgage and private bonds	Present Value of Cash Flows Model	Internal Rates of Return ("IRRs") are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on historical spread for the same item or similar ones.
· Time deposits	Present Value of Cash Flows Model	IRRs are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on issuer curves.
· Constant Maturity Swaps (CMS), FX and Inflation Forward (Fwd), Cross Currency Swaps (CCS), Interest Rate Swap (IRS)	Present Value of Cash Flows Model	IRRs are provided by ICAP, GFI, Tradition, and Bloomberg according to this criterion: With published market prices, a valuation curve is created by the bootstrapping method and is then used to value different derivative instruments.
· FX Options	Black-Scholes	Formula adjusted by the volatility smile (implicit volatility). Prices (volatility) are provided by BGC Partners, according to this criterion: With published market prices, a volatility surface is created by interpolation and then these volatilities are used to value options.
· Guarantee deposits, guarantee received (Threshold)	Present Value of Cash Flows Model	Collateral associated to derivatives financial contracts: Swap Camara Promedio(CMS), FX and inflation Forward, Cross Currency Swap (CCS), Interest Rate Swap (IRS) y FX options.

In limited occasions significant inputs not observable in market data are used (Level 3). To carry out this estimate, several techniques are used, including extrapolation of observable market data or a mix of observable data.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following financial instruments are classified under Level 3:

Type of financial instrument	Model used in valuation	Description
· Caps/ Floors/ Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
	Black – Scholes	There is no observable input of implicit volatility.
	Hull-White	Hybrid HW model for rates and Brownian motion for FX, There is no observable input of implicit volatility.
· Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate) TAB	Implicit Forward Rate Agreement (FRA)	Start Fwd unsupported by MUREX (platform) due to the UF forward estimate.
	Present Value of Cash Flows Model	Validation obtained by using the interest curve and interpolating at flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.
	Present Value of Cash Flows Model	Valuation using prices of instruments with similar characteristics plus a penalty rate for liquidity.
· Reconign bonds	Present Value of Cash Flows Model	With the published market prices, the valuation curve is constructed using the bootstrapping method and then this curve is used to value the different derivatives.
	Spread over risk free	Valuation by stochastic dynamic model to obtain discount rate.

The Bank does not believe that any change in unobservable inputs with respect to level 3 instruments would result in a significantly different fair value measurement.

The following table presents the assets and liabilities that are measured at fair value on a recurring basis, as of December 31, 2020 and 2019.

As of December 31,	Fair value measurement			
	2020 MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Trading investments	133,718	132,246	1,472	-
Available for sale investments	7,162,542	7,145,285	16,731	526
Derivatives	9,032,085	-	9,024,484	7,601
Guarantee deposits (margin accounts)	608,359	-	608,359	-
Total	16,936,704	7,277,531	9,651,046	8,127
Liabilities				
Derivatives	9,018,660	-	9,015,900	2,760
Guarantees received (margin accounts)	624,205	-	624,205	-
Total	9,642,865	-	9,640,105	2,760

As of December 31,	Fair value measurement			
	2019 MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Trading investments	270,204	270,204	-	-
Available for sale investments	4,010,272	3,992,421	17,146	705
Derivatives	8,148,608	-	8,133,700	14,908
Guarantee deposits (margin accounts)	314,616	-	314,616	-
Total	12,743,700	4,262,625	8,465,462	15,613
Liabilities				
Derivatives	7,390,654	-	7,387,704	2,950
Guarantees received (margin accounts)	994,714	-	994,714	-
Total	8,385,368	-	8,382,418	2,950

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the assets and liabilities that are not measured at fair value in the consolidated statement of financial position. Its fair value is disclosed as of December 31, 2020 and 2019:

As of December 31,	Fair value measurement			
	2020 MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Credits and accounts receivable from customers and owed by banks	36,990,699	-	-	36,990,699
Total	36,990,699	-	-	36,990,699
Liabilities				
Deposits and obligations with banks	32,047,227	-	17,486,334	14,560,893
Debt instruments issued and other obligations	9,590,678	-	9,590,678	-
Total	41,637,905	-	27,077,012	14,560,893

As of December 31,	Fair value measurement			
	2019 MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Credits and accounts receivable from customers and owed by banks	34,668,858	-	-	34,668,858
Total	34,668,858	-	-	34,668,858
Liabilities				
Deposits and obligations with banks	26,200,921	-	15,903,489	10,297,432
Debt instruments issued and other obligations	10,718,997	-	10,718,997	-
Total	36,919,918	-	26,622,486	10,297,432

There was no transfer between levels 1 and 2 for the years ended December 31, 2020 and 2019.

Banco Santander-Chile and Subsidiaries

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AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of December 31, 2020 and 2019:

	Assets MCh\$	Liabilities MCh\$
As of January 1, 2020	15,613	2,950
Total realized and unrealized profits (losses)		
Included in statement of income	(196)	1,012
Included in other comprehensive income	(179)	-
Purchases, issuances, and loans (net)	-	-
Transfer	(7,111)	(1,202)
As of December 31, 2020		
	8,127	2,760
Total profits or losses included in comprehensive income at September 30, 2020 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2019	(7,486)	(190)
	Assets MCh\$	Liabilities MCh\$
As of January 1, 2019	12,193	795
Total realized and unrealized profits (losses)		
Included in statement of income	3,350	2,155
Included in other comprehensive income	70	-
Purchases, issuances, and loans (net)	-	-
	-	-
As of December 31, 2019	15,613	2,950
Total profits or losses included in comprehensive income at September 30, 2019 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2017	3,420	2,155

The realized and unrealized profits (losses) included in comprehensive income for 2020 and 2019, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Statement of Comprehensive Income in the associate line item.

The potential effect as of December 31, 2020 and 2019 on the valuation of assets and liabilities valued at fair value on a recurrent basis through unobservable significant entries (level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

Banco Santander-Chile and Subsidiaries

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NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following tables show the financial instruments subject to compensation in accordance with IAS 32, for 2020 and 2019:

As of December 31, 2020	Linked financial instruments, compensated in balance		Net amount presented in balance Ch\$ Million	Remains of unrelated and / or unencumbered financial instruments Ch\$ Million	Amount in Statements of Financial Position Ch\$ Million
	Gross amounts	Compensated in balance			
	Ch\$ Million	Ch\$ Million			
Assets					
Financial derivative contracts	8,840,436	-	8,840,436	191,649	9,032,085
Investments under resale agreements	-	-	-	-	-
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	33,432,349	33,432,349
Total	8,840,436	-	8,840,436	33,623,998	42,464,434
Financial derivative contracts	8,922,079	-	8,922,079	96,581	9,018,660
Investments under resale agreements	969,808	-	969,808	-	969,808
Déposits and interbank borrowings	-	-	-	31,471,283	31,471,283
Total	9,891,887	-	9,891,887	31,567,864	41,459,751

As of December 31, 2019	Linked financial instruments, compensated in balance		Net amount presented in balance Ch\$ Million	Remains of unrelated and / or unencumbered financial instruments Ch\$ Million	Amount in Statements of Financial Position Ch\$ Million
	Gross amounts	Compensated in balance			
	Ch\$ Million	Ch\$ Million			
Assets					
Financial derivative contracts (*)	8,148,151	-	8,148,151	457	8,148,608
Investments under resale agreements	-	-	-	-	-
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	31,838,567	31,838,567
Total	8,148,151	-	8,148,151	31,839,024	39,987,175
Financial derivative contracts (*)	7,388,145	-	7,388,145	2,509	7,390,654
Investments under resale agreements	380,055	-	380,055	-	380,055
Déposits and interbank borrowings	-	-	-	26,010,067	26,010,067
Total	7,768,200	-	7,768,200	26,012,576	33,780,776

(*) In these items there are guarantees for Ch \$ 488,636 million and Ch \$ 487,474 million for derivatives assets and liabilities respectively.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 38

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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

Below are the financial derivatives contracts, according to their collateral agreement

Financial derivatives contracts	As of December 31,		As of December 31,	
	2020 Asset	2019 Liabilities	2020 Asset	2019 Liabilities
Derivatives contracts with threshold collateral agreement equal to zero	8,127,263	7,900,539	7,478,838	6,748,219
Derivatives contracts with non-zero threshold collateral agreement	471,529	606,661	532,298	517,814
Derivatives contracts without collateral agreement	433,293	511,460	137,472	124,621
Total Financial derivatives contracts	9,302,085	9,018,660	8,148,608	7,390,654

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT

Introduction and general description

The Bank, due to its activities with financial instruments is exposed to several types of risk. The main risks related to financial instruments that apply to the Bank are as follow:

Market risk: rises from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:

- a. Foreign exchange risk: this arises as a consequence of fluctuations in market interest rates,
- b. Interest rate risk: this arises as a consequence of fluctuations in market interest rates,
- c. Price risk: this arises as a consequence of changes in market prices, either due to factor specific to the instrument itself or due to factors that affect all the instruments negotiated in the market,
- d. Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UF.

Credit risk: this is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reason of insolvency or inability of the individuals or legal entitles in question to continue as a going concern, causing a financial loss to the other party.

Liquidity risk: is the possibility that an entity may be unable to meet its payment commitments, or that in order to meet them, it may have to raise funds with onerous terms or risk damage to its image and reputation.

Operating risk: this is a risk arising from human errors, system error, fraud or external events which may damage the Bank's reputation, may have legal or regulatory implication, or cause financial losses.

Capital risk: is the risk that the Bank has insufficient quantity and / or quality of capital to meet the minimum requirements to operate as a bank, respond to market expectations regarding its creditworthiness and support the growth of its business and any strategies that may emerge in accordance with your strategic plan.

This note includes information on the Bank's exposure to these risk an on its objetives, policies, and processes involved in their measurement and management.

Risk management structure

The Board of Directors is responsible for the establishment and monitoring of the Bank's risk management structure and, to this end, has a corporate governance system in line with international recommendations and trends, adapted to the Chilean regulatory reality and adapted to best practices, advanced markets in which it operates, To better exercise this function, the Board of Directors has established the Comprehensive Risk Committee ("CIR"), whose main mission is to assist in the development of its functions related to the Bank's control and risk management, Complementing the CIR in risk management, the Board also has 3 key committees: Assets and Liabilities Committee (CAPA), Markets Committee ("CDM") and the Directors and Audit Committee ("CDA"), Each of the committees is composed of directors and executive members of the Bank's management.

The CIR is responsible for developing Bank risk management policies in accordance with the guidelines of the Board of Directors, the Global Risk Department of Santander Spain and the regulatory requirements issued by the CMF, These policies have been created mainly to identify and analyze the risk faced by the Bank, establish risk limits and appropriate controls, and monitor risks and compliance with limits, The Bank's risk management policies and systems are regularly reviewed to reflect changes in market conditions, and the products or services offered, The Bank, through the training and management of standards and procedures, aims to develop a disciplined and constructive control environment, in which all its employees understand their duties and obligations.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

Market risk

Market risk arises as a consequence of the activity maintained in the markets, through financial instruments whose value may be affected by variations in market conditions, reflected in changes in the different assets and financial risk factors, The risk can be mitigated through hedges through other products (assets / liabilities or derivatives), or by undoing the operation / open position, The objective of market risk management is the management and control of exposure to market risk within acceptable parameters.

There are four major risk factors that affect market prices: interest rates, exchange rates, price, and inflation, Additionally, and for certain positions, it is also necessary to consider other risks, such as spread risk, base risk, commodity risk, volatility or correlation risk.

Market risk management

The internal management of the Bank to measure market risk is mainly based on the procedures and standards of Santander Spain, which are based on analyzing management in three main components:

- trading portfolio;
- local financial management portfolio;
- portfolio of foreign financial management,

The trading portfolio consists mainly of those investments valued at their fair value, free of any restriction for immediate sale and that are often bought and sold by the Bank with the intention of selling them in the short term in order to benefit from the short-term price variations, The financial management portfolios include all financial investments not considered in the trading portfolio.

The general responsibility for market risk lies with the ALCO, The Bank's risk / finance department is responsible for the preparation of detailed management policies and their application in the Bank's operations in accordance with the guidelines established by the ALCO and by the Global Risk Department of Banco Santander de España.

The functions of the department in relation to the trading portfolio entail the following:

- i, apply "Value at Risk" (VaR) techniques to measure interest rate risk.
- ii, adjust the trading portfolios to the market and measure the profit and daily loss of commercial activities.
- iii, compare the real VAR with the established limits.
- iv, establish procedures to control losses in excess of predetermined limits and
- v, Provide information on the negotiation activities for the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander – Spain.

The functions of the department in relation to the financial management portfolios entail the following:

- i, apply sensitivity simulations (as explained below) to measure the interest rate risk of activities in local currency and the potential loss foreseen by these simulations and
- ii, provides the respective daily reports to the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander – Spain.

Market risk - Negotiation portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio, The Bank has a consolidated commercial position composed of fixed income investments, foreign currency trading and a minimum equity investment position, The composition of this portfolio consists essentially of bonds of the Central Bank of Chile, mortgage bonds and locally issued low-risk corporate bonds, At the end of the year, the trading portfolio did not present investments in stock portfolios.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the losses and gains that would have occurred with the current portfolio if the market conditions of a certain historical period were in force, from that information, infer the maximum loss with a certain level of confidence, The methodology has the advantage of accurately reflecting the historical distribution of market variables and of not requiring any specific probability distribution assumption, All VaR measures are intended to determine the distribution function for the change in the value of a given portfolio, and once this distribution is known, to calculate the percentile related to the level of confidence needed, which will be equal to the value at risk in virtue of those parameters, As calculated by the Bank, the VaR is an estimate of the maximum expected loss of the market value of a given portfolio within a 1-day horizon at a confidence level of 99,00%, It is the maximum loss of a day in which the Bank could expect to suffer in a certain portfolio with a 99,00% confidence level, In other words, it is the loss that the Bank would expect to exceed only 1,0% of the time, The VaR provides a single estimate of market risk that is not comparable from one market risk to another, The returns are calculated using a 2 year time window or at least 520 data obtained from the reference date of VaR calculation backwards in time.

The Bank does not calculate three separate VaRs, A single VaR is calculated for the entire trading portfolio, which, in addition, is segregated by type of risk, The VaR program performs a historical simulation and calculates a profit and loss statement (G & P) for 520 data points (days) for each risk factor (fixed income, currencies and variable income), The G & P of each risk factor is added and a consolidated VaR calculated with 520 data points or days, At the same time, the VaR is calculated for each risk factor based on the individual G & P calculated for each factor, Moreover, a weighted VaR is calculated in the manner described above but which gives a weight greater than the 30 most recent data points, The largest of the two VaRs is reported.

The Bank uses the VaR estimates to deliver a warning in case the statistically estimated losses in the trading portfolio exceed the prudent levels and, therefore, certain predetermined limits exist.

Limitations of the VaR model

When applying this calculation methodology no assumption is made about the probability distribution of changes in risk factors, simply use the changes observed historically to generate scenarios for the risk factors in which each of the positions will be valued, in portfolio.

It is necessary to define a valuation function $f_j(x_i)$ for each instrument j , preferably the same one that it uses to calculate the market value and results of the daily position, This valuation function will be applied in each scenario to generate simulated prices of all the instruments in each scenario.

In addition, the VaR methodology must be interpreted considering the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, nor may they have a normal distribution, In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;
- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in risk factors in the future, and any modification of the data may be inadequate, In particular, the use of historical data may fail to capture the risk of possible extreme and adverse market fluctuations regardless of the period of time used;
- a 1-day time horizon may not fully capture those market risk positions that can not be liquidated or hedged in one day, It would not be possible to liquidate or cover all positions in a day;
- VaR is calculated at the close of business, however trading positions may change substantially during the trading day;
- The use of 99% confidence level does not take into account, nor does it make any statement about, the losses that may occur beyond this level of trust, and
- The model as such VaR does not capture all the complex effects of the risk factors on the value of the positions or portfolios, and therefore, could underestimate the potential loss.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

At no time in 2020 and 2019, the Bank exceeded the VaR limits in relation to the 3 components that make up the trading portfolio: fixed income investments, variable income investments and investments in foreign currency.

The Bank performs daily back-testing and, in general, it is discovered that trading losses exceed the estimated VaR almost one in every 100 trading days, At the same time, a limit was established for the maximum VaR that is willing to accept on the trading portfolio, In both 2020 and 2019, the Bank has remained within the maximum limit established for the VaR, even in those instances in which the real VaR exceeded the estimate.

The high, low and average levels for each component and for each year were the following:

VAR	2020 MMUSD	2019 MMUSD
Consolidated:		
High	12.82	15.78
Low	1.94	1.33
Average	4.45	3.06
Fixed income investments:		
High	11.96	9.77
Low	1.50	1.18
Average	3.19	2.33
Variable income investments:		
High	0.01	0.01
Low	-	-
Average	-	-
Foreign currency investments		
High	6.47	6.05
Low	0.71	0.10
Average	2.85	1.60

Market risk – local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's assets and non-trading liabilities, including the loan / loan portfolio, For these portfolios, investment and financing decisions are heavily influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currency (not included in the trading portfolio), The Bank performs a scenario simulation which will be calculated as the difference between the present value of the flows in the chosen scenario (curve with parallel movement of 100 bp in all its tranches) and its value in the base scenario (current market) , All positions in local currency indexed to inflation (UF) are adjusted by a sensitivity factor of 0,57, which represents a change in the rate curve at 57 basis points in real rates and 100 basis points in nominal rates, The same scenario is carried out for net foreign currency positions and interest rates in US dollars, The Bank has also established limits regarding the maximum loss that these types of movements in interest rates may have on capital and net financial income budgeted for the year.

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial loss limit and the capital and reserve loss limit, using the following formula:

$$\text{Bound limit} = \text{square root of } a^2 + b^2 + 2ab$$

a: limit in national currency.

b: limit in foreign currency.

Since it is assumed that the correlation is 0. $2ab = 0$.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

Limitation of the sensitivity models

The most important assumption is the use of a change of 100 basis points in the yield curve (57 basis points for real rates), The Bank uses a change of 100 basis points given that sudden changes of this magnitude are considered realistic, The Global Risk Department of Santander Spain has also established comparable limits by country, in order to be able to compare, monitor and consolidate the market risk by country in a realistic and orderly manner.

In addition, the methodology of sensitivity simulations should be interpreted considering the following limitations:

- The simulation of scenarios assumes that the volumes remain in the Bank's Consolidated Statement of Financial Position and that they are always renewed at maturity, omitting the fact that certain considerations of credit risk and prepayments may affect the maturity of certain positions.
- This model assumes an equal change in the entire performance curve of everything and does not take into account the different movements for different maturities.
- The model does not take into account the sensitivity of volumes resulting from changes in interest rates.
- The limits to the losses of budgeted financial income are calculated on the basis of expected financial income for the year that can not be obtained, which means that the actual percentage of financial income at risk could be greater than expected.

Market risk – Financial management portfolio – December 31, 2020 and 2019.

	2020		2019	
	Effect on financial income	Effect on capital	Effect on financial income	Effect on capital
Financial management portfolio – local currency (MCh\$)				
Loss limit	100,000	329,275	100,000	275,000
High	66,504	302,263	32,719	273,473
Low	26,492	214,596	12,686	145,338
Average	45,380	255,070	24,398	228,772
Financial management portfolio – foreign currency (Th\$US)				
Loss limit	32	53	30	75
High	19	47	20	35
Low	2	12	5	1
Average	5	33	12	12
Financial management portogolio (MCh\$)				
Loss limit	100,000	329,275	100,000	275,000
High	67,584	286,436	34,462	271,989
Low	25,111	210,706	15,236	143,836
Average	46,044	246,292	27,634	227,303

To fulfill its functions, the CIR works directly with the Bank's risk and control departments, whose joint objectives include:

- evaluate those risks that, due to their size, could compromise the solvency of the Bank, or that present potentially significant operational or reputation risks;
- ensure that the Bank is provided with the means, systems, structures and resources in accordance with the best practices that allow for the implementation of the strategy in risk management;
- ensure the integration, control and management of all Bank risks;
- execute the application throughout the Bank and its businesses of homogeneous risk principles, policies and metrics;
- develop and implement a risk management model in the Bank, so that the risk exposure is properly integrated in the different decision-making processes;
- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantify sensitivities and the foreseeable impact of different scenarios on the positioning of risks; Y
- manage the structural liquidity risks, interest rates and exchange rates, as well as the Bank's own resources base.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

To comply with the aforementioned objectives, the Bank (Administration and ALCO) carries out several activities related to risk management, which include: calculating the risk exposures of the different portfolios and / or investments, considering mitigating factors (guarantees, netting, collaterals, etc.); calculate the probabilities of expected loss of each portfolio and / or investments; assign the loss factors to the new operations (rating and scoring); measure the risk values of the portfolios and / or investments according to different scenarios through historical simulations; establish limits to potential losses based on the different risks incurred; determine the possible impacts of structural risks in the Consolidated Statements of Results of the Bank; set the limits and alerts that guarantee the Bank's liquidity; and identify and quantify operational risks by business lines and thus facilitate their mitigation through corrective actions.

The CDA is primarily responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks the Bank faces.

Credit risk

Credit risk is the risk that one of the parties to the financial instrument contract fails to comply with its contractual obligations due to insolvency or disability of natural or legal persons and causes a financial loss in the other party, For purposes of credit risk management, the Bank consolidates all the elements and components of credit risk exposure (eg risk of individual default by creditor, innate risk of a line of business or sector, and / or geographical risk).

Mitigation of credit risk for loans and accounts receivable

The Board of Directors has delegated responsibility for credit risk management to the Comprehensive Risk Committee (CIR) and the Bank's risk departments whose roles are summarized as follows:

- Formulation of credit policies, in consultation with the business units, covering the requirements of guarantee, credit evaluation, risk rating and presentation of reports, documents and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.
- Establish the structure of the authorization for the approval and renewal of credit applications, The Bank structures levels of credit risk by placing limits on the concentration of that risk in terms of individual debtors, groups of debtors, segments of industries and countries, The authorization limits are assigned to the respective officers of the business unit (commercial, consumption, PYMEs) to be monitored permanently by the Administration, In addition, these limits are reviewed periodically, The risk assessment teams at branch level interact regularly with clients, however for large operations, the risk teams of the parent company and even the CIR, work directly with clients in the evaluation of credit risks and preparation of credit risk, credit applications, Inclusively, Banco Santander España participates in the process of approving the most significant loans, for example to clients or economic groups with debt amounts greater than US \$ 40 million.
- Limit concentrations of exposure to customers, counterparts, in geographic areas, industries (for accounts receivable or credits), and by issuer, credit rating and liquidity (for investments).
- Develop and maintain the Bank's risk classification in order to classify the risks according to the degree of exposure to financial loss faced by the respective financial instruments and with the purpose of focusing the management or risk management specifically on the associated risks.
- Review and evaluate credit risk The risk divisions of the Administration are largely independent of the commercial division of the bank and evaluate all credit risks in excess of the designated limits, prior to the approval of credits to customers or prior to the acquisition of specific investments, Credit renewals and revisions are subject to similar processes.

In the preparation of a credit request for a corporate client, the Bank verifies several parameters such as the debt service capacity (including, generally, projected cash flows), the client's financial history and / or projections for the economic sector in which it operates, The risk division is closely involved in this process, All requests contain an analysis of the client's strengths and weaknesses, a rating and a recommendation, The credit limits are not determined based on the outstanding balances of the clients, but on the direct and indirect credit risk of the financial group, For example, a limited company would be evaluated together with its subsidiaries and affiliates.

Consumer loans are evaluated and approved by their respective risk divisions (individuals, PYMEs) and the evaluation process is based on an evaluation system known as Garra (Banco Santander) and Syseva of Santander Banefe, both processes are decentralized, automated and they are based on a scoring system that includes the credit risk policies implemented by the Bank's Board of Directors, The credit application process is based on the collection of information to determine the client's financial situation and ability to pay, The parameters that are used to assess the credit risk of the applicant include several variables such as: income levels, duration of current employment, indebtedness, reports of credit agencies.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

Mitigation of credit risk of other financial assets (investments, derivatives, commitments)

As part of the process of acquiring financial investments and financial instruments, the Bank considers the probability of uncollectibility of issuers or counterparties using internal and external evaluations such as independent risk evaluators of the Bank. In addition, the Bank is governed by a strict and conservative policy which ensures that the issuers of its investments and counterparties in transactions of derivative instruments are of the highest reputation.

In addition, the Bank operates with various instruments that, although they involve exposure to credit risk, are not reflected in the Consolidated Statement of Financial Position, such as: guarantees and bonds, documentary letters of credit, guarantee slips and commitments to grant loans.

The guarantees and bonds represent an irrevocable payment obligation. In the event that a guaranteed client does not fulfill its obligations with third parties who are liable to the Bank, the latter will make the corresponding payments, so that these transactions represent the same exposure to credit risk as a common loan.

Documentary letters of credit are commitments documented by the Bank on behalf of the client that are guaranteed by the merchandise shipped to which they are related and, therefore, have a lower risk than direct indebtedness. Guarantee slips correspond to contingent commitments that are made effective only if the client does not comply with the performance of works agreed with a third party, guaranteed by them.

When it comes to commitments to grant credit, the Bank is potentially exposed to losses in an amount equivalent to the unused total of the commitment. However, the probable amount of loss is less than the unused total of the commitment. The Bank monitors the maturity of credit lines because generally long-term commitments have a higher credit risk than short-term commitments.

Maximum credit risk exposure

For financial assets recognized in the Consolidated Statement of Financial Position, exposure to credit risk is equal to their book value. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantee were executed.

Below is the distribution by financial asset and off-balance sheet commitments of the Bank's maximum exposure to credit risk as December 31, 2020 and 2019, without deduction of collateral, security interests or credit improvements received:

		As of december 31, 2020 Amount of exposure MCh\$	As of December 31, 2019 Amount of exposure MCh\$
	Note		
Deposits in banks	5	2,137,891	2,693,342
Cash items in process of collection	5	452,963	355,062
Trading investments	6	133,718	270,204
Investments under resale agreements	7	-	-
Financial derivative contracts	8	9,032,085	8,148,608
Loans and accounts receivable from customers and interbank loans, net	9 y 10	33,432,349	31,838,568
Available for sale investments	11	7,162,542	4,010,272
Off-balance commitments:			
Letters of credit issued	23	165,119	140,572
Foreign letters of credit confirmed	23	82,779	70,192
Guarantees	23	1,090,643	1,929,894
Available credit lines	23	8,391,414	8,732,422
Personal guarantees	23	441,508	451,950
Other irrevocable credit commitments	23	406,234	485,991
Total		62,929,245	59,127,077

Banco Santander-Chile and Subsidiaries

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NOTE 39

RISK MANAGEMENT, continued

Regarding the quality of the credits, these are classified in accordance with what is described in the compendium of regulations of the CMF as of December 31, 2020 and 2019:

Category Comercial Portfolio	As of December 31, 2020				As of December 31, 2019			
	Individual	Percentage	Allowance	Percentage	Individual	Percentage	Allowance	Percentage
	MCh\$	%	MCh\$	%	MCh\$	%	MCh\$	%
A1	35,166	0.10	11	-	99,042	0.31	34	-
A2	708,645	2.06	466	0.05	907,696	2.78	572	0.06
A3	1,971,814	5.73	2,932	0.30	2,213,921	6.77	3,434	0.38
A4	2,452,158	7.13	17,261	1.77	3,514,637	10.74	19,937	2.23
A5	2,824,129	8.21	35,107	3.59	2,226,246	6.81	29,599	3.31
A6	1,953,513	5.68	41,468	4.25	1,134,045	3.46	23,568	2.67
B1	715,349	2.08	21,420	2.19	603,202	1.85	10,689	1.21
B2	161,472	0.47	9,326	0.95	83,341	0.25	3,428	0.38
B3	66,379	0.19	3,331	0.34	85,851	0.27	4,590	0.51
B4	122,678	0.36	19,284	1.97	133,701	0.41	23,797	2.66
C1	168,035	0.49	3,361	0.34	158,437	0.48	3,169	0.35
C2	81,772	0.24	8,177	0.84	75,830	0.24	7,583	0.85
C3	56,928	0.17	14,232	1.46	48,601	0.14	12,150	1.36
C4	50,403	0.15	20,161	2.06	41,372	0.12	16,549	1.85
C5	40,803	0.12	26,522	2.72	44,904	0.13	29,188	3.27
C6	136,424	0.40	134,590	13.78	53,646	0.16	48,262	5.40
Subtotal	11,545,668	33.57	357,649	36.61	11,424,472	34.92	236,549	26.49
	Group	Percentage	Allowance	Percentage	Group	Percentage	Allowance	Percentage
	MCh\$	%	MCh\$	%	MCh\$	%	MCh\$	%
Commercial								
Normal Portfolio	5,077,553	14.76	78,137	8.00	4,027,776	12.31	76,918	8.61
Impaired portfolio	414,315	1.20	210,903	21.59	462,583	1.41	198,975	22.27
Subtotal	5,491,868	15.96	289,040	29.59	4,490,359	13.72	275,893	30.88
Mortgage								
Normal Portfolio	12,004,931	34.91	23,674	2.42	10,733,871	32.81	21,078	2.36
Impaired portfolio	406,894	1.18	37,607	3.85	529,124	1.62	47,383	5.31
Subtotal	12,411,825	36.09	61,281	6.27	11,262,995	34.43	68,461	7.67
Mortgage								
Normal Portfolio	4,697,166	13.66	95,567	9.78	5,258,137	16.07	124,054	13.89
Impaired portfolio	243,713	0.72	173,274	17.75	280,920	0.86	188,191	21.07
Subtotal	4,940,879	14.38	268,841	27.53	5,539,057	16.93	312,245	34.96
Total	34,390,240	100.00	976,811	100.00	32,716,883	100.00	893,148	100.00

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

As of December 31, 2020 and 2019, the Bank estimates that the credit quality of its other financial assets and financial liabilities is not significant for disclosure.

Regarding the individual evaluation portfolio, the different categories correspond to:

- Categories A or Portfolio in Normal Compliance, is one that is made up of debtors whose ability to pay them it allows compliance with its financial obligations and commitments, and that according to the evaluation of its economic-financial situation, it is not seen that this condition changes in the short term.
- Categories B or Substandard Portfolio, is one that contemplates debtors with financial difficulties or significant worsening of their ability to pay and over which there are reasonable doubts about the total reimbursement of principal and interest in the terms agreed upon, showing a low slack to meet with your financial obligations in the short term.
- Categories C or Portfolio in Default, is made up of those debtors whose recovery is considered remote, since they show a deteriorated or no capacity to pay.

As for the group evaluation portfolios, a joint evaluation of the operations that compose it is carried out.

Refer to Note 31 for details of impaired Bank loans and their respective provisions. Also refer to the Note 20 for a breakdown of the maturities of the Bank's financial assets.

Exposure to credit risk in derivative contracts with abroad

As of December 31, 2020, the Bank's foreign exposure, including the counterparty risk in the derivative portfolio, was USD 2,639 million or 1,58% of the assets. In the table below, the exposure to derivative instruments is calculated using the equivalent credit risk, which is equal to the net value of the replacement plus the maximum potential value, considering the collateral in cash, which mitigates the exposure.

Below, additional details are included regarding our exposure to those countries that have a rating of 1 and that correspond to the largest exposures. The following is the exposure as of December 31, 2020, considering the fair value of the derivative instruments.

Country	Clasificación	Derivative instrument				Total exposure
		(adjusted to market)	Deposits	Loans	Financial investments	
		MM USD	M USD	M USD	M USD	
Colombia	2	0,81	-	-	-	0,81
Italia	2	-	3,36	0,13	-	3,49
México	2	9,86	0,03	-	-	9,89
Panamá	2	5,77	-	-	-	5,77
Perú	2	1,61	-	-	-	1,61
Total		18,05	3,39	0,13	-	21,57

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

NOTE 39

RISK MANAGEMENT, continued

Our exposure to Spain within the group is as follows:

Counterpart	Country	Clasificación	Derivative intruments (adjusted to market) M USD	Deposits M USD	Loans M USD	Financial investments M USD	Total exposure M USD
Banco Santander España (*)	España	1	207,17	139,98	-	-	347,15

(*) The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the net credit exposure is USD \$ 0.28

(*) We include our exposure to Santander UK and Mexico as exposure to Spain.

Impairment of other financial instruments

As of December 31, 2020 and 2019, the Bank did not have significant impairments in its financial assets other than credits and/or accounts receivable.

Security interests and credit improvements

The maximum exposure to credit risk, in some cases, is reduced by guarantees, credit enhancements and other actions that mitigate the Bank's exposure. Based on this, the constitution of guarantees is a necessary but not sufficient instrument in the granting of a loan; therefore, the acceptance of risk by the Bank requires the verification of other variables or parameters such as the ability to pay or generate resources to mitigate the risk incurred.

The procedures for the management and valuation of guarantees are included in the internal risk management policy. These policies establish the basic principles for the management of credit risk, which includes the management of guarantees received in transactions with customers. In this sense, the risk management model includes assessing the existence of appropriate and sufficient guarantees that allow the recovery of the loan to be carried out when the debtor's circumstances do not allow it to meet its obligations.

The procedures used for the valuation of the guarantees are in accordance with the best practices of the market, which involve the use of valuations in real estate guarantees, market price in stock values, value of the shares in an investment fund, etc. All the collateral received must be properly instrumented and registered in the corresponding registry, as well as having the approval of the Bank's legal divisions.

The Bank also has rating tools that allow ordering the credit quality of operations or clients. In order to study how this probability varies, the Bank has historical databases that store the information generated internally. The qualification tools vary according to the segment of the analyzed client (commercial, consumption, SMEs, etc.).

The following is a breakdown of impaired and non-impaired financial assets that have collateral, collateral or credit enhancements associated with the Bank as of December 31, 2020 and 2019:

	As of December, 2020 MCh\$	As of December, 2019 MCh\$
Non-impaired financial assets:		
Properties/mortgages	25,424,161	23,371,510
Investments and others	2,306,062	2,785,219
Impaired financial assets:		
Properties/mortgages	1,548,568	1,245,971
Investments and others	65,668	565,951
Total	29,344,459	27,968,651

NOTE 39

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

RISK MANAGEMENT, continued

Liquidity risk

Liquidity risk is the risk that the Bank has difficulties in complying with the obligations associated with its financial obligations.

Liquidity risk management

The Bank is exposed daily to requirements of cash funds from several banking transactions such as current account drafts, payments of term deposits, guarantee payments, disbursements of derivative operations, etc. As is inherent in banking activity, the Bank does not hold funds in cash to cover the balance of those positions, since experience shows that only a minimum level of these funds will be withdrawn, which can be foreseen with a high degree of certainty.

The Bank's approach to liquidity management is to ensure, to the extent possible, that it always has sufficient liquidity to meet its obligations at maturity, under normal circumstances and stress conditions, without incurring unacceptable losses or risking risk, of damage to the reputation of the Bank. The Board sets limits on a minimum portion of funds to be made available to meet such payments and on a minimum level of inter-bank operations and other lending facilities that should be available to cover drafts at unexpected levels of demand, which is reviewed periodically. On the other hand, the Bank must comply with regulatory limits dictated by the CMF for the mismatches of terms.

These limits affect the mismatches between future income and expenditure flows of the Bank considered individually and are the following:

- i, Mismatches of up to 30 days for all currencies, up to once the basic capital;
- ii, mismatches of up to 30 days for foreign currencies, up to once the basic capital; and
- iii, mismatches of up to 90 days for all currencies, twice the basic capital.

The treasury department receives information from all the business units on the liquidity profile of its financial assets and liabilities and details of other projected cash flows derived from future businesses. According to this information, treasury maintains a portfolio of liquid assets in the short term, composed largely of liquid investments, loans and advances to other banks, to ensure that the Bank maintains sufficient liquidity. The liquidity needs of the business units are met through short-term transfers from treasury to cover any short-term fluctuation and long-term financing to address all structural liquidity requirements.

The Bank monitors its liquidity position on a daily basis, determining the future flows of its expenses and revenues. In addition, stress tests are carried out at the end of each month, for which a variety of scenarios are used, covering both normal market conditions and fluctuation conditions. The liquidity policy and procedures are subject to review and approval by the Bank's Board of Directors. Periodic reports are generated detailing the liquidity position of the Bank and its affiliates, including any exceptions and corrective measures adopted, which are regularly reviewed by the ALCO.

The Bank is based on client (retail) and institutional deposits, bonds with banks, debt instruments and time deposits as its main sources of financing. Although most of the obligations with banks, debt instruments and time deposits have maturities of more than one year, customer and retail 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 liquidity risk of the Bank and therefore the Bank actively manages this risk by constantly monitoring market trends and price management.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

Exposure to liquidity risk

One of the key measures used by the Bank to manage liquidity risk is the proportion of net liquid assets to customer deposits. For this purpose, the net liquid assets must include cash / cash equivalents and debt investments for which there is an active and liquid market minus the deposits of the banks, fixed income securities issued, loans and other commitments maturing in next month. A similar measure, but not identical, is used as a calculation to measure the Bank's compliance with the liquidity limit established by the CMF, where the Bank determines the mismatch between its rights and obligations according to maturity according to the estimated performance.

The proportions of the mismatches at 30 days in relation to capital and 90 days in relation to 2 times the capital are shown in the following table:

	As of December 31, 2020	As of December 31, 2019
	%	%
30 days	30	63
30 days foreign	15	-
90 days	32	79

Following is a breakdown, by contractual maturities, of the balances of the Bank's assets and liabilities as of December 31, 2020 and 2019, considering also those unrecognized commitments:

As of December 31, 2020	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$
Asset expiration (Note 20)	4,034,824	2,639,165	1,848,268	4,655,603	5,589,111	4,397,802	31,437,352	54,602,125
Expiration of liabilities (Note 20)	(15,867,957)	(7,821,474)	(4,029,845)	(3,589,747)	(4,714,324)	(8,142,738)	(6,817,582)	(50,983,667)
Net expiration	(11,833,133)	(5,182,309)	(2,181,577)	1,065,856	874,787	(3,744,936)	24,619,770	3,618,458
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(33,588)	(29,958)	(367,164)	(10,798)	-	-	(441,508)
Letters of credit from abroad confirmed	-	(18,247)	(48,056)	(16,163)	(313)	-	-	(82,779)
Letters of documentary credits issued	-	(42,089)	(83,764)	(36,201)	(3,065)	-	-	(165,119)
Guarantee	-	(114,653)	(181,399)	(437,835)	(303,165)	(46,971)	(6,620)	(1,090,643)
Net maturity, including commitments	(11,833,133)	(5,390,886)	(2,524,754)	208,493	557,446	(3,791,907)	24,613,150	1,838,409

As of December 31, 2019	A la vista	Hasta 1 mes	Entre 1 y 3 meses	Entre 3 y 12 meses	Entre 1 y 3 años	Entre 3 y 5 años	Más de 5 años	Total
	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$
Asset expiration (Note 20)	4,539,389	4,513,787	2,813,147	7,255,064	8,078,287	5,720,027	16,465,316	49,385,017
Expiration of liabilities (Note 20)	(11,793,782)	(6,641,245)	(6,747,894)	(5,610,834)	(4,439,984)	(3,425,089)	(6,200,485)	(44,859,313)
Net expiration	(7,254,393)	(2,127,458)	(3,934,747)	1,644,230	3,638,303	2,294,938	10,264,831	4,525,704
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(30,356)	(9,009)	(318,024)	(93,814)	(747)	-	(451,950)
Letters of credit from abroad confirmed	-	(25,492)	(1,808)	(11,305)	(31,587)	-	-	(70,192)
Letters of documentary credits issued	-	(33,207)	(347)	(33,438)	(73,580)	-	-	(140,572)
Guarantee	-	(144,363)	(546,369)	(902,737)	(216,472)	(97,661)	(22,292)	(1,929,894)
Net maturity, including commitments	(7,254,393)	(2,360,876)	(4,492,280)	378,726	3,222,850	2,196,530	10,242,539	1,933,096

The above tables show the undiscounted cash flows of the Bank's financial assets and liabilities on the estimated maturity basis. The expected cash flows of the Bank from these instruments can vary considerably compared to this analysis. For example, demand deposits are expected to remain stable or have an increasing trend, and unrecognized loan commitments are not expected to be executed all that have been arranged. In addition, the above breakdown excludes available lines of credit, since they lack contractual defined maturities.

NOTE 39 RISK MANAGEMENT, continued

Operating risk

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

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Operational risk is the risk of direct or indirect losses arising from a wide variety of causes related to the Bank's processes, personnel, technology and infrastructure, and external factors that are not credit, market or liquidity, such as those related to legal or regulatory requirements, Operating risks arise from all Bank operations.

The objective of the Bank is the management of operational risk in order to mitigate economic losses and damages to the Bank's reputation with a flexible structure of internal control.

The Bank's Administration has the primary responsibility for the development and application of controls to deal with operational risks, This responsibility is supported by the overall development of the Bank's standards for operational risk management in the following areas:

- Requirements for the proper segregation of functions, including the independent authorization of operations
- Requirements for reconciliation and supervision of transactions
- Compliance with applicable legal and regulatory requirements
- Documentation of controls and procedures
- Requirements for the periodic evaluation of the applicable operational risks, and the adequacy of the controls and procedures to deal with the identified risks
- Requirements for the disclosure of operating losses and the proposed corrective measures
- Development of contingency plans
- Training and professional development / training
- Establishment of business ethics standards
- Reduction or mitigation of risks, including contracting insurance policies if they are effective.

Compliance with Bank regulations is supported by a program of periodic reviews carried out by the Bank's internal audit and whose examination results are presented internally to the management of the business unit examined and to the Directors and Audit Committee.

The Bank operates mainly in Chile, therefore most of its financial instruments are concentrated in that country. Refer to Note No. 09 of the Consolidated Financial Statements for a detail of the concentration by industry of the Bank's credits and accounts receivable.

Capital risk

The Group defines capital risk as the risk that the Group or any of its companies may have an insufficient amount and/or quality of capital to: meet the minimum regulatory requirements in order to operate as a bank; respond to market expectations regarding its creditworthiness; and support its business growth and any strategic possibilities that might arise, in accordance with its strategic plan.

The objectives in this connection include most notably:

- To meet the internal capital and capital adequacy targets.
- To meet the regulatory requirements.
- To align the Bank's strategic plan with the capital expectations of external agents (rating agencies, shareholders and investors, customers, supervisors, etc.)
- To support the growth of the businesses and any strategic opportunities that may arise.

The Group has a capital adequacy position that surpasses the levels required by regulations,

Capital management seeks to optimize the creation of value in the Bank and in its business segments. The Bank continually assesses its risk-return ratios through its basic capital, effective equity, economic capital, and return on equity. With regard to capital adequacy, the Banks carry out their internal process based on the CMF (ex SBIF) standards that are based on the Basel Capital Accord (Basel I) and as of December 1, 2020 the CMF will be based on Basel III. Economic capital is the capital required to bear all the risk of commercial activity with a certain level of solvency.

Capital is managed according to the risk environment, the economic performance of Chile and the business cycle, Board may modify our current equity policies to address changes in the mentioned risk environment.

NOTE 39 RISK MANAGEMENT, continued

Capital minimum

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch\$23,256 million or U.S.\$ 32,6 million as of December 31, 2020) of paid-in capital and reserves, calculated in accordance with CMF.

Capital requirement

Chilean banks are required by the General Banking Law to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves ("basic capital") of at least 3% of total assets, net of required loan loss allowances. Regulatory capital and basic capital are calculated based on the consolidated financial statements prepared in accordance with the Compendium of Accounting Standards issued by the CMF. As we are the result of the merger between two predecessors with a relevant market share in the Chilean market, we are currently required to maintain a minimum regulatory capital to risk-weighted assets ratio of 11%. As of December 31, 2020, the ratio of our regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, was 15.37% and our core capital ratio was 6.96%.

Regulatory capital is defined as the aggregate of:

- a bank's paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches or basic capital;
- its subordinated bonds, valued at their placement price (but decreasing by 20,0% for each year during the period commencing six years prior to maturity), for an amount up to 50,0% of its basic capital; and
- its voluntary allowances for loan losses for an amount of up to 1,25% of risk weighted-assets.

On August 21, 2020, circular No. 2265 was published indicating the new treatment, where the amounts of the credits that are guaranteed by the Chilean Treasury are incorporated into category 2 of the risk-weighted asset classification. , CORFO and FOGAPE, which consequently went from having a credit risk weight of 100% to 10%.

Since December 1, the regulatory capital definition has changed and is defined as follows:

- Paid capital of the bank for ordinary shares subscribed and paid;
- Premium paid for the instruments included in this capital component;
- Reserves, both non-profit and non-profit, due to the depreciation of bonds without a fixed maturity term and due to the expiration of bonds without a fixed maturity term;
- Items of "other accumulated comprehensive income";
- Retained earnings from previous years, profit (loss) for the year, net of provisions for minimum dividends, appreciation of bonds with no fixed maturity term and payment of interest and / or dividends of issued regulatory capital financial instruments;
- Non-controlling interest as indicated in the Compendium of Accounting Standards (CNC).

BASILEA III adoption in Chile

The new General Banking Law (updated through Law 21,130) defines general guidelines to establish a capital adequacy system in line with the international standards of Basel III, giving the CMF the power to dictate the framework of capital in a prudent manner. In particular, the CMF is empowered, with the prior favorable agreement of the Board of the Central Bank of Chile (BCCh), to define by regulation, the new methodologies for calculating assets weighted by credit, market and operational risk; the conditions of issuance of hybrid instruments AT1, and the determination and capital charges for banks of local systemic importance. It also introduced conservation and counter-cyclical buffers and expanded the CMF's powers to make prudential discounts to regulatory capital and require additional measures, including higher capital, from banks that present deficiencies in the supervisory evaluation process (pillar 2). The implementation of Basel III makes it possible to focus risk management towards a more comprehensive vision of them, with a focus on capital adequacy.

In accordance with the foregoing, last December the CMF completed the process of issuing the necessary regulations for the implementation in Chile of the capital framework of the Basel III standards. But in the current context of a coronavirus pandemic, the CMF, in coordination with the Central Bank of Chile and in line with the measures adopted by regulators at the international level, decided to postpone the implementation of the APR calculation for one year and maintain it temporarily the general regulatory framework in force until November 30, 2021.

NOTE 39 RISK MANAGEMENT, continued

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

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Additionally, it was decided to advance in the transitory credit risk standard, a capital mitigation mechanism to facilitate the development of the debt agreement market, and that complements a similar treatment of state guarantees already granted by the CMF this year. In the case of Pillar 3, implementation was postponed until 2023.

The Bank, for its part, is already working on the implementation of the regulations through a multidisciplinary group, which are carrying out the necessary exercises and required developments, including the implementation of the files designed by the regulator for this purpose, taking into account consideration of the implementation schedule.

The basic capital and effective equity levels at the end of each period are as follows:

	As of December 31,		Ratio	
	As of December 31,		As of December 31,	
	2020 MCh\$	2019 MCh\$	2020 %	2019 %
Basic capital	3,567,916	3,390,823	6.69	6.96
Regulatory capital	5,143,843	4,304,401	15.37	12.86

Concentration of risk

The Bank operates mainly in Chile, so most of its financial instruments are concentrated in that country, Refer to Note 10 of the financial statements for a breakdown of the concentration by industry of the Bank's receivables and accounts receivable.

NOTE 40 NON-CURRENT ASSETS HELD FOR SALE

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2020 AND 2019

Banco Santander has embarked on an internal process of developing its acquisition network, thereby abandoning investments in the companies that provided such services. Therefore, senior management has engaged in a buyer search plan for such shareholdings.

As required by IFRS 5, the Bank has presented the non-current asset classified as held for sale by isolating it from the rest of the investments in associates, in the same way it has presented the income associated with said investments as non-current results in a comparative way.

Given the facts and circumstances arising from the social contingency in Chile and the global pandemic due to Covid-19 (situations beyond the Bank's control), the process of sale of the shares has taken a longer time than initially estimated, however the Bank continues committed to the sale plan for said assets and to its acquisition network development plan, evidenced by the recent creation of a payment card operating company and the active search for potential buyers.

The following investments in associates were classified to non-current assets held for sale:

	Participation %	As of December 31, 2020		As of December 31, 2019	
		Assets MCh\$	Result MCh\$	Assets MCh\$	Result MCh\$
Transbank	25.00	19,093	-	19,093	1,442
Nexus	-	-	-	357	136
Redbanc	33.43	2,943	-	2,943	121
Totales		22,036	-	22,393	1,699

(*) By public deed dated January 22, 2020, the sale of 79,577 shares that Banco Santander Chile held with Nexus S.A. was materialized with Banco Itau-Corpbanca, thus completing the total sale of the stake that the Bank held in Nexus S.A.

Banco Santander-Chile and Subsidiaries

Notes to the Consolidated Financial Statements

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NOTE 41

SUBSEQUENT EVENTS

Company

On January 7, 2021, an Extraordinary Shareholders' Meeting of the Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile SA agreed to pay the total subscribed and unpaid capital by its shareholders, for a total amount of MM \$ 3,727. The shareholder Santander Asesorias Financieras made its payment in cash for ThCh \$ 800. For its part, the shareholder Banco Santander Chile made its payment in part with cash for MM \$ 38 and also contributing species (assets) valued by the extraordinary meeting at MM \$ 3,689.

On January 29, 2021, in an exempt resolution No. 704, the Board of the Financial Market Commission adopted in the Ordinary Session No. 220 dated January 28, 2021, approving the application for authorization to operate the Card Operator Company. Payment Santander Getnet Chile SA as a company to support the bank transfer and its registration in the Single Register of Payment Card Operators of this Institution.

Board

On February 3, 2021, the Bank's Board of Directors in an extraordinary session approved the constitution of additional voluntary provisions for an amount that amounts to \$ 24,000 million, in order to mitigate eventual future effects of the current health crisis on the loan portfolio of the Bank.

Standards

Due to the importance of the FCIC for the implementation of monetary policy and financial stability, and considering the evolution of the financing needs of companies and the adjustments in the Government's guarantee programs, the Central Bank of Chile announced on 27 January 2021, the start of a third stage of this instrument (FCIC3). In particular, this new stage is aimed at: (i) completing the committed execution of this monetary policy instrument, and (ii) deepening and extending commercial credit in the face of the prolongation of the health emergency and the need to support the reactivation process, responding to the current financial needs of companies, complementing the recently enacted Fogape-Reactiva program, especially in its refinancing line. FCIC 3 will go into effect on March 1, 2021 and there will be a limit to access per bank of US \$ 2 billion. Additionally, the Fogape-Reactiva program is a new economic support measure that includes financing for Working Capital, Investment and Refinancing for Micro, Small and Large Companies, valid until December 31, 2021.

There are no other subsequent events to be disclosed that occurred between January 1, 2021 and the date of issuance of these Financial Statements (February 26, 2021).

JONATHAN COVARRUBIAS H.
Chief Accounting Officer

MIGUEL MATA HUERTA
Chief Executive Officer

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