FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

Commission File Number: 001-14554

Banco Santander Chile
Santander Chile Bank

(Translation of Registrant's Name into English)

Bandera 140
Santiago, Chile
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):
Yes ☐ No ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):
Yes ☐ No ☒

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:
Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

IMPORTANT NOTICE

The unaudited financial information has been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF) of Chile. The accounting principles issued by the SBIF are substantially similar to IFRS, but there are some exceptions. The SBIF is the banking industry regulator that according to article 15 of the General Banking Law, establishes the accounting principles to be used by the banking industry. For those principles not covered by the Compendium of Accounting Standards, banks can use generally accepted accounting principles issued by the Chilean Accountant's Association AG and which coincides with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In the event that discrepancies exist between the accounting principles issued by the SBIF (Compendium of Accounting Standards) and IFRS, the Compendium of Accounting Standards will take precedence. The Notes to the unaudited consolidated financial statements contain additional information to that 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. These notes provide a narrative description of such statements in a clear, reliable and comparable manner.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANCO SANTANDER-CHILE

By: /s/ Cristian Florence
Name: Cristian Florence
Title: General Counsel

Date: August 22, 2017

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the periods ended as of June 30, 2017 and 2016 and as of December 31, 2016

Santander

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UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	NOTE	As of June 30, 2017 MCh$	As of December 31, 2016 MCh$
ASSETS			
Cash and deposits in banks	4	1,344,043	2,279,389
Cash items in process of collection	4	429,236	495,283
Trading investments	5	700,334	396,987
Investments under resale agreements		—	6,736
Financial derivative contracts	6	2,215,654	2,500,782
Interbank loans, net	7	235,512	272,635
Loans and accounts receivables from customers, net	8	26,121,070	26,113,485
Available for sale investments	9	2,169,845	3,388,906
Held to maturity investments		—	—
Investments in associates and other companies		25,179	23,780
Intangible assets	10	59,343	58,085
Property, plant, and equipment	11	245,099	257,379
Current taxes	12	5,969	—
Deferred taxes	12	361,939	372,699
Other assets	13	893,207	840,499
TOTAL ASSETS		**34,806,430**	**37,006,645**
LIABILITIES			
Deposits and other demand liabilities	14	7,195,893	7,539,315
Cash items in process of being cleared	4	258,454	288,473
Obligations under repurchase agreements		145,570	212,437
Time deposits and other time liabilities	14	12,059,284	13,151,709
Financial derivative contracts	6	2,060,639	2,292,161
Interbank borrowing		1,830,856	1,916,368
Issued debt instruments	15	7,045,748	7,326,372
Other financial liabilities	15	244,622	240,016
Current taxes	12	—	29,294
Deferred taxes	12	8,304	7,686
Provisions		238,766	308,982
Other liabilities	18	792,986	795,785
TOTAL LIABILITIES		**31,881,122**	**34,108,598**
EQUITY			
Attributable to the equity holders of the Bank		**2,895,250**	**2,868,706**
Capital	20	891,303	891,303
Reserves	20	1,781,817	1,640,112
Valuation adjustments	20	17,162	6,640
Retained earnings		**204,968**	**330,651**
Retained earnings from prior years		—	—
Income for the period		292,811	472,351
Minus: Provision for mandatory dividends		(87,843)	(141,700)
Non-controlling interest	22	**30,058**	**29,341**
TOTAL EQUITY		**2,925,308**	**2,898,047**
TOTAL LIABILITIES AND EQUITY		**34,806,430**	**37,006,645**

The accompanying notes 1 to 34 form an integral part of these consolidated interim financial statements.

Banco Santander Chile and Subsidiaries

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF INCOME FOR THE PERIOD

For the periods ended

	NOTE	June 30, 2017 MCh$	June 30, 2016 MCh$
OPERATING INCOME			
Interest income	23	1,074,843	1,074,937
Interest expense	23	(412,234)	(433,627)
Net interest income		**662,609**	**641,310**
Fee and commission income	24	230,862	210,155
Fee and commission expense	24	(86,201)	(83,292)
Net fee and commission income		**144,661**	**126,863**
Net income (expense) from financial operations	25	4,899	(133,993)
Net foreign exchange gain	26	67,238	196,115
Other operating income	31	29,068	9,859
Net operating profit before provision for loan losses		**908,475**	**840,154**
Provision for loan losses	27	(150,372)	(161,362)
NET OPERATING PROFIT		**758,103**	**678,792**
Personnel salaries and expenses	28	(194,026)	(194,184)
Administrative expenses	29	(112,865)	(113,685)
Depreciation and amortization	30	(36,400)	(30,188)
Impairment of property, plant, and equipment	30	(349)	(85)
Other operating expenses	31	(53,998)	(48,244)
Total operating expenses		**(397,638)**	**(386,386)**
OPERATING INCOME		**360,465**	**292,406**
Income from investments in associates and other companies		1,605	1,172
Income before tax		**362,070**	**293,578**
Income tax expense	12	(68,351)	(50,776)
NET INCOME FOR THE PERIOD		**293,719**	**242,802**
Attributable to:			
Equity holders of the Bank		292,811	241,739
Non-controlling interest	22	908	1,063
Earnings per share attributable to Equity holders of the Bank:			
(expressed in Chilean pesos)			
Basic earnings	20	1.554	1.283
Diluted earnings	20	1.554	1.283

The accompanying notes 1 to 34 form an integral part of these consolidated interim financial statements.

Banco Santander Chile and Subsidiaries

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the periods ended

	NOTE	June 30, 2017 MCh$	June 30, 2016 MCh$
NET INCOME FOR THE PERIOD		**293,719**	**242,802**
OTHER COMPREHENSIVE INCOME - ITEMS WHICH MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Available for sale investments	20	9,315	25,393
Cash flow hedge	20	4,643	(21,588)
Other comprehensive income which may be reclassified subsequently to profit or loss, before tax		**13,958**	**3,805**
Income tax related to items which may be reclassified subsequently to profit or loss	12	(3,704)	(936)
Other comprehensive income for the period which may be reclassified subsequently to profit or loss, net of tax		**10,254**	**2,869**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**303,973**	**245,671**
Attributable to:			
Equity holders of the Bank		303,256	244,504
Non-controlling interest	22	717	1,167

The accompanying notes 1 to 34 form an integral part of these consolidated interim financial statements.

Banco Santander Chile and Subsidiaries

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the periods ended June 30, 2017 and 2016

		RESERVES		VALUATION ADJUSTMENTS			RETAINED EARNINGS					
	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$	Retained earnings of prior years MCh$	Income for the period MCh$	Provision for mandatory dividends MCh$	Total attributable to equity holders of the Bank MCh$	Non-controlling interest MCh$	Total Equity MCh$
Equity as of December 31, 2015	**891,303**	**1,530,117**	**(2,224)**	**(6,965)**	**8,626**	**(373)**	**—**	**448,878**	**(134,663)**	**2,734,699**	**30,181**	**2,764,880**
Distribution of income from previous period	—	—	—	—	—	—	448,878	(448,878)	—	—	—	—
Equity as of January 1, 2016	**891,303**	**1,530,117**	**(2,224)**	**(6,965)**	**8,626**	**(373)**	**448,878**	**—**	**(134,663)**	**2,734,699**	**30,181**	**2,764,880**
Increase or decrease of capital and reserves	—	—	—	—	—	—	—	—	—	—	—	—
Dividends distributions/ withdrawals made	—	—	—	—	—	—	(336,659)	—	—	**(336,659)**	(327)	**(336,986)**
Transfer of retained earnings to reserves	—	112,219	—	—	—	—	(112,219)	—	—	—	—	—
Provision for mandatory dividends	—	—	—	—	—	—	—	—	62,141	**62,141**	—	**62,141**
Subtotals	**—**	**112,219**	**—**	**—**	**—**	**—**	**(448,878)**	**—**	**62,141**	**(274,518)**	**(327)**	**(274,845)**
Other comprehensive income	—	—	—	25,259	(21,588)	(906)	—	—	—	**2,765**	104	**2,869**
Income for the year	—	—	—	—	—	—	—	241,739	—	**241,739**	1,063	**242,802**
Subtotals	**—**	**—**	**—**	**25,259**	**(21,588)**	**(906)**	**—**	**241,739**	**—**	**244,504**	**1,167**	**245,671**
Equity as of June 30, 2016	**891,303**	**1,642,336**	**(2,224)**	**18,294**	**(12,962)**	**(1,279)**	**—**	**241,739**	**(72,522)**	**2,704,685**	**31,021**	**2,735,706**
Equity as of December 31, 2016	**891,303**	**1,642,336**	**(2,224)**	**6,449**	**2,288**	**(2,097)**	**—**	**472,351**	**(141,700)**	**2,868,706**	**29,341**	**2,898,047**
Distribution of income from previous period	—	—	—	—	—	—	472,351	(472,351)	—	—	—	—
Equity as of January 1, 2017	**891,303**	**1,642,336**	**(2,224)**	**6,449**	**2,288**	**(2,097)**	**472,351**	**—**	**(141,700)**	**2,868,706**	**29,341**	**2,898,047**
Increase or decrease of capital and reserves	—	—	—	—	—	—	—	—	—	—	—	—
Dividends distributions/ withdrawals made	—	—	—	—	—	—	(330,645)	—	—	**(330,645)**	—	**(330,645)**
Transfer of retained earnings to reserves	—	141,706	—	—	—	—	(141,706)	—	—	—	—	—
Provision for mandatory dividends	—	—	—	—	—	—	—	—	53,857	**53,857**	—	**53,857**
Subtotals	**—**	**141,706**	**—**	**—**	**—**	**—**	**(472,351)**	**—**	**53,857**	**(276,788)**	**—**	**(276,788)**
Other comprehensive income	—	—	—	9,655	4,643	(3,777)	—	—	—	**10,521**	(191)	**10,330**
Income for the year	—	—	—	—	—	—	—	292,811	—	**292,811**	908	**293,719**
Subtotals	**—**	**—**	**—**	**9,655**	**4,643**	**(3,777)**	**—**	**292,811**	**—**	**303,332**	**717**	**304,049**
Equity as of June 30, 2017	**891,303**	**1,784,042**	**(2,224)**	**16,104**	**6,931**	**(5,874)**	**—**	**292,811**	**(87,843)**	**2,895,250**	**30,058**	**2,925,308**

Period	Total attributable to equity holders of the Bank MCh$	Allocated to reserves MCh$	Allocated to dividends MCh$	Percentage distributed %	Number of shares	Dividend per share (in chilean pesos)
Year 2016 (Shareholders Meeting April 2017)	472,351	141,706	330,645	70	188,446,126,794	1.755
Year 2015 (Shareholders Meeting April 2016)	448,878	112,219	336,659	75	188,446,126,794	1.787

The accompanying notes 1 to 34 form an integral part of these consolidated interim financial statements.

Banco Santander Chile and Subsidiaries

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the periods ended

	NOTE	For the six months ended June 30, 2017 MCh$	2016 MCh$
A – CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME FOR THE PERIOD		**293,719**	**242,802**
Debits (credits) to income that do not represent cash flows		**(754,906)**	**(519,976)**
Depreciation and amortization	30	36,400	30,188
Impairments of property, plant, and equipment	11	349	85
Provision for loan losses	27	190,457	200,503
Mark to market of trading investments		(160,238)	10,077
Income from investments in associates and other companies		(1,605)	(1,172)
Net gain on sale of assets received in lieu of payment	31	(14,961)	(7,965)
Provision on assets received in lieu of payment	31	2,463	5,240
Net gain on sale of property, plant, and equipment	31	(1,105)	(549)
Charge off of assets received in lieu of payment	31	16,831	6,421
Net interest income	23	(662,609)	(641,310)
Net fee and commission income	24	(144,661)	(126,863)
Other debits (credits) to income that do not represent cash flows		(8,553)	5,276
Changes in deferred taxes	12	(7,674)	93
Increase/decrease in operating assets and liabilities		**(159,756)**	**874,707**
(Increase) decrease of loans and accounts receivables from customers, net		(13,214)	(874,155)
(Increase) decrease of financial investments		915,714	(410,337)
Decrease (increase) due to resale agreements (assets)		6,736	(5,705)
Decrease (increase) of interbank loans		37,123	(225,655)
(Increase) decrease of assets received or awarded in lieu of payment		12,674	3,428
Increase (decrease) of debits in customers checking accounts		(281,714)	(47,923)
Increase (decrease) of time deposits and other time liabilities		(1,092,425)	815,024
Increase (decrease) of obligations with domestic banks		(165,436)	165,000
Increase (decrease) of other demand liabilities or time obligations		(61,708)	(69,895)
Increase (decrease) of obligations with foreign banks		79,925	480,176
Increase (decrease) of obligations with Central Bank of Chile		(1)	11
Increase (decrease) of obligations under repurchase agreements		(66,867)	(112,684)
Increase (decrease) in other financial liabilities		4,606	(3,786)
Net increase of other assets and liabilities		49,184	14,824
Redemption of letters of credit		(5,716)	(25,760)
Redemption of mortgage bonds and payments of interest		(2,023)	(2,503)
Senior bond issuances		266,616	2,088,583
Redemption of senior bonds and payments of interest		(650,562)	(1,710,240)
Interest received		1,074,843	1,074,937
Interest paid		(412,234)	(433,627)
Dividends received from investments in other companies		62	28,131
Fees and commissions received	24	230,862	210,155
Fees and commissions paid	24	(86,201)	(83,292)
Total cash flow provided by (used in) operating activities		**(620,943)**	**597,533**

The accompanying notes 1 to 34 form an integral part of these consolidated interim financial statements.

Santander

Banco Santander Chile and Subsidiaries

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the periods ended

	NOTE	For the six months ended June 30, 2017 MCh$	2016 MCh$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant, and equipment	11	(14,531)	(13,394)
Sales of property, plant, and equipment		1,449	318
Purchases of investments in associates and other companies		—	(1,004)
Purchases of intangible assets	10	(11,788)	(13,976)
Total cash flow provided by (used in) investment activities		**(24,870)**	**(28,056)**
C – CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholder´s financing activities		**(330,645)**	**(340,589)**
Redemption of subordinated bonds and payments of interest		—	(3,930)
Dividends paid		(330,645)	(336,659)
From non-controlling interest financing activities		**—**	**—**
Dividends and/or withdrawals paid		—	—
Total cash flow used in financing activities		**(330,645)**	**(340,589)**
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**(976,458)**	**228,888**
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		**5,084**	**(147,857)**
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		**2,486,199**	**2,327,170**
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	**4**	**1,514,825**	**2,408,201**

Reconciliation of provisions for the Consolidated Interim Statements of Cash Flows for the periods		For the six months ended June 30, 2017 MCh$	2016 MCh$
Provision for loan losses for cash flow purposes		190,457	200,503
Recovery of loans previously charged off		(40,085)	(39,141)
Provision for loan losses - net	**27**	**150,372**	**161,362**

Reconciliation of liabilities arising from financing activities	**December, 31 2016 MCh$**	**Cash Flow MCh$**	**Changes other than cash** Acquisition MCh$	Foreign Currency Movement MCh$	UF Movement MCh$	**Fair Value Changes MCh$**	**June, 30 2017 MCh$**
Subordinated Bonds	759,665	—	—	—	9,313	—	768,978
Dividends paid	—	(330,645)	—	—	—	—	(330,645)
Other	—	—	—	—	—	—	—
Total liabilities from financing activities	**759,665**	**(330,645)**	**—**	**—**	**9,313**	**—**	**438,333**

The accompanying notes 1 to 34 form an integral part of these consolidated interim financial statements.

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 herein 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 June 30, 2017 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 gives Banco Santander Spain control over 67.18% of the Bank's shares.

a) Basis of preparation

These Unaudited Consolidated Interim Financial Statements have been prepared in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions (SBIF), the Chilean regulatory agency. Article 15 of the General Banking Law states that banks must apply accounting standards established by SBIF. For those issues not covered by the SBIF, the Bank must apply generally accepted standards issued by the Colegio de Contadores de Chile A.G (Association of Chilean Accountants), which conform with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In the event of discrepancies between the IFRS and accounting standards issued by the SBIF (Compendium of Accounting Standards and Instructions), the latter shall prevail.

For purposes of these financial statements the Bank uses certain terms and conventions. References to "US$", "U.S. dollars" and "dollars" are to United States dollars, references to "EUR" are to European Economic Community Euro, references to "CNY" are to Chinese Yuan, references to "CHF" are to Swiss franc, references to "Chilean pesos", "pesos" or "Ch$" 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 Unaudited Consolidated Interim Financial Statements contain additional information to support the figures submitted in the Unaudited Consolidated Interim Statement of Financial Position, Unaudited Consolidated Interim Statement of Income, Unaudited Consolidated Interim Statement of Comprehensive Income, Unaudited Consolidated Interim Statement of Changes in Equity and Unaudited Consolidated Interim 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 Unaudited Consolidated Interim Financial Statements

The Unaudited Consolidated Interim Financial Statements as of June 30, 2017 and 2016 and December 31, 2016 and for the six-month periods ended June 30, 2017 and 2016, incorporate the financial statements of the Bank 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.

When the Bank has less than a majority of the voting rights of an investee, it has 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, including:

- 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 agreements; and

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- 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 of during the year are included in the Unaudited Consolidated Interim Statement of Income and in the Unaudited Consolidated Interim Financial Statementof 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 transacctions 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 Unaudited Consolidated Interim Statement of Changes in Equity. Their share in the income for the year is presented as "Attributable to non-controlling interest" in the Unaudited Consolidated Interim 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

			Percent ownership share								
			As of June 30, 2017			As of December 31, 2016			As of June 30, 2016		
Name of the Subsidiary	**Main Activity**	**Place of Incorporation and operation**	**Direct %**	**Indirect %**	**Total %**	**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	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	50.59	0.41	51.00
Santander Agente de Valores Limitada	Securities brokerage	Santiago, Chile	99.03	—	99.03	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	99.64	—	99.64

The details of non-controlling interest in all the subsidiaries can be seen in Note 22 – Non-controlling interest.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Entities controlled by the Bank through other considerations

The following companies have been consolidated as of June 30, 2017 and 2016 and as of December 31, 2016 based on the fact that the activities relevant ton 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)

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 or higher to 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:

			Percentage of ownership share		
		Place of Incorporation and operation	As of June 30	As of December 31,	As of June 30,
Associates	**Main activity**		**2017 %**	**2016 %**	**2016 %**
Redbanc S.A.	ATM services	Santiago, Chile	33.43	33.43	33.43
Transbank S.A.	Debit and credit card services	Santiago, Chile	25.00	25.00	25.00
Centro de Compensación Automatizado	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Repository of publically offered securities	Santiago, Chile	29.29	29.29	29.29
Cámara de Compensación de Pagos de Alto Valor S.A.	Payments clearing	Santiago, Chile	14.93	14.93	14.23
Administrador Financiero del Transantiago S.A.	Administration of boarding passes to public transportation	Santiago, Chile	20.00	20.00	20.00
Sociedad Nexus S.A.	Credit card processor	Santiago, Chile	12.90	12.90	12.90
Servicios de Infraestructura de Mercado OTC S.A.	Administration of the infrastructure for the financial market of derivative instruments	Santiago, Chile	12.07	12.07	11.11

In the case of Sociedad Nexus S.A. and Cámara Compensación de Pagos Alto Valor S.A., Banco Santander Chile has a representative on the Board of Directors. As per the definition of associates, the Bank has concluded that it exerts significant influence over those entities.

Servicios de Infraestructura de Mercado OTC S.A. is considered an associate due to the Bank’s executives being actively involved in the management of the company, including the organization of this company, therefore exercising significant influence over this company.

During the second quarter of 2017, shares were transferred from Banco Paris to Banco Santander, transferring 6 shares of the “Operator Company of the Chamber of High Value Payments”, so that the share has gone from 14.93% to 14.99%.

During the third quarter of 2016 a transaction took place through which Deutsche Bank ceded to Banco Santander a portion of its holding in the companies “Sociedad Operadora de la Cámara de Compensación de pagos de Alto Valor S.A.” and “Servicios de Infraestructura de Mercado OTC S.A.” with which the Bank’s share has increased to 14.84% and 11.93% respectively.

Finally, during the last quarter of 2016 a transaction took place through which Banco Penta ceded to Banco Santander a portion of its interest in the companies “Sociedad Operadora de la Cámara de Compensación de pagos de Alto Valor SA” and “ Servicios de Infraestructura de Mercado OTC S.A.” with which the participation at the end of last year of the Bank has increased to 14.93% and 12.07% respectively.

At the Extraordinary Shareholders’ Meeting of Transbank S.A. Held on April 21, 2016, it was agreed to increase the capital of the company by capitalizing the accumulated profits, through the issuance of shares released for payment, and placement of payment shares for approximately $ 4,000 million. Banco Santander Chile participated proportionally to its participation (25%), reason why it subscribed and paid shares for approximately $ 1,000 million.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iv. Share or rights in other companies

Such entities represent those over which the Bank has no control or significant influences and 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 net income and net assets which the Bank does not own, either directly or indirectly. It is presented separately in the Unaudited Consolidated Interim Statement of Income, and separately from shareholders' equity in the Unaudited Consolidated Interim 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.

d) Reporting segments

Operating segments with similar economic characteristics often exhibit similar long-term financial performance. Two or more segments can be combined only if aggregation is consistent with International Financial Reporting Standard 8 "Operating Segments" (IFRS 8) and the segments have similar economic characteristics and are similar in each of the following respects:

i. the nature of the products and services;
ii. the nature of the production processes;
iii. the type or class of customers that use their products and services;
iv. the methods used to distribute their products or services; and
v. if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

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 10% or more of the greater in absolute amount of: (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 Unaudited Consolidated Interim 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:

i. that 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; and
iii. for which discrete financial information is available.

e) Foreign currency transactions

The Bank performs transactions in foreign currencies, mainly the 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 published by Reuters at 1:30 p.m. on the month end date. The rate used was Ch$663.80 per US$1 as of June, 2017 (Ch$663.25 per US$1 as of June, 2016 and Ch$666.00 per US$1 as of December, 2016).

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The amounts of net foreign exchange gains and losses includes 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.

f) 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 in the assets of an entity deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to the changes in an observable 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. In the first semester of 2017 and during 2016, Banco Santander 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. Regular way purchases or sales of financial assets require delivery of the asset within the time frame established by regulation or convention in the marketplace.

Financial assets are initially recognized at fair value plus, in the case of a financial assets not at fair value through 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 as at fair value through profit or loss.

Financial assets FVTPL - Trading investments

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'net income (expense) from financial operations' line item.

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 any impairment.

Available for sale investments (AFS 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 when the effect of discounting is immaterial.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 an special item for these operaitons is not mentioned, they will be included along with the accounts being reported.

- Operations pending settlement: this item includes values of documents in process of transfer and balances from operations that, as agreed, are not settled the same day, and purchase of currencies not yet received.

- Trading investments: this item includes financial instruments held-for-trading and investments in mutual funds which must be adjusted to their fair value.

- 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 6.

  - 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.

- 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 derecognized in the Bank´s statement of financial position.

- 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

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A financial liability other than a financial liability 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 liability 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 liabilities 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 in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income (expense) from financial operations' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and interest 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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by their nature into the following items in the Unaudited Consolidated Interim 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.

- Operations pending settlement: 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.

- 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 7.

  - 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Interbank borrowings: this includes obligations due to other domestic banks, foreign banks, or the Central Bank of Chile, other than those reflected in certain other financial liability classifications listed above.

- 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.

g) Valuation of financial instruments and recognition of fair value changes

In general, financial assets and liabilities are initially recognized at fair value, which, in the absence of evidence to the contrary, 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 pursuant to 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). 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).

All derivatives are recorded in the Unaudited Consolidated Interim Statements of Financial Position at the fair value previously described. This value is compared to the valuation as 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 Unaudited Consolidated Interim Statement of Income.

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. As of June 30, 2017, the CVA and DVA are Ch $ 9,317 million and Ch $ 15,514 million, respectively.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

"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.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives, whose underlying is an equity instrument that are settled by delivery of those instruments, are measured at acquisition cost adjusted for any related impairment loss.

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.

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 usually is 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 June 30, 2017 and 2016 and as of December 31, 2016 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.

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 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Hedging transactions

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 Unaudited Consolidated Interim 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 Unaudited Consolidated Interim 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", until the hedged transaction occurs, thereafter being reclassified to the Unaudited Consolidated Interim Statement of Income, unless the hedged transaction results in the recognition of non–financial assets or liabilities, in which case it is included in the cost of the non-financial asset or liability.

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 Unaudited Consolidated Interim Statement of Income under "Net income (expense) from financial operations".

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, where applicable.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Unaudited Consolidated Interim 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 Unaudited Consolidated Interim Statement of Income.

iv. Derivatives embedded in hybrid financial instruments

Derivatives embedded 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 Unaudited Consolidated Interim 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.

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 Unaudited Consolidated Interim 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 Unaudited Consolidated Interim 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 Unaudited Consolidated Interim 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 Unaudited Consolidated Interim 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

Accordingly, financial assets are only derecognized from the Unaudited Consolidated Interim 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 Unaudited Consolidated Interim Financial Statement Financial Position when the obligations specified in the contract are discharged or cancelled or the contract has matured.

h) 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, when it 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 Unaudited Consolidated Interim Statement of Income unless they have been actually received.

This interest and adjustments are generally referred to as “suspended” and are recorded in they are reported as part of the complementary information thereto and as memorandum accounts (Note 27). 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 Unaudited Consolidated Interim Statement of Income using criteria that vary according to their nature. The main criteria are:

- Fee and commission income and expenses on financial assets and liabilities measured at fair value through profit or loss are recognized when they are earned or paid.
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
- Those relating to services provided in a single transaction are recognized when the single transaction is performed.

iii. Non-financial income and expenses

Non-financial income and expenses are recognized for accounting purposes on an accrual basis.

iv. Loan arrangement fees

Fees that arise as a result of the origination of a loan, mainly application and analysis-related fees, are deferred and charged to the Unaudited Consolidated Interim Statement of Income over the term of the loan.

i) Impairment

i. Financial assets:

A financial asset, other than that at fair value through profit and loss, is evaluated on each financial statement filing date to determine whether objective evidence of impairment exists.

A financial asset or group of financial assets will be impaired if, and only if, objective evidence of impairment exists as a result of one or more events that occurred after initial recognition of the asset (“event causing the loss”), and this event or events causing the loss have an impact on the estimated future cash flows of a financial asset or group of financial assets.

An impairment loss relating to financial assets recorded at amortized cost is calculated as the difference between the recorded amount of the asset and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

Individually significant financial assets are individually tested to determine their impairment. The remaining financial assets are evaluated collectively in groups that share similar credit risk characteristics.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

All impairment losses are recorded in income. Any impairment loss relating to a financial asset available for sale previously recorded in equity is transferred to profit or loss.

The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. The reversal of an impairment loss shall not exceed the carrying amount that would have been determined if no impairment loss has been recognized for the asset in prior years. The reversal is recorded in income with the exception of available for sale equity financial assets, in which case it is recorded in other comprehensive income.

ii. 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. Goodwill impairment is not reversed.

j) Property, plant, and equipment

This category includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures 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 or 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Bank applies the following useful lives for the tangible assets that comprise its assets:

ITEM	Useful life (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 date whether there is any indication 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 Unaudited Consolidated Interim 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.

k) Leasing

i. Finance leases

Finance leases are leases that substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee.

When a consolidated entity is the lessor of an asset, 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, which is equivalent to one additional lease payment and so is reasonably certain to be exercised, is recognized as lending to third parties and is therefore included under "Loans and accounts receivable from customers" in the Unaudited Consolidated Interim Statement of Financial Position.

When a consolidated entity is a lessee, it reports the cost of leased assets in the Unaudited Consolidated Interim Statement of Financial Position based on the nature of the leased asset, and simultaneously records a liability for the same amount (which is the lower of the fair value of the leased asset, and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise price of the purchase option). The depreciation policy for these assets is the same as that for property, plant and equipment for own use.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In both cases, the finance income and finance expenses arising from these contracts are credited and debited, respectively, to "Interest income" and "Interest expense" in the Unaudited Consolidated Interim Statement of Income so as to achieve a constant rate of return over the lease term.

ii. Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When a consolidated entity is the lessor, it reports the acquisition cost of the leased assets under "Property, plant and equipment". The depreciation policy for these assets is the same as that for similar items of property, plant and equipment held for own use and revenues from operating leases is recorded on a straight line basis under "Other operating income" in the Unaudited Consolidated Interim Statement of Income.

When a consolidated entity is the lessee, the lease expenses, including any incentives granted by the lessor, are charged on a straight line basis to "Other operating expenses" in the Unaudited Consolidated Interim Statement of Income.

iii. Sale and leaseback transactions

For sale at fair value and operating leasebacks, the profit or loss generated is recorded at the time of sale. In the case of finance leasebacks, the profit or loss generated is amortized over the lease term.

l) Factored receivables

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 Unaudited Consolidated Interim 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.

m) 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. The estimated useful life for software is 3 years.

Intangible assets are amortized on a straight-line basis over their estimated useful life; which has been defined as 36 months.

Expenditure on research activities is recorded as an expense in the year in which it is incurred and cannot be subsequently capitalized.

n) 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

o) Allowances for loan losses

The Bank has continuously evaluated the entire loan portfolio and contingent loans, as is established by the SBIF, 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 allowances to cover probable losses on loans and account receivables in accordance with instructions issued by Superintendency of Banks and Financial Institutions (SBIF) and models of credit risk rating and assessment approved by the Board's Committee, including the amendments introduced by Circular No. 3,573 (and its further modifications) applicable as of January 1, 2016 which establishes a standard method for residential mortgage loans and complements and specifies instructions on provisions and loans classified in the impaired portfolio, and subsequent amendments.

The Bank uses the following models established by the SBIF, 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, established in Circular N°3,573 (modified by Circular N°3,584), and internal models for commercial and consumer loans.

I. Allowances for individual assessment

An individual assessment of commercial debtors is necessary according to the SBIF, in the case of companies which, due to their size, complexity or level of exposure, must be known and analyzed in detail.

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 restructuration, 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 (%)
	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
Normal	A3	0.25	87.5	0.21875
portfolio	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
	B1	15.00	92.5	13.87500
Substandard	B2	22.00	92.5	20.35000
portfolio	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 SBIF. 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% of 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 restructuration 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 No. 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.

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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 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 housing loans, the Bank must recognize minimum provisions according to standard methods established by the SBIF for this type of loan. 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.

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 No. 3,573 issued by the SBIF, 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	Days overdue at month end	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 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.

III. Additional provisions

According to SBIF 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 No. 10 of Chapter B-1 from the SBIF Compendium of Accounting Standards, these provisions will be recorded in liabilities, similar to provisions for contingent loans.

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 (SBIF).

These charge-offs refer to the derecognition from the Unaudited Consolidated Interim 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 Unaudited Consolidated Interim Statement of Income.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 provisons in the Unaudited Consolidated Interim 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.

p) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Unaudited Consolidated Interim 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 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 Unaudited Consolidated Interim Financial Statements reflect all significant provisions for which it is estimated that the probability of having to meet the obligation is more than likely. 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:

- Provision for employee salaries and expenses
- Provision for mandatory dividends
- Provision for contingent loan risks
- Provisions for contingencies

q) 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) 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 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 Unaudited Consolidated Interim 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 SBIF. Charge-offs are recorded as a reduction of the allowance for loan losses.

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 7, 8, and 27)
- Impairment losses of certain assets (Notes 6, 7, 8, 9, and 30)
- The useful lives of tangible and intangible assets (Notes 10, 11 and 30)
- The fair value of assets and liabilities (Notes 5, 6, 9, and 33)
- Commitments and contingencies (Note 19)
- Current and deferred taxes (Note 12)

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

s) Non-current assets held for sale

Non-current assets (or a group of assets and liabilities) that expect to be recovered mainly through the sale of these items rather than through their continued use, are classified as held for sale. Immediately prior to this classification, assets (or elements of a disposable group) are valued in accordance with the Bank's policies. The assets (or disposal group) are subsequently valued at the lower of carrying amount and fair value less selling costs.

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 Unaudited Consolidated Interim 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 Unaudited Consolidated Interim 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. As of December 31, 2016 the average selling cost has been estimated at 5.1% of the appraisal value.

Independent appraisals are obtained at least every 18 months and fair values are adjusted accordingly.

In general, it is estimated that these assets will be disposed of within a term of one year from its date of award. As set forth in article 84 of the General Banking Act, those assets that are not sold within that term are charged-off in a single installment.

t) 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 June 30, 2017 and 2016 and December 31, 2016 the Bank did not have any instruments that generated dilution.

u) 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 Unaudited Consolidated Interim 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.

v) 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 Unaudited Consolidated Interim Statement of Financial Position. Management fees are included in "Fee and commission income" in the Unaudited Consolidated Interim Statement of Income.

w) Provision for mandatory dividends

As of June 30, 2017 and 2016 and December 31, 2016 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 Unaudited Consolidated Interim Statement of Changes in Equity with offset to Provisions.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

x) 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:

a. Aimed at the Bank's management.
b. The general requirement is that the beneficiary must still be employed by the Bank when reaching 60 years old.
c. 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.
d. 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.

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 Group 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 Unaudited Consolidated Interim Statement of Income. Given the plan's structure, it does not generate actuarial gains or losses. The plan's performance is established and fices 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 Unaudited Consolidated Interim 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

y) New accounting pronouncements

i. Adoption of new accounting standards and instructions issued both by the Superintendency of Banks and Financial Institutions and the International Accounting Standards Board

As of the issue date of these Unaudited Consolidated Interim Financial Statements, the following new accounting pronouncements have been issued by the both the SBIF and the IASB, which have been fully incorporated by the Bank and are detailed as follows:

1. Accounting Standards Issued by the SBIF

Circular No. 3,621. Compendium of Accounting Standards. Chapters B-1 and C-3. Credits guaranteed by the School Infrastructure Guarantee Fund. Complementary instructions - This circular issued on March 15, 2017 introduces the following modifications:

• The title of No. 4 of Chapter B-1 is replaced by the following: "4 Warranty, goods delivered under lease, factoring operations and School Infrastructure Guarantee fund".
• The section 4.4 "Guarantee Fund for School Infrastructure" is added to this section, for purposes of determining provisions applicable to the substitution of credit risk of direct credit for the credibility of the referred fund, assigning for this purpose category A1 .
• The following item is added: 1302.1.50 Credits for school infrastructure Law N° 20.845.

This rule is immediately applicable. *This change had no impact on the Bank.*

Circular No. 3,615. Compendium of Accounting Standards. Chapter C-2. Report on the review of interim financial information - The circular issued on December 12, 2016, aims to increase the level of transparency of the Financial information provided by the banks. Therefore, the SBIF has considered it pertinent that as from June 2017, the financial statements referred to June 30 will be subject to a review report of the interim financial information issued by its external auditors. In accordance with NAGA No. 63, AU930, or its international equivalent, SAS No. 122, Section AU-C 930, which must be sent to the SBIF on the same day of its publication, or the immediately preceding or following bank business day.

If a bank does not have the necessary information to prepare financial statements with its respective notes within the period established in the law, it shall at least publish and send to the SBIF the Statement of Financial Position and Income Statement, adding a note with the date In which they will be available, although they must be available within the first fortnight of the following month.

In the case of the financial statements referred to as of June 30, the banks must send, by August 15, the review report of their external auditors. *A review of the required regulations has been carried out, including the respective conclusion on the consolidated intermediate financial statements reported to the SBIF.*

2. Accounting Standards issued by the International Accounting Standards Board

Amendment to IAS 12 Recognition of deferred tax assets related to unrealized losses - On January 19, 2016, the IASB issued this amendment to clarify the recognition of deferred assets related to debt instruments measured at fair value due to different recognition practices Of deferred assets, it is clarified that:

- Unrealized losses on debt instruments measured at fair value and measures at cost for tax purposes generate a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the book value of the debt instrument by sale or use.
- The book value of an asset does not limit the estimate of probable taxable profits.
- The estimate of future taxable income excludes tax deductions from the reverse of deductible temporary differences.

This regulation is applicable as of January 1, 2017. *This change had no impact for the Bank.*

Amendment to IAS 7 Statement of Cash Flow. Disclosure Initiative - This amendment issued on January 29, 2016 improves the information provided to users of the financial statements related to the entities' financing activities. The purpose of the amendment is to provide disclosures that enable users of the financial statements to assess changes in liabilities generated from financing operations. One way to comply with this new disclosure is to provide a reconciliation between the initial and final balance in the EFE for liabilities generated from financing activities.
This regulation is applicable from January 1, 2017, with early application allowed. *The implementation of this amendment had no material impact on the Bank's consolidated financial statements.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Annual improvements, cycle 2014-2016

Amendment to IFRS 12 Disclosures of Interest in Other Entities - Clarifies the scope of the standard by specifying that the disclosure requirements of the standard, except for paragraphs B10-B16, apply to interest on an entity listed in paragraph 5 (subsidiaries, joint ventures, associates and non-consolidated structured entities) that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

The amendment to IFRS 12 is for annual periods beginning on or after 1 January 2017. *The implementation of this amendment had no material impact on the Bank's consolidated financial statements.*

ii. New accounting standards and instructions issued by both the Superintendency of Banks and Financial Institutions and by the International Accounting Standards Board that have not come into effect as of June 30, 2017

As of the closing date of these financial statements, new International Financial Reporting Standards had been published as well as interpretations of them and SBIF rules, which were not mandatory as of June 30, 2017. Although in some cases the application Is permitted by the IASB, the Bank has not made its application on that date.

1. Accounting Standards issued by the Superintendency of Banks and Financial Institutions

As of June 30, 2017, there are no new Accounting Standards issued by the Superintendency of Banks and Financial Institutions.

2. Accounting Standards issued by the International Accounting Standards Board

IFRS 9, Financial Instruments - On November 12, 2009, the International Accounting Standard Board (IASB) issued IFRS 9, Financial Instruments. This Standard introduces new requirements for the classification and measurement of financial assets. IFRS 9 specifies how an entity should classify and measure its financial assets. It requires that all financial assets be classified in full on the basis of the entity's business model for the management of financial assets and the characteristics of the contractual cash flows of the financial assets. Financial assets are measured at amortized cost or fair value. Only financial assets that are classified as measured at amortized cost will be tested for impairment. On October 28, 2010, the IASB published a revised version of IFRS 9, Financial Instruments.

The revised Standard retains the requirements for the classification and measurement of financial assets that was published in November 2009, but adds guidelines on the classification and measurement of financial liabilities. As part of the restructuring of IFRS 9, the IASB has also replicated the guidance on the derecognition of financial instruments and related implementation guidance from IAS 39 to IFRS 9. These new guidelines conclude the first phase of the IASB project to replace IAS 39 The other phases, impairment and hedge accounting, have not yet been finalized.

The guidance in IFRS 9 on the classification and measurement of financial assets has not changed from those in IAS 39. In other words, financial liabilities will continue to be measured at amortized cost or at fair value through profit or loss. The concept of derivatives bifurcation incorporated in a contract for a financial asset has not changed either. Financial liabilities held for trading will continue to be measured at fair value through profit or loss, and all other financial assets will be measured at amortized cost unless the fair value option is applied using the criteria currently in IAS 39.

Notwithstanding the above, there are two differences with respect to IAS 39:

- Presentation of the effects of changes in fair value attributable to the credit risk of a liability; and
- The elimination of the exemption of cost for liabilities derivatives to be settled through the delivery of non-traded equity instruments.

On December 16, 2011, the IASB issued Compulsory Application Date of IFRS 9 and Transition Disclosures, deferring the effective date of both the 2009 and 2010 versions to annual periods beginning on or after January 1, 2015 Prior to the amendments, the application of IFRS 9 was mandatory for annual periods beginning on or after 2013. The amendments change the requirements for the transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9. In addition, they also modify IFRS 7 Financial Instruments: Disclosures to add certain requirements in the reporting period in which the date of application of IFRS 9 is included. Amendments subsequent to this standard have modified the effective date of this standard for annual periods beginning on January 1, 2018. *The Administration in accordance with the established by the Superintendency of Banks and Financial Institutions, will not apply this rule in advance, nor will it be applied until such time as the Superintendency does not provide it as a mandatory standard for all banks.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

IFRS 9, Financial Instruments - hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 - On November 19, 2013, the IASB issued this amendment, which includes a new general model of hedge accounting, which is more closely aligned with risk management, delivering more useful information to the users of the financial statements. On the other hand, requirements related to the fair value option for financial liabilities were changed to address own credit risk, this improvement establishes that the effects of changes in the credit risk of a liability should not affect the result of the period unless the liability is held for trading; Early adoption of this amendment is permitted without the application of the other requirements of IFRS 9. In addition, it conditions the effective date of entry into force at the end of the draft IFRS 9, likewise allowing its adoption. *Management is evaluating the potential impact of adopting these amendments with respect to IFRS 7 and IAS 39, since those referred to IFRS 9 by express provision of the SBIF will not apply as long as the aforementioned Superintendency does not provide it as a standard of Compulsory use for all banks.*

IFRS 9, Financial Instruments - On July 24, 2014, the IASB published IFRS 9 - Financial Instruments, this final document includes the rules already issued together with a new expected loss model and small modifications to the requirements of classifications and measurement for the Financial assets, adding a new category of financial instruments: assets at fair value with changes in other comprehensive income for certain debt instruments. It also includes additional guidance on how to apply the business model and evidence of contractual cash flow characteristics.

This rule is effective for periods beginning after January 1, 2018. Early application is permitted. *The Administration, in accordance with what is established by the Superintendency of Banks and Financial Institutions, will not apply this rule in advance, nor will it be applied as long as the aforementioned Superintendency does not provide it as a mandatory standard for all banks.*

IFRS 15, Income from contracts with clients - On May 28, 2014, the IASB published IFRS 15, which aims to establish principles for reporting useful information to users of financial information about the nature, amount, timing and uncertainty of The income and cash flows generated from an entity's contracts with its customers. IFRS 15 eliminates IAS 11 Construction Contracts, IAS 18 Income, IFRIC 13 Loyalty Programs with Customers, IFRIC 15 Real Estate Construction Agreements, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue - Exchange of Advertising Services.

This rule is effective as of January 1, 2017, however, the IASB has deferred its entry into force for annual periods beginning on or after January 1, 2018. Advance application is permitted. *Management is evaluating the potential impact of adopting this standard.*

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 profits and losses recognized in a transaction involving an associate or joint venture, and that it depends on whether the asset sold or contribution constitutes a business. Therefore, IASB concluded that all of the gains or losses must be recognized against loss of control of a business. In addition, gains or losses arising from the sale or contribution of a non-business subsidiary (definition of IFRS 3) to an associate or joint venture must be recognized only to the extent of unrelated interests in the associate or joint venture.

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" postponing indefinitely the entry into force of this standard. *The Administration will be waiting for the new validity to evaluate the potential effects of this modification.*

IFRS 16 Leases - On January 13, 2016, the IASB issued this new regulation which replaces IAS 17 Leases, IFRIC 4 Determination of whether an agreement contains a lease, SIC 15 Operating leases - incentives and SIC 27 Evacuation of the essence of Transactions that take the legal form of a lease. The main effects of this rule apply to tenant accounting, mainly because it eliminates the dual accounting model: operational or financial leasing, this means that tenants must recognize "a right to use an asset" and a liability for Lease (the present value of lease futures payments). In the case of the landlord the current practice is maintained - that is, lessors continue to classify leases as financial and operating leases. This regulation is applicable as of January 1, 2019, with early application permitted if IFRS 15 "Customer Contract Revenue" is applied. *The Administration is evaluating the potential impact of the adoption of these regulations.*

Clarifications to IFRS 15 Revenue from Ordinary Activities from Client Contracts - This clarification issued on April 12, 2016, does not change the principles underlying the regulation, but only clarifies and offers some alternatives for the transition. The matters addressed by this amendment relate to: Identification of performance obligations, Principal and agent considerations, and licenses.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Early application is permitted. If an entity applies those changes in a period beginning earlier, it will disclose this fact. *The Administration is evaluating the potential impact of the adoption of these regulations.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Amendment to IFRS 2 Classification and measurement of share-based payment transactions - This amendment, issued on June 20, 2016, addresses matters on which the IASB decided to address matters, are:

- Accounting for payment transactions based on cash settled shares that include a performance condition.
- Classification of share-based payment transactions with balancing-off characteristics.
- Accounting for changes in share-based payment transactions from cash settled to settled in equity instruments.

This amendment is applicable from January 1, 2018 on a prospective basis, with early application allowed. *The Administration is evaluating the potential impact of the adoption of these regulations.*

Amendment to IFRS 4 Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts - This amendment issued on September 12, 2016 is intended to address concerns about the differences between the effective date of IFRS 9 and the next new contract standard IFRS 17. This amendment provides two options for entities issuing insurance contracts within the scope of IFRS 4:
- An option that allows the entities to reclassify from profit or loss to other comprehensive income, some of the income or expenses derived from the designated financial assets; This is the so-called superposition approach.
- An optional temporary exemption from the application of IFRS 9 for entities whose main activity is the issuance of contracts within the scope of IFRS 4; This is the so-called deferral approach.

An entity that chooses to apply the retroactive overlapping approach to the classification of financial assets will do so when IFRS 9 is applied for the first time, while the entity choosing to apply the deferral approach will do so for annual periods beginning in or after January 1, 2018. *Management has assessed that this standard will have no effect on the Bank's financial statements.*

IFRIC 22 Transactions in foreign currency and consideration received / delivered in advance - This interpretation issued on December 8, 2016 clarifies the accounting of transactions that include the receipt or payment of an early consideration in a foreign currency. The Interpretation covers transactions in foreign currency when an entity recognizes an asset or a non-monetary liability arising from the payment or early receipt of a consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the initial recognition of the asset, expense or income related to its fair value or the fair value of the consideration received or paid on a date other than the date of initial recognition of the non-monetary asset or liability. In addition, it is not necessary to apply the Interpretation to income taxes, insurance contracts or reinsurance contracts.

The date of the transaction for the purpose of determining the exchange rate is the date of the initial recognition of the non-monetary asset paid in advance or of the deferred income liability. If there are several payments or receipts in advance, a transaction date is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Advance application is permitted. *Management has assessed that this standard will have no effect on the Bank's financial statements.*

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Eliminates the short-term exemptions contained in paragraphs E3-E7 (Transitory Provisions of Financial Instruments, Employee Benefit and Investment Entities) of IFRS 1, since they have fulfilled the intended purpose.

Amendment to IAS 28 Investments in Associates and Joint Ventures - Clarifies that the choice to measure at fair value through profit and loss (FVTPL) an investment in an associate or joint venture belonging to an entity that is a venture capital organization, or another qualified entity, is available for each investment in an associated entity or joint venture on the basis of the investment, upon initial recognition.

Amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January, 2018. *Management is assessing the potential impact of the adoption of this standard.*

IFRIC 23 Uncertainty over Income Tax Treatments- This interpretation issued on June 7, 2017 clarifies the accounting for tax uncertainties, which are used to determine income tax, tax basis, tax losses and unused loans, when there is an uncertainty about the treatment necessary by the IAS 12 “Income Taxes”. This rule includes four points: a) If an entity accounts for tax uncertainties individually or as a whole, b) The assumptions that an entity makes about the revisions for the tax treatment established by the tax authority, c) How an entity determines a taxable gain or loss, its tax base, tax losses and unused loans and tax rates, and d) How an entity considers the changes made and their circumstances.

This interpretation will be effective for the annual periods starting on January 1, 2019. The anticipated adoption of this standard is allowed. *Management is assessing the potential impact of the adoption of this standard.*

NOTE 02
SIGNIFICANT EVENTS

I.- As of June 30, 2017, the following significant events have occurred and affected the Bank's operations and Unaudited Consolidated Interim Financial Statements.

a) Bylaws and The Board

On April 5, 2017, the bylaws of Banco Santander Chile, approved at the Extraordinary Shareholders' Meeting held on January 9, 2017, were published in the Official Gazette, whose minutes were reduced to a public deed on February 14, 2017, in The Notary of Santiago de Nancy de la Fuente Hernández. Among others, a consolidated text of the bylaws was established and, after the reforms introduced, its essential clauses are the following:

- Name: Banco Santander-Chile
- Purpose: The execution or conclusion of all acts, contracts, businesses or operations that the laws, especially the General Law of Banks, allow the banks to perform without prejudice to extend or restrict their sphere of action in harmony with the legal provisions in force Or that are established in the future, without the need to amend the present statutes.
- Capital: $ 891,302,881,691, divided into 188,446,126,794 nominative shares, with no par value, of the same and only series.
- Directory: Corresponds to a Board composed of 9 full members and 2 alternates.

At the Ordinary Shareholders' Meeting held on April 26, 2017, the Board of Directors was elected for a period of three years, consisting of nine Principal Directors and two Alternate Directors. The following persons were elected:

Principal Directors: Vittorio Corbo Lioi, Oscar von Chrismar Carvajal, Roberto Méndez Torres, Juan Pedro Santa María Pérez, Ana Dorrego de Carlos, Andreu Plaza López, Lucia Santa Cruz Sutil, Orlando Poblete Iturrate and Roberto Zahler Mayanz.

Alternate Directors: Blanca Bustamante Bravo and Raimundo Monge Zegers

b) Use of Profits and Distribution of Dividends

At the Ordinary General Shareholders' Meeting held on April 26, 2017, together with approving the Financial Statements for 2016, it was agreed to distribute 70% of the net profits for the year (which are denominated in the financial statements "Profit attributable to holders Of the Bank "), which amounted to Ch $ 472,351 million. These profits correspond to a dividend of $ 1.75459102 per share.

Likewise, it was approved that the remaining 30% of the profits be destined to increase the Bank's reserves.

c) Appointment of External Auditors

At the Board mentioned above, it was agreed to appoint the firm PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, as external auditors of the Bank and its subsidiaries for 2017.

d) Issuance of bonds – As of June 30, 2017

d.1) Senior bonds year 2017

As of June 2017, the Bank did not issue senior bonds.

.d.2) Subordinated bonds year 2017

As of June 2017, the Bank did not issue subordinated bonds.

d.3) Mortgage bonds year 2017

As of June 2017, the Bank did not issue mortgage bonds.

NOTE 02
SIGNIFICANT EVENTS, continued

d.4) Repurchased bonds year 2017

In the six months ended June 30, 2017 the Bank has repurchased the following bonds:

Date	Currency	Repurchase amount
03-06-2017	Senior	USD 6,900,000
05-12-2017	Senior	UF 1,000,000
05-16-2017	Senior	UF 690,000
05-17-2017	Senior	UF 15,000
05-26-2017	Senior	UF 340,000
06-01-2017	Senior	UF 590,000
06-02-2017	Senior	UF 300,000
06-05-2017	Senior	UF 130,000
06-19-2017	Senior	UF 265,000

II.- As of June 30, 2016, the following significant events have occurred and affected the Bank's operations and Unaudited Consolidated Interim Financial Statements.

a) Directory

At the Ordinary Shareholders' Meeting held on April 26, 2016, the appointment of titular directors, Mr. Andreu Plaza López and Mrs. Ana Dorrego de Carlos was ratified, who were appointed as titular directors at the Ordinary Meeting of the Board of Directors held on October 20, 2015.

At the Ordinary Session of the Board of Directors held on March 15, 2016, Víctor Arbulú Crousillat resigned as director. In view of his resignation and the vacancy left in at a past moment by Mr. Lisandro Serrano Spoerer, on the occasion of his resignation at the Ordinary Session of the Board of Directors held on October 20, 2015, the Board appointed Mr. Andreu Plaza López and Mrs. Ana Dorrego de Carlos. Finally, it is reported that on the occasion of the resignation of Mr. Victor Arbulú Crousillat he has been appointed as a member of the Directors and Audit Committee and in his replacement, Mr. Mauricio Larraín Garcés.

b) Use of Profits and Distribution of Dividends

At the Ordinary General Shareholders' Meeting held on April 26, 2016, Mr. Oscar von Chrismar Carvajal (First Vice-Chairman), Mr. Roberto Méndez Torres (Second Vice-President), titular directors Marco Colodro Hadjes, Lucia Santa Cruz Sutil, Ana Dorrego de Carlos, Mauricio Larraín Garcés, Juan Pedro Santa María, Orlando Poblete Iturrate, Andreu Plaza Lopez and Blanca Bustamante Bravo participated in ameeting with Mr. Vittorio Corbo Lioi as Chairman. In addition, the General Manager Mr. Claudio Melandri Hinojosa and the Manager of Strategic Planning Mr. Raimundo Monge also attend to the meeting.

According to the information presented in the Meeting mentioned above, net income for year 2015 (referred to in the financial statements "Profit attributable to equity holders of the Bank"), amounted to Ch$ 448,878 million. It was approved to distribute 75% of said profits, which, divided by the number of shares issued, correspond to a dividend of $ 1,78649813 per share, which began to be paid as of April 29, 2016.

Likewise, it is approved that the remaining 25% of the profits be destined to increase the Bank's reserves.

c) Appointment of External Auditors

At the Board mentioned above, it was agreed to appoint the firm PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, as external auditors of the Bank and its subsidiaries for 2016.

d) Capital increase of Transbank S.A.

At the Extraordinary Shareholders' Meeting of Transbank S.A. Held on April 21, 2016, it was agreed to increase the capital of the company by capitalizing the accumulated profits, through the issuance of shares redeemed for payment, and placement of payment shares for approximately $ 4,000 million. Banco Santander Chile participated proportionally to its participation (25%), reason why it subscribed and paid shares for approximately $ 1 billion.

NOTE 02
SIGNIFICANT EVENTS, continued

e) Issuance of bank bonds - As of June 30, 2016:

As of June 30, 2016, the Bank has issued bonds for UF 42,000,000, CLP 100,000,000,000, USD 20,000,000 and JPY 3,000,000,000. The detail of the placements made as of June 30, 2016 is included in Note 15.

e.1 Senior Bonds as of June 30, 2016

Set	Currency	Amount Issued	Date	Emission rate	Date of issue	Due date
R1	UF	15,000,000	5.5 Years	2.50% yearly	01-28-2016	03-01-2021
R2	UF	10,000,000	7.5 Years	2.60% yearly	01-28-2016	03-01-2023
R3	UF	10,000,000	10.5 Years	3.00% yearly	01-28-2016	03-01-2026
R6	UF	7,000,000	8,4 Years	2.65% yearly	04-07-2016	12-01-2024
Total	**UF**	**42,000,000**				
R4	CLP	100,000,000,000	5.5 Years	5.50% yearly	01-28-2016	03-01-2021
Total	**CLP**	**100,000,000,000**				
DN	USD	10,000,000	4.9 Years	Libor-USD quarterly	06-02-2016	06-09-2021
DN	USD	10,000,000	5.0 Years	Libor-USD quarterly	06-09-2016	06-17-2021
Total	**USD**	**20,000,000**				
JPY	JPY	3,000,000,000	5.0 Years	0.12% biannual	06-22-2016	06-29-2021
Total	**JPY**	**3,000,000,000**				

e.2 Subordinated Bonds as of June 30, 2016

As of June 2016, the Bank did not issue subordinated bonds.

e.3 Mortgage bonds as of June 30, 2016

As of June 2016, the Bank did not issue mortgage bonds.

e.4 Repurchased bonds

As of June, 2016 the Bank has repurchased the following bonds:

Fecha	Tipo	Monto
01-13-2016	Senior	USD 600,000
01-27-2016	Senior	USD 960,000
03-08-2016	Senior	USD 481,853,000
03-08-2016	Senior	USD 140,104,000
05-10-2016	Senior	USD 10,000,000

NOTE 03
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.

Due to changes aimed at improving relations with its customers and streamlining processes, the Bank has modified its internal structure: these changes consist in internal components (the aggregation of subsegments) but do not modify the existing segments or their managers. For this reason, the disclosure has been adapted (simplified) to reflect how the Bank is currently managed.

Under IFRS 8, the Bank has aggregated operating segments with similar economic characteristics according to the aggregation criteria specified in the standard. A reporting segment consists of clients that are offered differentiated but, considering how their performance is measured, are homogenous, thus they form part of the same reporting segment. Overall, this aggregation has no significant impact on the understanding of the nature and effects of the Bank's business activities and the economic environment.

The information relating to 2016 has been prepared using the current criteria so that the figures presented are comparable.

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.

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.

NOTE 03
REPORTING SEGMENTS, continued

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 Junio 30, 2017 and 2016:

	For the six months ended Junio 30, 2017 (Unaudited)						
	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	18,725,149	485,587	105,262	9,452	(144,936)	(260,974)	**194,391**
Middle- market	6,470,422	131,741	18,260	6,748	(4,983)	(46,062)	**105,704**
Commercial Banking	**25,195,571**	**617,328**	**123,522**	**16,200**	**(149,919)**	**(307,036)**	**300,095**
Global Corporate Banking	1,876,105	49,739	16,543	30,689	1,785	(29,665)	**69,091**
Other	84,348	(4,458)	4,596	25,248	(2,238)	(6,590)	**16,558**
Total	**27,156,024**	**662,609**	**144,661**	**72,137**	**(150,372)**	**(343,291)**	**385,744**
Other operating income							29,068
Other operating expenses							(54,347)
Income from investments in associates and other companies							1,605
Income tax expense							(68,351)
Net income for the period							**293,719**

(1) Loans and accounts receivable from customers, 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.

NOTE 03
REPORTING SEGMENTS, continued

	For the six months ended June 30, 2016 (Unaudited)						
	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	17,808,046	449,465	94,791	10,251	(159,413)	(263,002)	**132,092**
Middle-market	6,205,673	118,014	19,092	10,438	(11,749)	(44,852)	**90,943**
Commercial Banking	**24,013,719**	**567,479**	**113,883**	**20,689**	**(171,162)**	**(307,854)**	**223,035**
Global Corporate Banking	2,303,472	45,059	13,406	24,931	2,153	(28,021)	**57,528**
Other	83,376	28,772	(426)	16,502	7,647	(2,182)	**50,313**
Total	**26,400,567**	**641,310**	**126,863**	**62,122**	**(161,362)**	**(338,057)**	**330,876**
Other operating income							9,859
Other operating expenses							(48,329)
Income from investments in associates and other companies							1,172
Income tax expense							(50,776)
Net income for the period							**242,802**

(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.

NOTE 04
CASH AND CASH EQUIVALENTS

a) The detail of the balances included under cash and cash equivalents is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Cash and deposit in banks		
Cash	601,259	570,317
Deposit in the Central Bank of Chile	272,369	507,275
Deposit in domestic banks	475	1,440
Deposit in foreign banks	469,940	1,200,357
Subtotal	**1,344,043**	**2,279,389**
Cash in process of collection, net	170,782	206,810
Cash and cash equivalents	**1,514,825**	**2,486,199**

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 abread, usually within the next 24 or 48 working hours to each end of period. These operations are as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Assets		
Documents held by other banks (document to be cleared)	192,873	200,109
Funds receivable	236,363	295,174
Subtotal	**429,236**	**495,283**
Liabilities		
Funds payable	258,454	288,473
Subtotal	**258,454**	**288,473**
Cash in process of collection, net	**170,782**	**206,810**

NOTE 05
TRADING INVESTMENTS

The detail of instruments deemed as financial trading investments is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	261,578	158,686
Chilean Central Bank Notes	—	—
Other Chilean Central Bank and Government securities	408,217	237,325
Subtotal	**669,795**	**396,011**
Other Chilean securities		
Time deposits in Chilean financial institutions	—	—
Mortgage finance bonds of Chilean financial institutions	—	—
Chilean financial institutions bonds	—	—
Chilean corporate bonds	28,268	976
Other Chilean securities	—	—
Subtotal	**28,268**	**976**
Foreign financial securities		
Foreign Central Banks and Government securities	701	—
Other foreign financial instruments	—	—
Subtotal	**701**	—
Investments in mutual funds		
Funds managed by related entities	1,570	—
Funds managed by third parties	—	—
Subtotal	**1,570**	**—**
Total	**700,334**	**396,987**

As of June 30, 2017 and December 31, 2016, there were no trading investments sold under contracts to resell to clients and financial institutions.

NOTE 06
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of June 30, 2017 and December 31, 2016, the Bank holds the following portfolio of derivative instruments:

	As of June 30, 2017 (Unaudited)					
	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	—	659,074	1,361,185	2,020,259	28,810	3,450
Cross currency swaps	391,663	—	1,927,618	2,319,281	52,175	20,279
Call currency options	—	—	—	—	—	—
Call interest rate options	—	—	—	—	—	—
Put currency options	—	—	—	—	—	—
Put interest rate options	—	—	—	—	—	—
Interest rate futures	—	—	—	—	—	—
Other derivatives	—	—	—	—	—	—
Subtotal	**391,663**	**659,074**	**3,288,803**	**4,339,540**	**80,985**	**23,729**
Cash flow hedge derivatives						
Currency forwards	198,742	425,578	—	624,320	6,540	25
Interest rate swaps	—	—	—	—	—	—
Cross currency swaps	766,066	2,536,617	5,971,633	9,274,316	29,539	78,610
Call currency options	—	—	—	—	—	—
Call interest rate options	—	—	—	—	—	—
Put currency options	—	—	—	—	—	—
Put interest rate options	—	—	—	—	—	—
Interest rate futures	—	—	—	—	—	—
Other derivatives	—	—	—	—	—	—
Subtotal	**964,808**	**2,962,195**	**5,971,633**	**9,898,636**	**36,079**	**78,635**
Trading derivatives						
Currency forwards	13,424,895	13,763,958	2,726,605	29,915,458	144,809	139,093
Interest rate swaps	5,684,377	12,581,477	44,367,009	62,632,863	572,609	502,468
Cross currency swaps	3,427,752	8,772,096	52,881,164	65,081,012	1,379,879	1,315,496
Call currency options	55,113	31,863	16,595	103,571	999	88
Call interest rate options	—	—	—	—	—	—
Put currency options	45,591	21,374	17,259	84,224	294	1,130
Put interest rate options	—	—	—	—	—	—
Interest rate futures	—	—	—	—	—	—
Other derivatives	—	—	—	—	—	—
Subtotal	**22,637,728**	**35,170,768**	**100,008,632**	**157,817,128**	**2,098,590**	**1,958,275**
Total	**23,994,199**	**38,792,037**	**109,269,068**	**172,055,304**	**2,215,654**	**2,060,639**

NOTE 06
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2016					
	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	74,086	514,454	1,402,870	**1,991,410**	38,977	211
Cross currency swaps	424,086	505,902	1,239,490	**2,169,478**	32,640	32,868
Call currency options	—	—	—	—	—	—
Call interest rate options	—	—	—	—	—	—
Put currency options	—	—	—	—	—	—
Put interest rate options	—	—	—	—	—	—
Interest rate futures	—	—	—	—	—	—
Other derivatives	—	—	—	—	—	—
Subtotal	**498,172**	**1,020,356**	**2,642,360**	**4,160,888**	**71,617**	**33,079**
Cash flow hedge derivatives						
Currency forwards	915,879	639,939	—	**1,555,818**	10,216	3,441
Interest rate swaps	—	—	—	—	—	—
Cross currency swaps	897,480	2,613,706	4,260,194	**7,771,380**	43,591	68,894
Call currency options	—	—	—	—	—	—
Call interest rate options	—	—	—	—	—	—
Put currency options	—	—	—	—	—	—
Put interest rate options	—	—	—	—	—	—
Interest rate futures	—	—	—	—	—	—
Other derivatives	—	—	—	—	—	—
Subtotal	**1,813,359**	**3,253,645**	**4,260,194**	**9,327,198**	**53,807**	**72,335**
Trading derivatives						
Currency forwards	15,840,731	11,240,251	3,358,765	**30,439,747**	185,618	209,955
Interest rate swaps	6,889,665	12,512,285	49,747,459	**69,149,409**	627,047	526,695
Cross currency swaps	3,966,443	7,589,201	53,148,109	**64,703,753**	1,562,068	1,449,550
Call currency options	73,943	20,994	2,664	**97,601**	521	5
Call interest rate options	—	—	—	**—**	—	—
Put currency options	52,143	7,892	2,664	**62,699**	104	542
Put interest rate options	—	—	—	**—**	—	—
Interest rate futures	—	—	—	**—**	—	—
Other derivatives	—	—	—	**—**	—	—
Subtotal	**26,822,925**	**31,370,623**	**106,259,661**	**164,453,209**	**2,375,358**	**2,186,747**
Total	**29,134,456**	**35,644,624**	**113,162,215**	**177,941,295**	**2,500,782**	**2,292,161**

NOTE 06
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b) Hedge accounting

Fair value hedge

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 June 30, 2017 and December 31, 2016, classified by term to maturity are as follows:

	As of June 30, 2017 (Unaudited)				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Credits and accounts receivable from customers					
Mortgage loan	—	—	53,318	—	**53,318**
Available for sale investments					
Yankee bonds	—	—	6,638	69,699	**76,337**
Mortgage financing bonds	—	—	5,213	—	**5,213**
American treasury bonds	—	—	—	106,208	**106,208**
Central bank bonds (BCP)	—	238,640	—	—	**238,640**
Time deposits and other demand liabilities					
Time deposits	659,074	—	—	—	**659,074**
Issued debt instruments					
Senior bonds	391,663	913,175	751,095	1,144,817	**3,200,750**
Total	**1,050,737**	**1,151,815**	**816,264**	**1,320,724**	**4,339,540**
Hedging instrument					
Cross currency swaps	391,663	448,175	584,626	894,817	**2,319,281**
Interest rate swaps	659,074	703,640	231,638	425,907	**2,020,259**
Total	**1,050,737**	**1,151,815**	**816,264**	**1,320,724**	**4,339,540**

	As of December 31, 2016				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Credits and accounts receivable from customers					
Mortgage loan	—	—	—	—	—
Available for sale investments					
Yankee bond	—	—	6,660	56,610	**63,270**
Mortgage finance bonds	—	—	5,651	—	**5,651**
American treasury bonds	—	—	33,300	366,300	**399,600**
Central bank bonds (BCP)	—	—	—	—	—
Time deposits and other demand liabilities					
Time deposits	993,659	—	—	—	**993,659**
Issued debt instruments					
Senior bonds	524,869	652,046	1,000,905	520,888	**2,698,708**
Total	**1,518,528**	**652,046**	**1,046,516**	**943,798**	**4,160,888**
Hedging instrument					
Cross currency swaps	929,988	437,046	531,556	270,888	**2,169,478**
Interest rate swaps	588,540	215,000	514,960	672,910	**1,991,410**
Total	**1,518,528**	**652,046**	**1,046,516**	**943,798**	**4,160,888**

NOTE 06
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

Cash flow hedges

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 June 30, 2017 and December 31, 2016, and the period when the cash flows will be generated are as follows:

	As of June 30, 2017 (Unaudited)				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	982,575	1,054,991	1,335,771	1,272,431	**4,645,768**
Commercial loans	498,035	—	—	—	**498,035**
Available for sale investments					
Time deposits (ASI)	—	—	113,407	506,018	**619,425**
Yankee bond	26,356	—	—	—	**26,356**
Chilean Central Bank bonds	—	—	—	—	**—**
Time deposits and other time liabilities					
Time deposits	—	—	—	—	**—**
Issued debt instruments					
Senior bonds (variable rate)	124,923	342,068	286,593	—	**753,584**
Senior bonds (fixed rate)	—	112,242	250,012	281,845	**644,099**
Interbank borrowings					
Interbank loans	2,295,114	416,255	—	—	**2,711,369**
Total	**3,927,003**	**1,925,556**	**1,985,783**	**2,060,294**	**9,898,636**
Hedging instrument					
Cross currency swaps	3,302,683	1,925,556	1,985,783	2,060,294	**9,274,316**
Currency forwards	624,320	—	—	—	**624,320**
Total	**3,927,003**	**1,925,556**	**1,985,783**	**2,060,294**	**9,898,636**

	As of December 31, 2016				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	1,083,972	312,546	900,746	956,803	**3,254,067**
Commercial loans	972,360	—	—	—	**972,360**
Available for sale investments					
Time deposits (ASI)	—	—	126,140	406,881	**533,021**
Yankee bond	20,754	—	—	—	**20,754**
Chilean Central Bank bonds	26,196	—	—	—	**26,196**
Time deposits and other time liabilities					
Time deposits	285,090	—	—	—	**285,090**
Issued debt instruments					
Senior bonds (variable rate)	854,414	399,451	285,355	—	**1,539,220**
Senior bonds (fixed rate)	140,765	108,409	243,121	105,600	**597,895**
Interbank borrowings					
Interbank loans	1,683,453	415,142	—	—	**2,098,595**
Total	**5,067,004**	**1,235,548**	**1,555,362**	**1,469,284**	**9,327,198**
Hedging instrument					
Cross currency swaps	3,511,186	1,235,548	1,555,362	1,469,284	**7,771,380**
Currency forwards	1,555,818	—	—	—	**1,555,818**
Total	**5,067,004**	**1,235,548**	**1,555,362**	**1,469,284**	**9,327,198**

NOTE 06
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 June 30, 2017 (Unaudited)				
	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	168,451	82,166	25,116	3,854	**279,587**
Outflows	(53,728)	(41,109)	(12,620)	(613)	**(108,070)**
Net flows	**114,723**	**41,057**	**12,496**	**3,241**	**171,517**
Hedging instrument					
Inflows	53,728	41,109	12,620	613	**108,070**
Outflows (*)	(168,451)	(82,166)	(25,116)	(3,854)	**(279,587)**
Net flows	**(114,723)**	**(41,057)**	**(12,496)**	**(3,241)**	**(171,517)**

(*) Only includes cash flow forecast portion of the hedge instruments used to cover interest rate risk.

	As of December 31, 2016				
	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	159,439	83,193	32,647	3,748	279,027
Outflows	(72,631)	(45,857)	(18,040)	—	(136,528)
Net flows	**86,808**	**37,336**	**14,607**	**3,748**	**142,499**
Hedging instrument					
Inflows	72,631	45,857	18,040	—	136,528
Outflows (*)	(159,439)	(83,193)	(32,647)	(3,748)	(279,027)
Net flows	**(86,808)**	**(37,336)**	**(14,607)**	**(3,748)**	**(142,499)**

(*) Only includes cash flow forecast portion of the hedge instruments used to cover interest rate risk.

NOTE 06
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b.2) Forecasted cash flows for inflation risk:

	As of June 30, 2017 (Unaudited)				
	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	—	—	—	—	—
Outflows	12,862	23,996	97,117	169,376	**303,351**
Net flows	**12,862**	**23,996**	**97,117**	**169,376**	**303,351**
Hedging instrument					
Inflows	—	—	—	—	**—**
Outflows	(12,862)	(23,996)	(97,117)	(169,376)	**(303,351)**
Net flows	**(12,862)**	**(23,996)**	**(97,117)**	**(169,376)**	**(303,351)**

	As of December 31, 2016				
	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	22,586	11,896	56,107	115,753	206,342
Outflows	(4,900)	—	—	—	(4,900)
Net flows	**17,686**	**11,896**	**56,107**	**115,753**	**201,442**
Hedging instrument					
Inflows	4,900	—	—	—	4,900
Outflows	(22,586)	(11,896)	(56,107)	(115,753)	(206,342)
Net flows	**(17,686)**	**(11,896)**	**(56,107)**	**(115,753)**	**(201,442)**

b.3) Forecasted cash flows for exchange rate risk:

As of June 30, 2017 and December 31, 2016, 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 Unaudited Consolidated Interim Statement of Changes in Equity, specifically within Other comprehensive income, as of June 30, 2017 and 2016, and is as follows:

Hedged item	As of June 30, (Unaudited)	
	2017 MCh$	2016 MCh$
Interbank loans	(4,580)	(2,453)
Time deposits and other time liabilities	—	(358)
Issued debt instruments	(9,505)	1,527
Available for sale investments	7,853	(12,039)
Loans and accounts receivable from customers	13,161	360
Net flows	**6,929**	**(12,963)**

NOTE 06
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

Since the inflows and outflows for both the hedged item 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. As of June 30, 2017 and 2016, Ch$2,579 million and Ch$924 million respectively, are recognized in income for the ineffective portion.

During the period, the Bank did not have any cash flow hedges of forecast transactions.

d) The income generated by cash flow hedges that were reclassified from other comprehensive income to the period's net income is as follows:

	As of June 30,	
	2017	**2016**
	MCh$	**MCh$**
Bond hedging derivatives	226	13
Interbank loans hedging derivatives	—	—
Cash flow hedge net income (*)	**226**	**13**

(*) See Note 19 "Equity", letter d)

e) Net investment hedges in foreign operations:

As of June 30, 2017 and December 31, 2016, the Bank does not have any foreign net investment hedges in its hedge accounting portfolio.

NOTE 07
INTERBANK LOANS

a) As of June 30, 2017 and December 31, 2016, balances of "Interbank loans" are as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 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	27	23
Overdrafts in checking accounts	—	—
Non-transferable domestic bank loans	—	—
Other domestic bank loans	101	51
Allowances and impairment for domestic bank loans	—	—
Foreign interbank loans		
Interbank loans – Foreign	235,486	272,733
Overdrafts in checking accounts	—	—
Non-transferable foreign bank deposits	—	—
Other foreign bank loans	—	—
Provisions and impairment for foreign bank loans	(102)	(172)
Total	**235,512**	**272,635**

b) The amount of provisions and impairment of interbank loans in each period is shown below:

	As of June 30, 2017 (Unaudited)			As of December 31, 2016		
	Domestic banks MCh$	Foreign banks MCh$	Total MCh$	Domestic banks MCh$	Foreign banks MCh$	Total MCh$
Balance as of January 1	**—**	**172**	**172**	**—**	**16**	**16**
Charge-offs	—	—	**—**	—	—	**—**
Provisions established	165	29	**194**	1	238	**239**
Provisions released	(165)	(99)	**(264)**	(1)	(82)	**(83)**
Total	**—**	**102**	**102**	**—**	**172**	**172**

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

As of June 30, 2017 and December 31, 2016, the composition of the loan portfolio is as follows:

As of June 30, 2017 (Unaudited)	Assets before allowances				Allowances established			
	Normal portfolio MCh$	Substandard portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Assets net balance MCh$
Commercial loans								
Commercial loans	8,776,620	315,804	575,432	**9,667,856**	147,851	159,348	**307,199**	9,360,657
Foreign trade loans	1,533,832	52,184	75,202	**1,661,218**	59,063	1,728	**60,791**	1,600,427
Checking accounts debtors	183,081	3,652	14,425	**201,158**	3,018	8,206	**11,224**	189,934
Factoring transactions	351,079	2,477	4,556	**358,112**	4,489	911	**5,400**	352,712
Student Loans	82,674	—	11,118	**93,792**	—	9,686	**9,686**	84,106
Leasing transactions	1,279,584	101,194	87,649	**1,468,427**	19,513	9,618	**29,131**	1,439,296
Other loans and account receivable	108,976	991	28,688	**138,655**	7,396	11,649	**19,045**	119,610
Subtotal	**12,315,846**	**476,302**	**797,070**	**13,589,218**	**241,330**	**201,146**	**442,476**	**13,146,742**
Mortgage loans								
Loans with mortgage finance bonds	27,143	—	1,293	**28,436**	—	20	**20**	28,416
Mortgage mutual loans	119,459	—	4,269	**123,728**	—	195	**195**	123,533
Other mortgage mutual loans	8,284,637	—	424,570	**8,709,207**	—	58,989	**58,989**	8,650,218
Subtotal	**8,431,239**	**—**	**430,132**	**8,861,371**	**—**	**59,204**	**59,204**	**8,802,167**
Consumer loans								
Installment consumer loans	2,536,923	—	278,738	**2,815,661**	—	252,568	**252,568**	2,563,093
Credit card balances	1,352,207	—	25,471	**1,377,678**	—	35,676	**35,676**	1,342,002
Leasing transactions	4,780	—	25	**4,805**	—	64	**64**	4,741
Other consumer loans	266,871	—	4,806	**271,677**	—	9,352	**9,352**	262,325
Subtotal	**4,160,781**	**—**	**309,040**	**4,469,821**	**—**	**297,660**	**297,660**	**4,172,161**
Total	**24,907,866**	**476,302**	**1,536,242**	**26,920,410**	**241,330**	**558,010**	**799,340**	**26,121,070**

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

As of December 31, 2016	Assets before allowances				Allowances established			
	Normal portfolio MCh$	Substandard Portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Assets net balance MCh$
Commercial loans								
Commercial loans	8,946,709	327,996	578,952	**9,853,657**	178,648	148,703	**327,351**	9,526,306
Foreign trade loans	1,622,422	131,900	75,582	**1,829,904**	63,767	901	**64,668**	1,765,236
Checking accounts debtors	162,470	4,262	12,736	**179,468**	3,130	6,854	**9,984**	169,484
Factoring transactions	288,292	3,771	4,688	**296,751**	5,363	620	**5,983**	290,768
Student Loans	89,988	—	5,805	**95,793**	—	8,818	**8,818**	86,975
Leasing transactions	1,325,583	69,302	90,238	**1,485,123**	19,710	5,546	**25,256**	1,459,867
Other loans and account receivable	103,508	1,678	21,583	**126,769**	5,355	11,664	**17,019**	106,750
Subtotal	**12,538,972**	**538,909**	**789,584**	**13,867,465**	**275,973**	**183,106**	**459,079**	**13,408,386**
Mortgage loans								
Loans with mortgage finance bonds	31,368	—	1,211	**32,579**	—	18	**18**	32,561
Mortgage mutual loans	115,400	—	4,534	**119,934**	—	203	**203**	119,731
Other mortgage mutual loans	8,074,900	—	391,943	**8,466,843**	—	60,820	**60,820**	8,406,023
Subtotal	**8,221,668**	—	**397,688**	**8,619,356**	**—**	**61,041**	**61,041**	**8,558,315**
Consumer loans								
Installment consumer loans	2,468,692	—	253,673	**2,722,365**	—	249,545	**249,545**	2,472,820
Credit card balances	1,418,409	—	29,709	**1,448,118**	—	41,063	**41,063**	1,407,055
Leasing transactions	5,062	—	55	**5,117**	—	72	**72**	5,045
Other consumer loans	266,056	—	5,147	**271,203**	—	9,339	**9,339**	261,864
Subtotal	**4,158,219**	—	**288,584**	**4,446,803**	**—**	**300,019**	**300,019**	**4,146,784**
Total	**24,918,859**	**538,909**	**1,475,856**	**26,933,624**	**275,973**	**544,166**	**820,139**	**26,113,485**

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

b) Portfolio characteristics

As of June 30, 2017 and December 31, 2016, the portfolio before allowances is as follows, by customer's economic activity:

	Domestic loans (*)		Foreign interbank loans (**)		Total loans		Distribution percentage	
	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$	As of June 30, 2017 (Unaudited) %	As of December 31, 2016 %
Commercial loans								
Manufacturing	1,254,873	1,180,886	—	—	1,254,873	1,180,886	4.62	4.34
Mining	310,276	340,554	—	—	310,276	340,554	1.14	1.25
Electricity, gas, and water	273,794	442,936	—	—	273,794	442,936	1.01	1.63
Agriculture and livestock	1,094,612	1,096,659	—	—	1,094,612	1,096,659	4.03	4.03
Forest	100,121	96,806	—	—	100,121	96,806	0.37	0.36
Fishing	251,257	296,592	—	—	251,257	296,592	0.93	1.09
Transport	733,861	787,510	—	—	733,861	787,510	2.70	2.89
Communications	203,833	196,934	—	—	203,833	196,934	0.75	0.72
Construction	1,896,015	1,792,485	—	—	1,896,015	1,792,485	6.98	6.59
Commerce	3,040,978	3,120,400	235,486	272,733	3,276,464	3,393,133	12.07	12.47
Services	462,712	482,900	—	—	462,712	482,900	1.70	1.77
Other	3,967,014	4,032,877	—	—	3,967,014	4,032,877	14.61	14.84
Subtotal	**13,589,346**	**13,867,539**	**235,486**	**272,733**	**13,824,832**	**14,140,272**	**50.91**	**51.98**
Mortgage loans	**8,861,371**	**8,619,356**	**—**	**—**	**8,861,371**	**8,619,356**	**32.63**	**31.68**
			—					
Consumer loans	**4,469,821**	**4,446,803**	**—**	**—**	**4,469,821**	**4,446,803**	**16.46**	**16.34**
			—					
Total	**26,920,538**	**26,933,698**	**235,486**	**272,733**	**27,156,024**	**27,206,431**	**100.00**	**100.00**

(*) Includes domestic interbank loans for Ch$128 million as of June 30, 2017 (Ch$74 million as of December 31, 2016), see Note 7.

(**) Includes foreign interbank loans for Ch$235,486 million as of June 30, 2017 (Ch$272,733 million as of December 31, 2016), see Note 7.

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

c) Impaired portfolio

i) As of June 30, 2017 and December 31, 2016, the impaired portfolio is as follows:

	As of June 30, 2017 (Unaudited)				As of December 31, 2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Individually impaired portfolio	439,938	—	—	**439,938**	439,707	—	—	**439,707**
Non-performing loans (collectively evaluated)	338,728	157,855	90,524	**587,107**	316,838	147,572	99,721	**564,131**
Other impaired portfolio	187,419	272,277	218,516	**678,212**	172,624	250,116	188,863	**611,603**
Total	**966,085**	**430,132**	**309,040**	**1,705,257**	**929,169**	**397,688**	**288,584**	**1,615,441**

ii) The impaired portfolio with or without guarantee as of June 30, 2017 and December 31, 2016 is as follows:

	As of June 30, 2017 (Unaudited)				As of December 31, 2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	557,738	384,712	34,801	**977,251**	519,821	357,320	35,134	**912,275**
Unsecured debt	408,347	45,420	274,239	**728,006**	409,348	40,368	253,450	**703,166**
Total	**966,085**	**430,132**	**309,040**	**1,705,257**	**929,169**	**397,688**	**288,584**	**1,615,441**

iii) The portfolio of non-performing loans (due for 90 days or longer) as of June 30, 2017 and December 31, 2016 is as follows:

	As of June 30, 2017 (Unaudited)				As of December 31, 2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	168,934	139,571	9,111	**317,616**	159,965	129,632	8,940	**298,537**
Unsecured debt	169,794	18,284	81,413	**269,491**	156,873	17,940	90,781	**265,594**
Total	**338,728**	**157,855**	**90,524**	**587,107**	**316,838**	**147,572**	**99,721**	**564,131**

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

d) Allowances

The changes in allowances balances during 2017 and 2016 are as follows:

Activity during 2017 (Unaudited)	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of December 31, 2016	**275,973**	**183,106**	**61,041**	**300,019**	**820,139**
Allowances established	35,723	44,441	9,735	80,086	169,985
Allowances released	(44,994)	(6,063)	(10,288)	(14,918)	(76,263)
Allowances released due to charge-off	(25,372)	(20,338)	(1,284)	(67,527)	(114,521)
Balance as of June 30, 2017	**241,330**	**201,146**	**59,204**	**297,660**	**799,340**

Activity during 2016	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of December 31, 2015	**277,099**	**168,551**	**51,160**	**257,869**	**754,679**
Allowances established	72,330	73,105	30,046	178,886	**354,367**
Allowances released	(37,073)	(14,432)	(17,634)	(18,512)	**(87,651)**
Allowances released due to charge-off	(36,383)	(44,118)	(2,531)	(118,224)	**(201,256)**
Balance as of December 31, 2016	**275,973**	**183,106**	**61,041**	**300,019**	**820,139**

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 SBIF. The balances of allowances as of June 30, 2017 and December 31, 2016 are Ch$405 million and Ch$386 million, respectively, which are presented in liabilities of the Unaudited Consolidated Interim Statement of Financial Position.

ii) According to SBIF's 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 June 30, 2017 and December 31, 2016 are Ch$13,477 million and Ch$13,927 million, respectively, and are presented in liabilities of the Unaudited Consolidated Interim Statement of Financial Position

i) Allowances established

The following chart shows the balance of provisions established, associated with credits granted to customers and banks:

	As of June 30, 2017 (Unaudited)	As of December 31, 2016
Customers loans	169,985	354,367
Interbank loans	194	239
Total	**170,179**	**354,606**

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

ii) Portfolio by its impaired and non-impaired status

	As of June 30, 2017 (Unaudited)											
	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	12,375,628	8,164,391	3,952,487	**24,492,506**	405,881	147,991	129,526	**683,398**	12,781,509	8,312,382	4,082,013	**25,175,904**
Overdue for 1-29 days	161,969	66,400	125,838	**354,207**	105,407	12,599	36,320	**154,326**	267,376	78,999	162,158	**508,533**
Overdue for 30-89 days	85,536	200,448	82,456	**368,440**	126,681	114,517	64,827	**306,025**	212,217	314,965	147,283	**674,465**
Overdue for 90 days or more	—	—	—	**—**	328,116	155,025	78,367	**561,508**	328,116	155,025	78,367	**561,508**
Total portfolio before allowances	**12,623,133**	**8,431,239**	**4,160,781**	**25,215,153**	**966,085**	**430,132**	**309,040**	**1,705,257**	**13,589,218**	**8,861,371**	**4,469,821**	**26,920,410**
Overdue loans (less than 90 days) presented as portfolio percentage	1.96%	3.16%	5.01%	**2.87%**	24.02%	29.55%	32.73%	**27.00%**	3.53%	4.45%	6.92%	**4.39%**
Overdue loans (90 days or more) presented as portfolio percentage	—	—	—	—	33.86%	36.04%	25.36%	**32.93%**	2.41%	1.75%	1.75%	**2.09%**

NOTE 08
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

	As of December 31, 2016											
	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	12,765,961	7,944,260	3,957,566	**24,667,787**	463,176	133,816	100,670	**697,662**	13,229,137	8,078,076	4,058,236	**25,365,449**
Overdue for 1-29 days	97,302	69,227	113,031	**279,560**	35,777	12,984	32,536	**81,297**	133,079	82,211	145,567	**360,857**
Overdue for 30-89 days	75,033	208,181	87,622	**370,836**	118,461	105,804	70,920	**295,185**	193,494	313,985	158,542	**666,021**
Overdue for 90 days or more	—	—	—	**—**	311,755	145,084	84,458	**541,297**	311,755	145,084	84,458	**541,297**
Total portfolio before allowances	**12,938,296**	**8,221,668**	**4,158,219**	**25,318,183**	**929,169**	**397,688**	**288,584**	**1,615,441**	**13,867,465**	**8,619,356**	**4,446,803**	**26,933,624**
Overdue loans (less than 90 days) presented as portfolio percentage	1.33%	3.37%	4.83%	**2.57%**	16.60%	29.87%	35.85%	**23.31%**	2.35%	4.60%	6.84%	**3.81%**
Overdue loans (90 days or more) presented as portfolio percentage	—	—	—	—	33.55%	36.48%	29.27%	**33.51%**	2.25%	1.68%	1.90%	**2.01%**

NOTE 09
AVAILABLE FOR SALE INVESTMENTS

As of June 30, 2017 and December 31, 2016, details of instruments defined as available for sale investments are as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	393,539	468,386
Chilean Central Bank Notes	11,872	1,222,283
Other Chilean Central Bank and Government securities	397,006	52,805
Subtotal	**802,417**	**1,743,474**
Other Chilean securities		
Time deposits in Chilean financial institutions	824,708	893,000
Mortgage finance bonds of Chilean financial institutions	24,046	25,488
Chilean financial institution bonds	—	—
Chilean corporate bonds	—	—
Other Chilean securities	1,680	—
Subtotal	850,434	**918,488**
Foreign financial securities		
Foreign Central Banks and Government securities	52,145	387,146
Other foreign financial securities	464,849	339,798
Subtotal	516,994	**726,944**
Total	2,169,845	**3,388,906**

As of June 30, 2017 and December 31, 2016, the item *Chilean Central Bank and Government securities* item includes securities sold under repurchase agreements to clients and financial institutions for Ch$144,830 million and Ch$155,044 million, respectively.

As of June 30, 2017 and December 31, 2016, the item *Other Chilean Securities* includes securities sold to customers and financial institutions under repurchase agreements totaling Ch$740 million and Ch$57,393 million, respectively.

As of June 30, 2017 available for sale investments included a net unrealized profit of Ch$16,690 million, recorded as a “Valuation adjustment” in Equity, distributed between a profit of Ch$16,104 million attributable to equity holders of the Bank and a profit of Ch$586 million attributable to non-controlling interest.

As of December 31, 2016 available for sale investments included a net unrealized loss of Ch$7,375 million, recorded as a “Valuation adjustment” in Equity, distributed between a profit of Ch$6,449 million attributable to equity holders of the Bank and a profit of Ch$926 million attributable to non-controlling interest.

NOTE 10
INTANGIBLE ASSETS

a) As of June 30, 2017 and December 31, 2016 the composition of intangible assets is as follows:

	Years of useful life	Average remaining useful life	Net opening balance as of January 1, 2017 MCh$	As of June 30, 2017 (Unaudited) Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	1,656	10,932	(9,515)	1,417
Software development	3	2	56,429	298,649	(240,723)	57,926
Subtotal			**58,085**	**309,581**	**(250,238)**	**59,343**
Fully amortized assets			—	(200,774)	200,774	—
Total			**58,085**	**108,807**	**(49,464)**	**59,343**

	Years of useful life	Average remaining useful life	Net opening balance as of January 1, 2016 MCh$	As of December 31, 2016 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	2,060	10,932	(9,276)	1,656
Software development	3	2	49,077	286,781	(230,352)	56,429
Subtotal			**51,137**	**297,713**	**(239,628)**	**58,085**
Fully amortized assets			—	(200,774)	200,774	—
Total			**51,137**	**96,939**	**(38,854)**	**58,085**

b) The changes in the value of intangible assets during the periods ended June 30, 2017 and December 31, 2016 is as follows:

b.1) Gross balance

Gross balances	Licenses MCh$	Software development MCh$	Fully amortized assets MCh$	Total MCh$
Balances as of January 1, 2017	**10,932**	**286,781**	**(200,774)**	**96,939**
Acquisitions	—	11,868		11,868
Disposals and impairment	—	—	—	—
Other	—	—	—	—
Balances as of June 30, 2017 (Unaudited)	**10,932**	**298,649**	**(200,774)**	**108,807**
Balances as of January 1, 2016	**10,932**	**259,500**	**(181,267)**	**89,165**
Acquisitions	—	27,281	—	27,281
Disposals and impairment	—	—	—	—
Other	—	—	(19,507)	(19,507)
Balances as of December 31, 2016	**10,932**	**286,781**	**(200,774)**	**96,939**

NOTE 10
INTANGIBLE ASSETS, continued

b.2) Accumulated amortization

Accumulated amortization	**Licenses MCh$**	**Software development MCh$**	**Fully amortized assets MCh$**	**Total MCh$**
Balances as of January 1, 2017	**(9,276)**	**(230,352)**	**200,774**	**(38,854)**
Amortization for the period	(239)	(10,371)	—	(10,610)
Other changes	—	—	—	—
Balances as of June 30, 2017	**(9,515)**	**(240,723)**	**200,774**	**(49,464)**
Balances as of January 1, 2016	**(8,872)**	**(210,423)**	**181,267**	**(38,028)**
Amortization for the period	(404)	(19,929)	—	(20,333)
Other changes	—	—	19,507	19,507
Balances as of December 31, 2016	**(9,276)**	**(230,352)**	**200,774**	**(38,854)**

c) The Bank has no restriction on intangible assets as of June 30, 2017 and December 31, 2016. 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.

NOTE 11
PROPERTY, PLANT, AND EQUIPMENT

a) As of June 30, 2017 and December 31, 2016 the property, plant and equipment balances is as follows:

	Net opening balance as of January 1, 2017 MCh$	As of June 30, 2017 (Unaudited) Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building	169,809	268,609	(103,089)	165,520
Equipment	66,506	175,881	(115,460)	60,421
Ceded under operating leases	4,230	4,888	(660)	4,228
Other	16,834	57,054	(42,124)	14,930
Subtotal	**257,379**	**506,432**	**(261,333)**	**245,009**
Fully depreciated assets	—	(39,958)	39,958	—
Total	**257,379**	**466,474**	**(221,375)**	**245,099**

	Net opening balance as of January 1, 2016 MCh$	As of December 31, 2016 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building	158,434	264,016	(94,207)	169,809
Equipment	59,908	168,124	(101,618)	66,506
Ceded under operating leases	4,238	4,888	(658)	4,230
Other	18,079	55,973	(39,139)	16,834
Subtotal	**240,659**	**493,001**	**(235,622)**	**257,379**
Fully depreciated assets	—	(39,958)	39,958	—
Total	**240,659**	**453,043**	**(195,664)**	**257,379**

b) The changes in the value of property, plant and equipment during 2017 and 2016 is as follows:

b.1) Gross balance

2017	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2017	**264,016**	**168,124**	**4,888**	**55,973**	**(39,958)**	**453,043**
Additions	5,679	7,757	—	1.095	—	14,531
Disposals	(1,086)	(349)	—	(14)	—	(1,449)
Impairment due to damage	—	349	—	—	—	349
Other	—	—	—	—	—	—
Balances as of June 30, 2017 (Unaudited)	**268,609**	**175,881**	**4,888**	**57,054**	**(39,958)**	**466,474**

NOTE 11
PROPERTY, PLANT, AND EQUIPMENT, continued

2016	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2016	**237,449**	**137,621**	**4,888**	**51,482**	**(26,258)**	**405,182**
Additions	26,567	30,965	—	4,824	—	62,356
Disposals	—	(228)	—	(333)	—	(561)
Impairment due to damage	—	(234)	—	—	—	(234)
Other	—	—	—	—	(13,700)	(13,700)
Balances as of December 31, 2016	**264,016**	**168,124**	**4,888**	**55,973**	**(39,958)**	**453,043**

b.2) Accumulated depreciation

2017	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2017	**(94,207)**	**(101,618)**	**(658)**	**(39,139)**	**39,958**	**(195,664)**
Depreciation in the period	(8,924)	(13,871)	(2)	(2,992)	—	(25,789)
Sales and disposals in the period	42	29	—	7	—	78
Transfers	—	—	—	—	—	—
Others	—	—	—	—	—	—
Balances as of June 30, 2017 (Unaudited)	**(103,089)**	**(115,460)**	**(660)**	**(42,124)**	**39,958**	**(221,375)**

2016	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2016	**(79,015)**	**(77,713)**	**(650)**	**(33,403)**	**26,258**	**(164,523)**
Depreciation in the period	(15,192)	(23,976)	(8)	(5,849)	—	(45,025)
Sales and disposals in the period	—	71	—	113	—	184
Transfers	—	—	—	—	—	—
Others	—	—	—	—	13,700	13,700
Balances as of December 31, 2016	**(94,207)**	**(101,618)**	**(658)**	**(39,139)**	**39,958**	**(195,664)**

NOTE 11
PROPERTY, PLANT, AND EQUIPMENT, continued

c) Operational leases - Lessor

As of June 30, 2017 and December 31, 2016, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of June 30, 2017 (Unaudited)	As of December 31, 2016
	MCh$	MCh$
Due within 1 year	784	506
Due after 1 year but within 2 years	981	1,029
Due after 2 years but within 3 years	492	502
Due after 3 years but within 4 years	433	473
Due after 4 years but within 5 years	306	344
Due after 5 years	1,939	2,067
Total	**4,935**	**4,921**

d) Operational leases - Lessee

Some of the Bank's premises and equipment are under operating leases. Future minimum rental payments under non-cancellable leases are as follows:

	As of June 30, 2017 (Unaudited)	As of December 31, 2016
	MCh$	MCh$
Due within 1 year	27,164	26,455
Due after 1 year but within 2 years	24,431	24,903
Due after 2 years but within 3 years	19,808	20,582
Due after 3 years but within 4 years	16,925	17,321
Due after 4 years but within 5 years	13,979	14,569
Due after 5 years	56,132	53,694
Total	**158,439**	**157,524**

e) As of June 30, 2017 and December 31, 2016 the Bank has no finance leases which cannot be unilaterally cancelled.

f) The Bank has no restriction on property, plant and equipment as of June 30, 2017 and December 31, 2016. 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.

NOTE 12
CURRENT AND DEFERRED TAXES

a) Current taxes

As of June 30, 2017 and December 31, 2016, 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 June 30, (Unaudited) 2017 MCh$	As of December 31, 2016 MCh$
Summary of current tax liabilities (assets)		
Current tax (assets)	(5,969)	—
Current tax liabilities	—	29,294
Total tax payable (recoverable)	**(5,969)**	**29,294**
(Assets) liabilities current taxes detail (net)		
Income tax (*)	58,521	145,963
Less:		
Provisional monthly payments	(63,419)	(113,700)
Credit for training expenses	(807)	(1,972)
Land taxes leasing	—	—
Grant credits	(227)	(1,079)
Other	(37)	82
Total tax payable (recoverable)	**(5,969)**	**29,294**

(*)Tax rate as of June 30, 2017 and December 31, 2016 are 25.5% and 24.0%, respectively

b) Effect on income

The effect of tax expense on income for the periods from January 1 and June 30, 2017 and 2016 is comprised of the following items:

	For the six months ended June 30, 2017 MCh$	2016 MCh$
Income tax expense		
Current tax	57,709	49,354
Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	7,674	93
Subtotal	**65,383**	**49,447**
Tax for rejected expenses (Article No.21)	268	35
Other	2,700	1,294
Net income tax expense	**68,351**	**50,776**

NOTE 12
CURRENT AND DEFERRED TAXES, continued

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate in calculating the tax expense as of June 30, 2017 and 2016 is as follows:

	As of June 30, (Unaudited)			
	2017		2016	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Tax calculated over profit before tax	25.50	92,326	24,00	70,459
Permanent differences	(3.68)	(13,571)	(5.10)	(14,960)
Penalty tax (rejected expenses)	0.07	268	0.01	35
Effect of tax reform changes on deferred tax (*)	(2,94)	(10,650)	(0.01)	(28)
Other	(0.07)	(22)	(1.61)	(4,730)
Effective rates and expenses for income tax	**18.88**	**68,351**	**17.29**	**50,776**

(*) The publication of Law No. 20,780 on September 29, 2014 increased the corporate income tax rate to 21% for 2014, to 22.5% in 2015, 24% for 2016, 25.5 % in 2017 and 27% for 2018 onwards.

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 June 30, 2017 and December 31, 2016 follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Deferred tax assets		
Available for sale investments	652	3,266
Cash flow hedges	—	—
Total deferred tax assets recognized through other comprehensive income	**652**	**3,266**
Deferred tax liabilities		
Available for sale investments	(4,908)	(5,036)
Cash flow hedges	(1,767)	(549)
Total deferred tax liabilities recognized through other comprehensive income	**(6,675)**	**(5,585)**
Net deferred tax balances in equity	**(6,023)**	**(2,319)**
Deferred taxes in equity attributable to equity holders of the bank	(5,874)	(2,097)
Deferred tax in equity attributable to non-controlling interests	(149)	(222)

NOTE 12
CURRENT AND DEFERRED TAXES, continued

e) Effect of deferred taxes on income

Below are effects of deferred taxes on assets, liabilities and income allocated for differences:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Deferred tax assets		
Interests and adjustments	9,242	9,473
Non-recurring charge-offs	10,573	9,891
Assets received in lieu of payment	5,050	4,625
Property, plant and equipment	4,510	4,570
Allowance for loan losses	168,683	174,929
Provision for expenses	72,816	67,073
Derivatives	20	—
Leased assets	70,996	71,834
Subsidiaries tax losses	9,602	9,467
Other	9,795	17,571
Total deferred tax assets	**361,287**	**369,433**
Deferred tax liabilities		
Valuation of investments	(383)	(1,802)
Depreciation	(364)	—
Anticipated Expenses	(272)	—
Other	(610)	(299)
Total deferred tax liabilities	**(1,629)**	**(2,101)**

f) Summary of deferred tax assets and liabilities

A summary of the effect of deferred taxes on equity and income follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Deferred tax assets		
Recognized through other comprehensive income	652	3,266
Recognized through profit or loss	361,287	369,433
Total deferred tax assets	**361,939**	**372,699**
Deferred tax liabilities		
Recognized through other comprehensive income	(6,675)	(5,585)
Recognized through profit or loss	(1,629)	(2,101)
Total deferred tax liabilities	**(8,304)**	**(7,686)**

NOTE 13
OTHER ASSETS

Other assets include the following:

	As of June 30, 2016 (Unaudited) MCh$	As of December 31, 2015 MCh$
Assets for leasing (1)	**35,412**	**44,840**
Assets received or awarded in lieu of payment (2)		
Assets received in lieu of payment	17,868	19,825
Assets awarded at judicial sale	22,122	26,895
Provision on assets received in lieu of payment or awarded	(4,078)	(7,558)
Subtotal	**35,912**	**39,162**
Other assets		
Guarantee deposits (margin accounts) (3)	395,659	396,289
Gold investments	483	446
VAT credit	5,028	8,941
Income tax recoverable	18,488	22,244
Prepaid expenses	138,411	148,288
Assets recovered from leasing for sale	7,942	6,040
Pension plan assets	1,725	1,637
Accounts and notes receivable	57,390	56,624
Notes receivable through brokerage and simultaneous transactions	122,893	60,632
Other receivable assets	17,573	15,082
Other assets	56,291	40,274
Subtotal	**821,883**	**756,497**
Total	**893,207**	**840,499**

(1) Assets available to be granted under the financial leasing agreements.

(2) The assets received in lieu of payment correspond to assets received as payment of debts due from customers. The total value of assets acquired in this way should not at any time exceed 20% of regulatory capital of the Bank. These assets currently represent 0.48% as of June 30, 2017 (0.54% as of December 31, 2016) of the Bank's effective equity.

Assets awarded in judicial sale are those acquired in judicial auction as payment of debts previously subscribed with the Bank. The assets awarded through a judicial sale are not subject to the aforementioned requirement. These properties are assets available for sale. The Bank expects to complete the sale within one year from the date on which the assets are received or acquired. When they are not sold within that period of time, the Bank must charge-off those assets.

Additionally, a provision is recorded for the difference between the initial awarded value plus any additions and the estimated realizable value (appraisal value) when the former is greater.

(3) Guarantee deposits (margin accounts) correspond collaterals associated with derivative financial contracts to mitigate the counterparty credit risk and are mainly established in cash. These guarantees operate when mark to market of derivative financial instruments exceed the levels of threshold agreed in the contracts, wich could result the the Bank deliver or receive collateral.

NOTE 14
TIME DEPOSITS AND OTHER TIME LIABILITIES

As of June 30, 2017 and December 31, 2016, the composition of the item time deposits and other liabilities is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Deposits and other demand liabilities		
Checking accounts	5,862,974	6,144,688
Other deposits and demand accounts	538,894	564,966
Other demand liabilities	794,025	829,661
Total	**7,195,893**	**7,539,315**
Time deposits and other time liabilities		
Time deposits	11,935,695	13,031,319
Time savings account	118,799	116,451
Other time liabilities	4,790	3,939
Total	**12,059,284**	**13,151,709**

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of June 30, 2017 and December 31, 2016, the composition of this item is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Other financial liabilities		
Obligations to public sector	60,738	61,490
Other domestic obligations	170,233	175,028
Foreign obligations	13,651	3,498
Subtotal	**244,622**	**240,016**
Issued debt instruments		
Mortgage finance bonds	40,077	46,251
Senior bonds	6,134,597	6,416,274
Mortgage Bonds	102,096	104,182
Subordinated bonds	768,978	759,665
Subtotal	**7,045,748**	**7,326,372**
Total	**7,290,370**	**7,566,388**

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 June 30, 2017 (Unaudited)		
	Current MCh$	Non-current MCh$	Total MCh$
Mortgage finance bonds	9,961	30,116	40,077
Senior bonds	728,484	5,406,113	6,134,597
Mortgage Bonds	4,444	97,652	102,096
Subordinated bonds	4	768,974	768,978
Issued debt instruments	**742,893**	**6,302,855**	**7,045,748**
Other financial liabilities	**156,977**	**87,645**	**244,622**
Total	**899,870**	**6,390,500**	**7,290,370**

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

	As of December 31, 2016		
	Current MCh$	Non-current MCh$	Total MCh$
Mortgage finance bonds	11,236	35,015	46,251
Senior bonds	1,135,713	5,280,561	6,416,274
Mortgage Bonds	4,318	99,864	104,182
Subordinated bonds	4	759,661	759,665
Issued debt instruments	**1,151,271**	**6,175,101**	**7,326,372**
Other financial liabilities	**158,488**	**81,528**	**240,016**
Total	**1,309,759**	**6,256,629**	**7,566,388**

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. Loans are indexed to UF and create a yearly interest rate of 5.41% as of June 30, 2017 (5.53% as of December 31, 2016).

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Due within 1 year	9,961	11,236
Due after 1 year but within 2 years	7,574	8,673
Due after 2 years but within 3 years	6,438	6,928
Due after 3 years but within 4 years	5,781	6,246
Due after 4 years but within 5 years	4,689	5,278
Due after 5 years	5,634	7,890
Total mortgage finance bonds	**40,077**	**46,251**

b) Senior bonds

The following table shows senior bonds by currency:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Santander bonds in UF	3,818,262	3,588,373
Santander bonds in USD	596,137	909,354
Santander bonds in CHF	502,977	568,549
Santander bonds in Ch$	1,004,442	1,037,515
Santander bonds in AUD	—	60,890
Santander bonds in JPY	134,111	179,426
Santander bonds in EUR	78,668	72,167
Total senior bonds	**6,134,597**	**6,416,274**

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of senior bonds:

During 2017 the Bank has placed bonds for UF 10,000,000 detailed as follows:

Series	Currency	Amount placed (*)	Term	Issuance rate	Issue date	Series Maximum amount	Maturity date
T9	UF	5,000,000	7 years	2.60% annually	01-02-2016	5,000,000	02-01-2024
T13	UF	5,000,000	9 years	2.75% annually	01-02-2016	5,000,000	02-01-2026
Total	**UF**	**10,000,000**					

During the first quarter of 2017, the Bank repurchased the following bonds.

Date	Type	Amount
03-06-2017	Senior	USD 6,900,000
05-12-2017	Senior	UF 1,000,000
05-16-2017	Senior	UF 690,000
05-17-2017	Senior	UF 15,000
06-26-2017	Senior	UF 340,000
06-01-2017	Senior	UF 590,000
06-02-2017	Senior	UF 300,000
06-05-2017	Senior	UF 130,000
06-19-2017	Senior	UF 265,000

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2016 the Bank has placed bonds for UF 62,000,000, CLP 590,000,000,000, JPY 3,000,000,000, USD 215,000,000, EUR 104,000,000, and CHF 125,000,000 detailed as follows:

Series	Currency	Amount Placed	Term	Issuance rate	Issue date	Maximum amount	Maturity date
R1	UF	15,000,000	5.5	2.50%	09-01-2015	15,000,000	03-01-2021
R2	UF	10,000,000	7.5	2.60%	09-01-2015	10,000,000	03-01-2023
R3	UF	10,000,000	10.5	3.00%	09-01-2015	10,000,000	03-01-2026
R5	UF	7,000,000	7.0	2.55%	12-01-2015	7,000,000	12-01-2022
R6	UF	7,000,000	9.0	2.65%	12-01-2015	7,000,000	12-01-2024
P9	UF	3,000,000	10.5	2.60%	03-01-2015	5,000,000	09-01-2025
T2	UF	5,000,000	4.5	2.25%	02-01-2016	5,000,000	08-01-2020
T5	UF	5,000,000	6.0	2.40%	02-01-2016	5,000,000	02-01-2022
Total	**UF**	**62,000,000**					
R4	CLP	100,000,000,000	5.5	5.50%	09-01-2015	100,000,000,000	03-01-2021
P4	CLP	50,000,000,000	5.0	4.80%	03-01-2015	150,000,000,000	03-01-2020
SD	CLP	140,000,000,000	5.0	5.50%	06-01-2014	200,000,000,000	06-01-2019
SC	CLP	200,000,000,000	10.0	5.95%	06-01-2014	200,000,000,000	06-01-2024
P3	CLP	50,000,000,000	7.0	5.50%	01-01-2015	50,000,000,000	01-01-2022
P1	CLP	50,000,000,000	10.0	5.80%	01-01-2015	50,000,000,000	01-01-2025
Total	**CLP**	**590,000,000,000**					
JPY	JPY	3,000,000,000	5.0	0.115%	06-22-2016	3,000,000,000	06-29-2021
Total	**JPY**	**3,000,000,000**					
DN	USD	10,000,000	5.0	Libor-USD 3M+1.05%	06-02-2016	10,000,000	06-09-2021
DN	USD	10,000,000	5.0	Libor-USD 3M+1.22%	06-08-2016	10,000,000	06-17-2021
DN	USD	10,000,000	5.0	Libor-USD 3M+1.20%	08-01-2016	10,000,000	08-16-2021
DN	USD	185,000,000	5.0	Libor-USD 3M+1.20%	11-10-2016	185,000,000	11-28-2021
Total	**USD**	**215,000,000**					
EUR	EUR	54,000,000	12.0	1.307%	08-05-2016	54,000,000	08-17-2028
EUR	EUR	20,000,000	8.0	0.80%	08-04-2016	20,000,000	08-19-2024
EUR	EUR	30,000,000	3.0	0.25%	12-09-2016	30,000,000	12-20-2019
Total	**EUR**	**104,000,000**					
CHF	CHF	125,000,000	8.5	0.35%	11-14-2016	125,000,000	05-30-2025
Total	**CHF**	**125,000,000**					

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2016, the Bank repurchased the following bonds:

Date	Type	Amount	
01-13-2016	Senior	USD	600,000
01-27-2016	Senior	USD	960,000
03-08-2016	Senior	USD	418,853,000
03-08-2016	Senior	USD	140,104,000
05-10-2016	Senior	USD	10,000,000
11-29-2016	Senior	USD	6,895,000

ii. Maturities of senior bonds are as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Due within 1 year	728,484	1,135,713
Due after 1 year but within 2 years	670,288	321,509
Due after 2 years but within 3 years	756,366	816,919
Due after 3 years but within 4 years	810,110	663,289
Due after 4 years but within 5 years	582,811	754,768
Due after 5 years	2,586,538	2,724,076
Total senior bonds	**6,134,597**	**6,416,274**

c) Mortgage bonds

Detail of mortgage bonds per currency is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Mortgage bonds in UF	102,096	104,182
Total mortgage bonds	**102,096**	**104,182**

i. Placement of Mortgage bonds

No mortgage bonds have been placed during 2017 nor 2016.

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

ii. Maturities of mortgage bonds is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Due within 1 year	4,444	4,318
Due after 1 year but within 2 years	7,133	6,932
Due after 2 years but within 3 years	7,363	7,156
Due after 3 years but within 4 years	7,601	7,386
Due after 4 years but within 5 years	7,845	7,626
Due after 5 years	67,710	70,764
Total mortgage bonds	**102,096**	**104,182**

d) Subordinated bonds

Detail of subordinated bonds per currency is as follows:

	As of June 30 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Subordinated bonds denominated in Ch$	4	4
Subordinated bonds denominated in USD	—	—
Subordinated bonds denominated in UF	768,974	759,661
Total subordinated bonds	**768,978**	**759,665**

i. Placement of subordinated bonds

No subordinated bonds have been placed during 2017 nor 2016.

ii. Maturities of subordinated bonds are as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Due within 1 year	4	4
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	768,974	759,661
Total subordinated bonds	**768,978**	**759,665**

NOTE 15
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

e) Other financial liabilities

The composition of other financial liabilities, by maturity, is detailed below:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Non-current portion:		
Due after 1 year but within 2 years	33,804	33,777
Due after 2 year but within 3 years	28,197	24,863
Due after 3 year but within 4 years	1,913	5,794
Due after 4 year but within 5 years	2,060	1,973
Due after 5 years	14,317	15,121
Non-current portion subtotal	**80,291**	**81,528**
Current portion:		
Amounts due to credit card operators	147,258	151,620
Acceptance of letters of credit	217	2,069
Other long-term financial obligations, short-term portion	16,856	4,799
Current portion subtotal	**164,331**	**158,488**
Total other financial liabilities	**244,622**	**240,016**

NOTE 16
MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of June 30, 2017 and December 31, 2016, the detail of the maturities of assets and liabilities is as follows:

As of June 30, 2017 (Unaudited)	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Financial Assets										
Cash and deposits in banks	1,344,043	—	—	—	**1,344,043**	—	—	—	—	**1,344,043**
Cash items in process of collection	429,236	—	—	—	**429,236**	—	—	—	—	**429,236**
Trading investments	—	29,677	—	116,037	**145,714**	163,543	240,758	150,319	**554,620**	**700,334**
Investments under resale agreements	—	—	—	—	**—**	—	—	—	—	**—**
Financial derivatives contracts	—	49,998	107,873	308,012	**465,883**	442,164	335,277	972,330	**1,749,771**	**2,215,654**
Interbank loans (1)	—	1,844	64,541	169,125	**235,510**	36	34	34	**104**	**235,614**
Loans and accounts receivables from customers (2)	726,936	2,255,590	2,152,312	4,338,904	**9,473,742**	5,034,066	2,849,467	9,563,135	**17,446,668**	**26,920,410**
Available for sale investments	—	203,349	149,022	491,244	**843,615**	306,431	492,680	527,119	**1,326,230**	**2,169,845**
Guarantee deposits (margin accounts)	395,659	—	—	—	**395,659**	—	—	—	—	**395,659**
Total financial assets	**2,895,874**	**2,540,458**	**2,473,748**	**5,423,322**	**13,333,402**	**5,946,240**	**3,918,216**	**11,212,937**	**21,077,393**	**34,410,795**
Financial Liabilities										
Deposits and other demand liabilities	7,195,893	—	—	—	**7,195,893**	—	—	—	—	**7,195,893**
Cash items in process of collection	258,454	—	—	—	**258,454**	—	—	—	—	**258,454**
Obligations under repurchase agreements	—	145,570	—	—	**145,570**	—	—	—	—	**145,570**
Time deposits and other time liabilities	125,542	4,871,472	3,529,373	3,365,678	**11,892,065**	90,124	16,378	60,717	**167,219**	**12,059,284**
Financial derivatives contracts	—	35,948	92,479	280,310	**408,737**	423,373	334,674	893,855	**1,651,902**	**2,060,639**
Interbank borrowings	4,843	212,363	245,738	1,065,090	**1,528,034**	288,805	14,017	—	**302,822**	**1,830,856**
Issued debts instruments	—	35,786	427,792	279,315	**742,893**	1,455,162	1,418,837	3,428,856	**6,302,855**	**7,045,748**
Other financial liabilities	160,693	292	416	2,930	**164,331**	62,001	3,972	14,318	**80,291**	**244,622**
Guarantees received (margin accounts)	423,898	—	—	—	**423,898**	—	—	—	—	**423,898**
Total financial liabilities	**8,169,323**	**5,301,431**	**4,295,798**	**4,993,323**	**22,759,875**	**2,319,465**	**1,787,878**	**4,397,746**	**8,505,089**	**31,264,964**

(1) Interbank loans are presented on a gross basis. The amount of allowances is Ch$102 million.
(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to type of loan are detailed as follows: Commercial loans Ch$442,476 million, Mortgage loans Ch$59,204 million, Consumer loans Ch$297,660 million.

NOTE 16
MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2016	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Assets										
Cash and deposits in banks	2,279,389	—	—	—	**2,279,389**	—	—	—	—	**2,279,389**
Cash items in process of collection	495,283	—	—	—	**495,283**	—	—	—	—	**495,283**
Trading investments	—	52,443	13,252	118,845	**184,540**	75,378	106,808	30,261	**212,447**	**396,987**
Investments under resale agreements	—	6,736	—	—	**6,736**	—	—	—	—	**6,736**
Financial derivatives contracts	—	82,243	120,653	292,801	**495,697**	531,094	357,833	1,116,158	**2,005,085**	**2,500,782**
Interbank loans (1)	—	12,859	135,756	124,143	**272,758**	44	—	5	**49**	**272,807**
Loans and accounts receivables from customers (2)	717,306	2,393,216	2,108,001	4,488,993	**9,707,516**	4,937,271	2,909,140	9,379,697	**17,226,108**	**26,933,624**
Available for sale investments	—	1,581,682	250,222	314,842	**2,146,746**	37,974	379,976	824,210	**1,242,160**	**3,388,906**
Guarantee deposits (margin accounts)	396,289	—	—	—	**396,289**	—	—	—	—	**396,289**
Total assets	**3,888,267**	**4,129,179**	**2,627,884**	**5,339,624**	**15,984,954**	**5,581,761**	**3,753,757**	**11,350,331**	**20,685,849**	**36,670,803**
Liabilities										
Deposits and other demand liabilities	7,539,315	—	—	—	**7,539,315**	—	—	—	—	**7,539,315**
Cash items in process of collection	288,473	—	—	—	**288,473**	—	—	—	—	**288,473**
Obligations under repurchase agreements	—	212,437	—	—	**212,437**	—	—	—	—	**212,437**
Time deposits and other time liabilities	121,527	6,105,767	4,193,906	2,537,299	**12,958,499**	118,101	13,913	61,196	**193,210**	**13,151,709**
Financial derivatives contracts	—	92,335	122,565	263,893	**478,793**	494,539	346,948	971,881	**1,813,368**	**2,292,161**
Interbank borrowings	4,557	373,423	115,769	1,154,063	**1,647,812**	233,542	35,014	—	**268,556**	**1,916,368**
Issued debts instruments	—	43,141	185,425	922,705	**1,151,271**	1,168,117	1,444,593	3,562,391	**6,175,101**	**7,326,372**
Other financial liabilities	153,049	1,461	1,161	2,817	**158,488**	58,641	7,766	15,121	**81,528**	**240,016**
Guarantees received (margin accounts)	480,926	—	—	—	**480,926**	—	—	—	—	**480,926**
Total liabilities	**8,587,847**	**6,828,564**	**4,618,826**	**4,880,777**	**24,916,014**	**2,072,940**	**1,848,234**	**4,610,589**	**8,531,763**	**33,447,777**

(1) Interbank loans are presented on a gross basis. The amount of allowances is Ch$172 million.
(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions on loans amounts according to customer type: Commercial loans Ch$459,079 million, Mortgage loans Ch$61,041 million, Consumer loans Ch$300,019 million.

NOTE 17
PROVISIONS

As of June 30, 2017 and December 31, 2016, the detail for the provisions is as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Provision for employee salaries and expenses	69,018	72.592
Provision for mandatory dividends	87,843	141.700
Provision for contingent loan risks:		
Provision for lines of credit of immediate disponibility	13,153	13.927
Other provisions for contingent loans	15,050	14.973
Provision for contingencies	53,297	65.404
Provision for foreign bank loans	405	386
Total	**238,766**	**308.982**

NOTE 18
OTHER LIABILITIES

Other liabilities consist of:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Accounts and notes payable	170,523	154,159
Income received in advance	490	509
Guarantees received (margin accounts) (1)	423,898	480,926
Notes payable through brokerage and simultaneous transactions	80,355	27,745
Other payable obligations	39,089	80,100
Withheld VAT	1,638	1,964
Accounts payable by insurance companies	—	21,644
Other liabilities	76,993	28,738
Total	**792,986**	**795,785**

(1) Guarantee deposits (margin accounts) correspond collaterals associated with derivative financial contracts to mitigate the counterparty credit risk and are mainly established in cash. These guarantees operate when mark to market of derivative financial instruments exceed the levels of threshold agreed in the contracts, wich could result the the Bank deliver or receive collateral.

NOTE 19
CONTINGENCIES AND COMMITMENTS

a) Lawsuits and legal procedures

At the date these financial statements were issued, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of June 30, 2017, the Banks and its subsidiaries have provisions for this item of Ch$1,472 million and Ch$0 million, respectively (Ch$1,194 million and Ch$ 48 million as of December 31, 2016) which is included in “Provisions” in the Interim Consolidated Statement of Financial Position as provisions for contingencies.

Santander Corredores de Bolsa Limitada

As of June 30, 2017, the following legal situations are pending:

i) Trial of “Bilbao with Santander Investment S.A. Corredores de Bolsa “, the predecessor of Santander S.A. Corredores de Bolsa (currently Santander Corredores de Bolsa Ltda.) Followed before the 20th Civil Court of Santiago, Case No. 15549-2012 on obligation to render account. As for the current status for June 30, 2017, the trial has been settled where the Bank of Bilbao made a payment on June 14, 2017.

ii) Trial “Echeverria with Santander Corredora” (currently Santander Corredores de Bolsa Ltda.), followed before the 21st Civil Court of Santiago, Case No. C-21.366-2014, on compensation for damages due to failures in the purchase of shares. As for the current status for June 30, 2017, Santander Corredores de Bolsa appealed for the process to be declared abanadoned due to pending arrangements from the plaintiff, situation that still hasn’t been resolved by the court.

Santander Corredora de Seguros Limitada

i) There are no pending lawsuits for leased assets. Our lawyers have closed the cases for leasing contracts coming from the merger with Ex Santiago Leasing S.A.

b) Contingent loans

The following table shows the Bank’s contractual obligations to issue loans:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Letters of credit issued	190,666	158,800
Foreign letters of credit confirmed	39,481	57,686
Performance guarantees	1,756,110	1,752,610
Personal guarantees	123,412	125,050
Subtotal	**2,109,669**	**2,094,146**
Available on demand credit lines	7,985,605	7,548,820
Other irrevocable credit commitments	283,630	260,266
Total	**10,378,904**	**9,903,232**

NOTE 19
CONTINGENCIES AND COMMITMENTS, continued

c) Held securities

The Bank holds securities in the normal course of its business as follows:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Third party operations		
Collections	243,718	163,303
Transferred financial assets managed by the Bank	35,983	42,054
Assets from third parties managed by the Bank and its affiliates (1)	1,670,653	1,586,405
Subtotal	**1,950,354**	**1,791,762**
Custody of securities		
Securities held in custody	445,022	390,155
Securities held in custody deposited in other entity	760,083	687,610
Issued securities held in custody	19,971,085	18,768,572
Subtotal	**21,176,190**	**19,846,337**
Total	**23,126,544**	**21,638,099**

(1) During 2016, the Bank classified the portfolios managed by private banking in "Assets from third parties managed by the Bank and its affiliates". At the end of June 2017, the balance for this was Ch$1,670,618 million (Ch$1,586,370 million at December 31, 2016).

d) Guarantees

Banco Santander Chile has a comprehensive officer fidelity insurance policy, No. 4356192, with Compañía de Seguros Chilena Consolidada S.A., for USD 5,000,000, which jointly covers both the Bank and its affiliates for the period from July 1, 2016 to June 30, 2017.

Santander Agente de Valores Limitada

In accordance with the provisions of Article No.30 and onward of Law No.18,045 on the Securities Market, the Company provided a guarantee in the amount of UF4,000 through Insurance Policy No. 216113821, underwritten by the Compañía de Seguros de Crédito Continental S.A., which matures on December 19, 2017.

Santander S.A. Corredores de Bolsa

i) The Company has given guarantees to the Bolsa de Comercio de Santiago for a current value of Ch$26,029 million to cover default risk on transactions entered into instantaneously or within short timeframes.

ii) In addition, the Company has issued a guarantee to CCLV Contraparte Central S.A. (formerly known as Cámara de Compensación) in cash, for a total Ch$5,000 million and additional guarantees entered at the Electronical Stock Market for Ch$1,007 million as of June 30, 2017.

NOTE 19
CONTINGENCIES AND COMMITMENTS, continued

Santander Corredora de Seguros Limitada

i) In accordance with Circular No. 1,160 of the Chilean Securities and Insurance Superintendent, the Company has taken out an insurance policy In order to secure correct and full compliance with all its obligations as an insurance broker.

ii) The company purchased guarantee policy No. 4461903, covering UF500 and professional liability policy No. 4462082 for insurance brokers, covering UF 60,000 from the Compañía de Seguros Generales Consorcio Nacional de Seguros S.A. Both policies are valid from April 15, 2016 to April 14, 2018.

iii) The Company maintains the guarantee with Banco Santander Chile to ensure compliance with the public bidding rules for insurance, as follows:

- UF 2,500 Operation No. 350181005507662459, mismatch + ITP 2/3. Issued on 06.03.2015, expires 07.31.2017.
- UF 5,000 No. Operation 350181005507662513 by mistake. Issued on 06.03.2015, expires 07.31.2017.
- UF 3,000 per fire + earthquake Operation No. 50181005508711054. Issued on 10.25.2016 expires 12.31.2018.
- UF 200 by Fire Operation No. 350181005508712123. Issued on 10.25.2016, expires 12.31.2018.
- UF 10,000 Discrepancy + ITP 2/3 Transaction No. 350181005509205209. Issued 06.29.2017, expires 07.31.2019.
- UF 10,000 Operation No. 350181005509205225 by mistake. Issued on 06.29.2017, expires 07.31.2019.

NOTE 20
EQUITY

a) Capital

As of June 30, 2017 and December 31, 2016 the Bank had 188,446,126,794 shares outstanding, all of which are subscribed for and paid in full, amounting to Ch$ 891,303 million. All shares have the same rights, and have no preferences or restrictions.

The movement in shares during 2017 and 2016 is as follows:

	Shares	
	As of June 30, 2017 (Unaudited)	As of December 31, 2016
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 as period end	**188,446,126,794**	**188,446,126,794**

As of June 30, 2017 and December 31, 2016 the Bank does not own any of its shares in treasury, nor do any of the consolidated companies.

As of June 30, 2017 the shareholder composition is as follows:

Corporate Name or Shareholder`s Name	Shares	ADRs (*)	Total	% share 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	—	34,163,711,671	**34,163,711,671**	18.13
Banks on behalf of third parties	12,479,719,158	—	**12,479,719,158**	6.62
Pension funds (AFP)	6,590,920,655	—	**6,590,920,655**	3.50
Stock brokers on behalf of third parties	3,156,066,069	—	**3,156,066,069**	1.67
Other minority holders	5,462,707,973	—	**5,462,707,973**	2.90
Total	**154,282,415,123**	**34,163,711,671**	**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.

NOTE 20
EQUITY, continued

As of December 31, 2016 the shareholder composition is as follows:

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	—	34,800,933,671	34,800,933,671	18.47
Banks on behalf of third parties	12,257,100,312	—	12,257,100,312	6.50
Pension fund (AFP) on behalf of third parties	6,990,857,997	—	6,990,857,997	3.71
Stock brokers on behalf of third parties	3,071,882,351	—	3,071,882,351	1.63
Other minority holders	4,732,351,195	—	4,732,351,195	2.51
Total	**153,645,193,123**	**34,800,933,671**	**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.

b) Dividends

The distribution of dividends has been disclosed in the Unaudited Consolidated Interim Statements of Changes in Equity.

c) Diluted earnings per share and basic earnings per share

As of June 30, 2017 and 2016, the composition of diluted earnings per share and basic earnings per share are as follows:

	As of June 30, (Unaudited)	
	2017 MCh$	2016 MCh$
a) Basic earnings per share		
Total attributable to equity holders of the Bank	292,811	241,739
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch$)	1.554	1.283
b) Diluted earnings per share		
Total attributable to equity holders of the Bank	292,811	241,739
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch$)	1.554	1.283

As of June 30, 2017 and 2016, the Bank does not own instruments with dilutive effects.

NOTE 20
EQUITY, continued

d) Other comprehensive income of available for sale investments and cash flow hedges:

	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Available for sale investments		
As of January 1,	7,375	(7,093)
Gain (losses) on the re-valuation of available for sale investments, before tax	15,481	2,267
Reclassification from other comprehensive income to net income for the year	—	—
Net income realized	(6,166)	12,201
Subtotal	**9,315**	**14,468**
Total	**16,690**	**7,375**
Cash flow hedges		
As of January 1,	2,288	8,626
Gains (losses) on the re-valuation of cash flow hedges, before tax	4,417	(6,261)
Reclassification and adjustments on cash flow hedges, before tax	226	(77)
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	**4,643**	**(6,338)**
Total	**6,931**	**2,288**
Other comprehensive income, before tax	**23,621**	**9,663**
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	(4,182)	(1,770)
Income tax relating to cash flow hedges	(1,765)	(549)
Total	**(5,947)**	**(2,319)**
Other comprehensive income, net of tax	**17,674**	**7,344**
Attributable to:		
Equity holders of the Bank	17,162	6,640
Non-controlling interest	512	704

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.

NOTE 21
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 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 SBIF's Recopilación Actualizada de Normas [Updated Compilation of Rules] effective January 2010, the SBIF 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 No. 20,027	15%
- Other	100%
h) Other contingent loans	100%

(*) "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 SBIF.

NOTE 21
CAPITAL REQUIREMENTS (BASEL), continued

The levels of basic capital and effective net equity as of June 30, 2017 and December 31, 2016, are as follows:

	Consolidated assets		Risk-weighted assets	
	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	1,344,043	2,279,389	—	—
Cash in process of collection	429,236	495,283	57,364	80,623
Trading investments	700,334	396,987	70,730	24,709
Investments under resale agreements	—	6,736	—	6,736
Financial derivative contracts (*)	1,059,186	1,285,157	765,369	943,727
Interbank loans, net	235,512	272,635	52,365	80,200
Loans and accounts receivables from customers, net	26,121,070	26,113,485	22,564,785	22,655,553
Available for sale investments	2,169,845	3,388,906	262,831	263,016
Investments in associates and other companies	25,179	23,780	25,179	23,780
Intangible assets	59,343	58,085	59,343	58,085
Property, plant, and equipment	245,099	257,379	245,099	257,379
Current taxes	5,969	—	597	—
Deferred taxes	361,939	372,699	36,194	37,270
Other assets	893,207	840,499	653,338	585,739
Off-balance-sheet assets				
Contingent loans	4,105,468	3,922,023	2,340,080	2,221,018
Total	**37,755,430**	**39,713,043**	**27,133,274**	**27,237,835**

(*) "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 SBIF.

The ratios of basic capital and effective net equity at the close of each period are as follows:

			Ratio	
	As of June 30, 2017 (Unaudited) MCh$	As of December 31, 2016 MCh$	As of June 30, 2017 (Unaudited) %	As of December 31, 2016 %
Basic capital	2,895,250	2,868,706	7,67	7,22
Effective net equity	3,694,282	3,657,707	13,62	13,43

NOTE 22
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 June 30, 2017 (Unaudited)	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 Agente de Valores Limitada	0.97	555	63	—	—	—	63
Santander S.A. Sociedad Securitizadora	0.36	1	—	—	—	—	—
Santander Corredores de Bolsa Limitada (1)	49.00	20,039	261	(340)	72	(191)	70
Santander Corredora de Seguros Limitada	0.25	167	3	—	—	—	3
Subtotal		**20,762**	**327**	**(340)**	**72**	**(191)**	**136**
Entities controlled through other considerations:							
Bansa Santander S.A.	100.00	6,835	302	—	—	—	302
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	2,461	279	—	—	—	279
Subtotal		**9,296**	**581**	**—**	**—**	**—**	**581**
Total		**30,058**	**908**	**(340)**	**72**	**(191)**	**717**

(1) Formerly Santander S.A. Corredores de Bolsa. See Note1.

As of December 31, 2016	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 Agente de Valores Limitada	0.97	492	116	—	—	—	116
Santander S.A. Sociedad Securitizadora	0.36	2	—	—	—	—	—
Santander Corredores de Bolsa Limitada (1)	49.41	19,966	1,130	1,054	(251)	803	1,933
Santander Corredora de Seguros Limitada	0.25	164	7	—	—	—	7
Subtotal		**20,624**	**1,253**	**1,054**	**(251)**	**803**	**2,056**
Entities controlled through other considerations:							
Bansa Santander S.A.	100.00	6,533	529	—	—	—	529
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	2,184	583	—	—	—	583
Subtotal		**8,717**	**1,112**	**—**	**—**	**—**	**1,112**
Total		**29,341**	**2,365**	**1,054**	**(251)**	**803**	**3,168**

(1) Formerly Santander S.A. Corredores de Bolsa. See Note1.

NOTE 22
NON-CONTROLLING INTEREST, continued

As of June 30, 2016 Unaudited)	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 Agente de Valores Limitada	0.97	429	55	2	—	2	57
Santander S.A. Sociedad Securitizadora	0.36	2	—	—	—	—	—
Santander Corredores de Bolsa Limitada (1)	49.41	22,261	442	132	(30)	102	544
Santander Corredora de Seguros Limitada	0.25	159	2	—	—	—	2
Subtotals		**22,851**	**499**	**134**	**(30)**	**104**	**603**
Entities controlled through other considerations:							
Bansa Santander S.A.	100.00	6,292	288	—	—	—	288
Santander Gestión de Recaudacióny Cobranzas Limitada	100.00	1,878	276	—	—	—	276
Subtotals		**8,170**	**564**	**—**	**—**	**—**	**564**
Total		**31,021**	**1,063**	**134**	**(30)**	**104**	**1,167**

(1) Formerly Santander S,A, Corredores de Bolsa, See Note1.

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 June 30, 207 (Unaudited)				As of December 31, 2016			
	Assets MCh$	Liabilities MCh$	Capital MCh$	Net Income MCh$	Assets MCh$	Liabilities MCh$	Capital MCh$	Net Income MCh$
Santander Corredora de Seguros Limitada	75,491	9,303	64,934	1,254	75,000	10,065	62,276	2,659
Santander Corredores de Bolsa Limitada (1)	142,475	101,580	40,366	529	86,473	45,724	38,356	2,393
Santander Agente de Valores Limitada	59,734	2,399	50,820	6,515	54,486	3,666	38,851	11,969
Santander S.A. Sociedad Securitizadora	475	77	432	(34)	509	77	512	(80)
Santander Gestión de Recaudación y Cobranzas Ltda.	9,627	7,166	2,184	277	8,547	6,363	1,602	582
Bansa Santander S.A.	31,174	24,339	6,533	302	31,301	24,768	6,004	529
Total	**318,976**	**144,864**	**165,269**	**8,843**	**256,316**	**90,663**	**147,601**	**18,052**

(1) Formerly Santander S,A, Corredores de Bolsa, See Note1.

NOTE 23
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 (see c).

a) For the periods ended June 30, 2017 and 2016, the income from interest income, not including income from hedge accounting, is attributable to the following items:

	For the six months ended June 30, (Unaudited)							
	2017				2016			
Items	**Interest MCh$**	**Inflation adjustments MCh$**	**Prepaid fees MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Prepaid fees MCh$**	**Total MCh$**
Resale agreements	515	—	—	**515**	706	—	—	**706**
Interbank loans	171	—	—	**171**	263	—	—	**263**
Commercial loans	378,553	58,869	5,118	**442,540**	361,537	75,995	3,397	**440,929**
Mortgage loans	159,395	103,895	197	**263,487**	144,950	132,562	6,786	**284,298**
Consumer loans	310,487	246	2,374	**313,107**	295,512	405	2,133	**298,050**
Investment instruments	42,885	433	—	**43,318**	37,617	2,079	—	**39,696**
Other interest income	6,252	524	—	**6,776**	5,316	1,278	—	**6,594**
Interest income less income from hedge accounting	**898,258**	**163,967**	**7,689**	**1,069,914**	**845,901**	**212,319**	**12,316**	**1,070,536**

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 June 30, 2017 and as of December 31, 2016, the suspended interest and adjustments income consists of the following:

	As of June 30, 2017 (Unaudited)			As of December 31, 2016		
Items	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Commercial loans	12,519	8,985	**21,504**	13,060	9,029	**22,089**
Mortgage loans	4,469	420	**4,889**	4,785	486	**5,271**
Consumer loans	2,920	6,251	**9,171**	2,924	6,635	**9,559**
Total	**19,908**	**15,656**	**35,564**	**20,769**	**16,150**	**36,919**

NOTE 23
INTEREST INCOME, continued

c) For the periods ended June 30, 2017 and 2016, the expenses from interest expense, excluding expense from hedge accounting, are as follows:

	For the six months ended June 30, (Unaudited)					
	2017			2016		
Items	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Demand deposits	(6,152)	(487)	**(6,639)**	(7,976)	(562)	**(8,538)**
Repurchase agreements	(4,023)	—	**(4,023)**	(1,320)	—	**(1,320)**
Time deposits and liabilities	(183,010)	(14,648)	**(197,658)**	(197,652)	(21,650)	**(219,302)**
Interbank borrowings	(11,649)	—	**(11,649)**	(8,803)	—	**(8,803)**
Issued debt instruments	(111,571)	(54,869)	**(166,440)**	(91,821)	(57,947)	**(149,768)**
Other financial liabilities	(1,465)	(317)	**(1,782)**	(1,501)	(466)	**(1,967)**
Other interest expense	(2,497)	(3,346)	**(5,843)**	(2,935)	(6,035)	**(8,970)**
Interest expense less expenses from hedge accounting	**(320,367)**	**(73,667)**	**(394,034)**	**(312,008)**	**(86,660)**	**(398,668)**

d) For the periods ended June 30, 2017 and 2016, the income and expense from interest is as follows:

	For the six months ended June 30, (Unaudited)	
Items	**2017 MCh$**	**2016 MCh$**
Interest income less income from hedge accounting	1,069,914	1,070,536
Interest expense less expense from hedge accounting	(394,034)	(398,668)
Net Interest income (expense) from hedge accounting	**675,880**	**671,868**
Hedge accounting (net)	(13,271)	(30,558)
Total net interest income	**662,609**	**641,310**

NOTE 24
FEES AND COMMISSIONS

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:

	For the six months ended June 30, (Unaudited)	
	2017	2016
	MCh$	MCh$
Fee and commission income		
Fees and commissions for lines of credits and overdrafts	2,914	2,747
Fees and commissions for guarantees and letters of credit	18,210	17,980
Fees and commissions for card services	101,662	95,964
Fees and commissions for management of accounts	15,722	15,801
Fees and commissions for collections and payments	22,381	15,797
Fees and commissions for intermediation and management of securities	4,913	4,367
Insurance brokerage fees	19,266	19,506
Office banking	7,561	6,899
Fees for other services rendered	20,809	18,064
Other fees earned	17,424	13,030
Total	**230,862**	**210,155**

	For the six months ended June 30, (Unaudited)	
	2017	2016
	MCh$	MCh$
Fee and commission expense		
Compensation for card operations	(72,888)	(67,352)
Fees and commissions for securities transactions	(405)	(336)
Office banking	(7,920)	(7,039)
Other fees	(4,988)	(8,565)
Total	**(86,201)**	**(83,292)**
Net fees and commissions income	**144,661**	**126,863**

The fees earned in transactions with letters of credit are presented on the Unaudited Consolidated Interim Statement of Income in the item "Interest income".

NOTE 25
NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

Includes the amount of the adjustments for the variation of the financial instruments, 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.

For the periods ended June 30, 2017 and 2016, the detail of income from financial operations is as follows:

	For the six months ended June 30, (Unaudited)	
	2017	**2016**
	MCh$	**MCh$**
Profit and loss from financial operations		
Trading derivatives	(497)	(141,443)
Trading investments	6,675	8,875
Sale of loans and accounts receivables from customers		
Current portfolio	2,647	—
Charged-off portfolio	1,040	1,744
Available for sale investments	(3,197)	5,593
Repurchase of issued bonds(1)	(381)	(8,632)
Other profit and loss from financial operations	(1,388)	(130)
Total	**4,899**	**(133,993)**

(1) As of June 30, 2017 the Bank has repurchased bonds, see Note 2.

NOTE 26
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.

For the periods ended June 30, 2017 and 2016, net foreign exchange income is as follows:

	For the six months ended June 30, (Unaudited)	
	2017	**2016**
	MCh$	**MCh$**
Net foreign exchange gain (loss)		
Net gain (loss) from currency exchange differences	(91,278)	47,613
Hedging derivatives	159,199	158,257
Income from assets indexed to foreign currency	(693)	(9,909)
Income from liabilities indexed to foreign currency	10	154
Total	**67,238**	**196,115**

NOTE 27
PROVISIONS FOR LOAN LOSSES

a) The movement in provisions for loan losses for the periods ended June 30, 2017 and 2016 is as follows:

For the six months ended June 30, 2017 (Unaudited)	Interbank loans	Loans and accounts receivable from customers				Contingent loans		Total
		Commercial loans		Mortgage loans	Consumer loans			
	Individual MCh$	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Individual MCh$	Group MCh$	MCh$
Charged-off individually significant loans	**—**	**(8,121)**	**(26,183)**	**(8,782)**	**(54,417)**	**—**	**—**	**(97,503)**
Provisions established	(194)	(35,723)	(44,441)	(9,735)	(80,086)	(4,741)	(2,120)	(177,040)
Total provisions and charge-offs	**(194)**	**(43,844)**	**(70,624)**	**(18,517)**	**(134,503)**	**(4,741)**	**(2,120)**	**(274,543)**
Provisions released(1)	264	44,994	6,064	10,289	14,918	6,421	1,136	84,086
Recovery of loans previously charged-off	—	3,196	11,803	5,115	19,971	—	—	40,085
Net charge to income	**70**	**4,346**	**(52,757)**	**(3,113)**	**(99,614)**	**1,680**	**(984)**	**(150,372)**

For the six months ended June 30, 2016 (Unaudited)	Interbank loans	Loans and accounts receivable from customers				Contingent loans		Total
		Commercial loans		Mortgage loans	Consumer loans			
	Individual MCh$	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Individual MCh$	Group MCh$	MCh$
Charged-off individually significant loans	**—**	**(4,218)**	**(32,235)**	**(8,879)**	**(53,372)**	**—**	**—**	**(98,704)**
Provisions established	(175)	(32,017)	(42,242)	(22,484)	(87,227)	(1,868)	(2,340)	(188,353)
Total provisions and charge-offs	**(175)**	**(36,235)**	**(74,477)**	**(31,363)**	**(140,599)**	**(1,868)**	**(2,340)**	**(287,057)**
Provisions released(1)	4	17,859	12,506	26,524	21,674	3,418	4,569	86,554
Recovery of loans previously charged-off	—	5,720	8,486	4,747	20,188	—	—	39,141
Net charge to income	**(171)**	**(12,656)**	**(53,485)**	**(92)**	**(98,737)**	**1,550**	**2,229**	**(161,362)**

NOTE 27
PROVISIONS FOR LOAN LOSSES, continued

b) The detail of Charge-off of individually significant loans, is as follows:

As of June 30, 2017 (Unaudited)	**Loans and accounts receivable from customers**				
	Commercial loans		**Mortgage loans**	**Consumer loans**	
	Individual MCh$	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Charge-off loans	33,493	46,520	10,067	121,944	212,024
Provision applied	(25,372)	(20,337)	(1,285)	(67,527)	(114,521)
Net charge offs of individually significant loans	**8,121**	**26,183**	**8,782**	**54,417**	**97,503**

As of June 30, 2016 (Unaudited)	**Loans and accounts receivables from customers**				
	Commercial loans		**Mortgage loans**	**Consumer loans**	
	Individual MCh$	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Charge-off loans	20,395	54,581	10,088	113,507	198,571
Provision applied	(16,177)	(22,346)	(1,209)	(60,135)	(99,867)
Net charge offs of individually significant loans	**4,218**	**32,235**	**8,879**	**53,372**	**98,704**

NOTE 28
PERSONNEL SALARIES AND EXPENSES

a) Composition of personnel salaries and expenses:

For the periods ended June 30, 2017 and 2016, the composition of personnel salaries and expenses is as follows:

	As of June 30, (Unaudited)	
	2017 MCh$	**2016 MCh$**
Personnel compensation	120,364	120,591
Bonuses or gratuities	37,804	39,061
Stock-based benefits	560	(35)
Seniority compensation:	12,870	13,069
Pension plans	252	(565)
Training expenses	1,510	1,297
Day care and kindergarden	1,437	1,651
Health and welfare funds	2,807	2,781
Other personnel expenses	16,422	16,334
Total	**194,026**	**194,184**

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.

NOTE 29
ADMINISTRATIVE EXPENSES

For the periods ended June 30, 2017 and 2016, the composition of administrative expenses is as follows:

	As of June 30, (Unaudited)	
	2017 MCh$	**2016 MCh$**
General administrative expenses	**69,338**	**69,318**
Maintenance and repair of property, plant and equipment	10,046	10,147
Office lease	13,573	14,045
Equipment lease	89	141
Insurance premiums	1,650	1,971
Office supplies	3,941	2,673
IT and communication expenses	18,732	17,589
Lighting, heating, and other utilities	2,606	2,538
Security and valuables transport services	6,621	8,683
Representation and personnel travel expenses	2,350	2,849
Judicial and notarial expenses	499	629
Fees for technical reports and auditing	4,257	3,314
Other general administrative expenses	4,974	4,739
Outsourced services	**27,316**	**28,380**
Data processing	18,121	18,774
Archive service	494	1,934
Valuation service	1,367	1,571
Outsourced staff	2,631	2,715
Other	4,703	3,386
Board expenses	**636**	**700**
Marketing expenses	**8,928**	**9,184**
Taxes, payroll taxes, and contributions	**6,647**	**6,103**
Real estate taxes	840	701
Patents	842	811
Other taxes	17	10
Contributions to SBIF	4,948	4,581
Total	**112,865**	**113,685**

NOTE 30
DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) The values of depreciation and amortization during the second quarter of 2017 and 2016 are detailed below:

	As of June 30, (Unaudited)	
	2017 MCh$	2016 MCh$
Depreciation and amortization		
Depreciation of property, plant, and equipment	(25,791)	(20,639)
Amortizations of intangible assets	(10,610)	(9,549)
Total depreciation and amortization	**(36,400)**	**(30,188)**
Impairment of property, plant and equipment	(349)	(85)
Total	**(36,749)**	**(30,273)**

b) The changes in book value due to depreciation and amortization for the six month periods ended June 30, 2017 and 2016 are as follows:

	Depreciation and amortization 2017 (Unaudited)		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 1, 2017	**(235,622)**	**(239,628)**	**(475,250)**
Depreciation and amortization for the period	(25,791)	(10,610)	**(36,400)**
Sales and disposals in the period	—	—	**—**
Other	—	—	**—**
Balances as of June 30, 2017	**(261,413)**	**(250,238)**	**(511,650)**

	Depreciation and amortization 2016 (Unaudited)		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 1, 2016	**(190,781)**	**(219,295)**	**(410,076)**
Depreciation and amortization for the period	(20,639)	(9,549)	**(30,188)**
Sales and disposals in the period	55	—	**55**
Other	—	—	**—**
Balances as of June 30, 2016	**(211,365)**	**(228,844)**	**(440,209)**

NOTE 31
OTHER OPERATING INCOME AND EXPENSES

a) Other operating income is as follows:

	As of June 30, (Unaudited) 2017 MCh$	As of June 30, (Unaudited) 2016 MCh$
Income from assets received in lieu of payment		
Income from sale of assets received in lieu of payment	1,466	777
Recovery of charge-offs and income from assets received in lieu of payment	8,513	3,698
Other income from assets received in lieu of payment	4,982	3,490
Subtotal	**14,961**	**7,965**
Contingency Liberation	8,553	74
Subtotal	**8,553**	**74**
Other income		
Leases	133	295
Income from sale of property, plant and equipment	1,105	549
Recovery of provisions for contingencies	—	—
Compensation from insurance companies due to damages	1,095	661
Other	3,221	315
Subtotal	**5,554**	**1,820**
Total	**29,068**	**9,859**

b) Other operating expenses are as follows:

	As of June 30, (Unaudited) 2017 MCh$	As of June 30, (Unaudited) 2016 MCh$
Allowances and expenses for assets received in lieu of payment		
Charge-offs of assets received in lieu of payment	16,831	6,421
Provisions on assets received in lieu of payment	2,463	5,240
Expenses for maintenance of assets received in lieu of payment	1,123	1,163
Subtotal	**20,417**	**12,824**
Credit card expenses	**1,468**	**1,957**
Customer services	**1,390**	**1,697**
Other expenses		
Operating charge-offs	1,503	4,402
Life insurance and general product insurance policies	12,475	7,237
Additional tax on expenses paid overseas	—	112
Gain (Loss) for sale of PP&E	—	3
Provisions for contingencies	—	5,350
Expense for the Retail Association	400	383
Other	16,345	14,279
Subtotal	**30,723**	**31,766**
Total	**53,998**	**48,244**

NOTE 32
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, 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:

Santander Group companies

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.

NOTE 32
TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties

Loans and receivables as well as contingent loans are as follows:

	As of June 30, 2017 (Unaudited)				As of December 31, 2016			
	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 receivables:								
Commercial loans	80,924	505	4,343	7,260	81,687	533	4,595	7,100
Mortgage loans	—	—	19,559	—	—	—	18,046	—
Consumer loans	—	—	3,597	32	—	—	3,783	—
Loans and account receivables:	**80,924**	**505**	**27,499**	**7,292**	**81,687**	**533**	**26,424**	**7,100**
Allowance for loan losses	(211)	(36)	(160)	(14)	(209)	(35)	(87)	(34)
Net loans	**80,713**	**469**	**27,339**	**7,278**	**81,478**	**498**	**26,337**	**7,066**
Guarantees	386,642	—	24,359	6,787	434,141	—	23,636	5,486
Contingent loans								
Personal guarantees	—	—	—	—	—	—	—	—
Letters of credit	19,660	—	—	27	27,268	—	—	—
Performance guarantees	390,079	—	—	—	437,101	—	—	—
Contingent loans	**409,739**	**—**	**—**	**27**	**464,369**	**—**	**—**	**—**
Allowance for contingent loans	(3)				(5)	—	—	—
Net contingent loans	**409,736**	**—**	**—**	**27**	**464,364**	**—**	**—**	**—**

Loans activity to related parties during the periods ended June 30, 2017 and December 31, 2016 is as follows:

	As of June 30, 2017 (Unaudited)				As of December 31, 2016			
	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,	546,058	532	26,423	7,100	616,968	565	28,675	1,966
Loans granted	21,777	14	4,143	388	122,729	203	8,580	6,808
Loans payments	(77,170)	(41)	(3,069)	(168)	(193,189)	(236)	(10,832)	(1,674)
Total	**490,665**	**505**	**27,497**	**7,320**	**546,508**	**532**	**26,423**	**7,100**

NOTE 32
TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of June 30, 2017 (Unaudited)				As of December 31, 2016			
	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Assets								
Cash and deposits in banks	85,729	—	—	—	187,701	—	—	—
Trading investments	—	—	—	—	—	—	—	—
Investments under resale agreements	—	—	—	—	—	—	—	—
Financial derivative contracts	572,632	24,196	—	—	742,851	33,433	—	—
Available for sale investments	—	—	—	—	—	—	—	—
Other assets	11,673	76,861	—	—	4,711	67,454	—	—
Liabilities								
Deposits and other demand liabilities	7,777	5,339	3,257	299	6,988	7,141	2,883	630
Obligations under repurchase agreements	—	—	—	—	56,167	—	—	—
Time deposits and other time liabilities	598,815	130	4,091	886	1,545,771	621	2,365	1,984
Financial derivative contracts	763,708	38,399	—	—	954,575	54,691	—	—
Interbank borrowings	—	—	—	—	6,165			
Issued debts instruments	500,490	—	—	—	484,548	—	—	—
Other financial liabilities	26,037	—	—	—	8,970	—	—	—
Other liabilities	1,704	61,012	—	—	446	44,329	—	—

c) Income (expenses) with related parties

	As of June 30, (Unaudited)							
	2017				2016			
	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Income (expense) recorded								
Income and expenses from interest and inflation	(13,098)	15	650	233	(13,630)	28	654	44
Fee and commission income and expenses	20,859	150	116	17	18,003	22	108	10
Net income (expense) from financial operations and foreign exchange transactions (*)	70,404	(8,954)	1	(1)	341,359	(32,579)	(87)	3
Other operating income and expenses	487	(1,470)	—	—	457	—	—	—
Key personnel compensation and expenses	—	—	(18,077)	—	—	—	(17,560)	—
Administrative and other expenses	(17,995)	(25,685)	—	—	(17,454)	(21,730)	—	—
Total	**60,657**	**(35,944)**	**(17,310)**	**249**	**328,735**	**(54,259)**	**(16,885)**	**57**

(*) 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.

NOTE 32
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 Unaudited Consolidated Interim Statements of Income, and detailed as follows:

	As of June 30, (Unaudited)	
	2017 MCh$	2016 MCh$
Personnel compensation	8,548	8,909
Board member's salaries and expenses	602	637
Bonuses or gratuity	6,894	6,404
Compensation in stock	560	(35)
Training expenses	57	86
Seniority compensation	666	1,576
Health funds	140	146
Other personnel expenses	358	402
Pension Plans	252	(565)
Total	**18,077**	**17,560**

e) Composition of key personnel

As of June 30, 2017 and December 31, 2016, the composition of the Bank's key personnel is as follows:

Position	No, of executives	
	As of June 30, 2017 (Unaudited)	As of December 31, 2016
Director	13	13
Division manager	14	17
Department manager	67	76
Manager	52	61
Total key personnel	**146**	**167**

NOTE 33
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 June 30, 2017 and December 31, 2016:

	As of June 30, 2017		As of December 31, 2016	
	Book value MCh$	Fair value MCh$	Book value MCh$	Fair value MCh$
Assets				
Trading investments	700,334	700,334	396,987	396,987
Financial derivative contracts	2,215,654	2,215,654	2,500,782	2,500,782
Loans and accounts receivable from customers and interbank loans, (net)	26,356,582	29,612,163	26,386,120	29,976,931
Investments available for sale	2,169,845	2,169,845	3,388,906	3,388,906
Guarantee deposits (margin accounts)	395,659	395,659	396,289	396,289
Liabilities				
Deposits and interbank borrowings	21,086,033	20,828,829	22,607,392	22,833,009
Financial derivative contracts	2,060,639	2,060,639	2,292,161	2,292,161
Issued debt instruments and other financial liabilities	7,290,370	7,800,172	7,566,388	8,180,322
Guarantees received (margin accounts)	423,898	423,898	480,926	480,926

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) Cash and deposits in banks

The value recorded in cash and indebted by banks is close to its estimated fair valur given its short-term nature.

b) 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 les 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.

NOTE 33
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

c) 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.

d) 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.

e) 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.

f) 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.

g) Measurement of fair value and hierarchy

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).

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.

NOTE 33
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

Financial instruments at fair value and determined by quotations published in active markets (Level 1) include:

- Chilean Government and Department of Treasury bonds

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.

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.

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.
● UF options	Black – Scholes	There is no observable input of implicit volatility.
● Cross currency swap with window	Hull-White	Hybrid HW model for rates and Brownian motion for FX. There is no observable input of implicit volatility.
● CCS (special contracts)	Implicit Forward Rate Agreement (FRA)	Start Fwd unsupported by MUREX (platform) due to the UF forward estimate.
● Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate) TAB	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.
● Bonds (in our case, low liquidity bonds)	Present Value of Cash Flows Model	Valued by using similar instrument prices plus a charge-off rate by liquidity.

NOTE 33
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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 June 30, 2017 and December 31, 2016.

As of June 30, (Unaudited)	2017 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	700,334	670,495	29,839	—
Available for sale investments	2,169,845	1,320,405	848,754	686
Derivatives	2,215,654	—	2,178,305	37,349
Guarantee deposits (margin accounts)	395,659	395,659	—	—
Total	**5,481,492**	**2,386,559**	**3,056,898**	**38,035**
Liabilities				
Derivatives	2,060,639	—	2,060,624	15
Guarantees received (margin accounts)	423,898	423,898	—	—
Total	**2,484,537**	**423,898**	**2,060,624**	**15**

As of December 31,	2016 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	396,987	396,011	976	—
Available for sale investments	3,388,906	2,471,439	916,808	659
Derivatives	2,500,782	—	2,461,407	39,375
Guarantee deposits (margin accounts)	396,289	396,289	—	—
Total	**6,682,964**	**3,263,739**	**3,379,191**	**40,034**
Liabilities				
Derivatives	2,292,161	—	2,292,118	43
Guarantees received (margin accounts)	480,926	480,926	—	—
Total	**2,773,087**	**480,926**	**2,292,118**	**43**

NOTE 33
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, as of June 30, 2017 and December 31, 2016.

As of June 30, (Unaudited)	2017 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Loans and accounts receivables from customers and Interbank loans	29,612,163	—	—	29,612,163
Total	**29,612,163**	**—**	**—**	**29,612,163**
Liabilities				
Deposits and Interbank borrowing	20,828,829	—	20,828,829	—
Issued debt instruments and other financial liabilities	7,800,172	—	7,800,172	—
Total	**28,629,001**	**—**	**28,629,001**	**—**

As of December 31,	2016 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Loans and accounts receivables from customers and Interbank loans	29,976,931	—	—	29,976,931
Total	**29,976,931**	**—**	**—**	**29,976,931**
Liabilities				
Deposits and Interbank borrowing	22,833,009	—	22,833,009	—
Issued debt instruments and other financial liabilities	8,180,322	—	8,180,322	—
Total	**31,013,331**	**—**	**31,013,331**	**—**

There was no transfer between level 1 and 2 for the period ended June 30, 2017 and December 31, 2016.

NOTE 33
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 June 30, 2017 and 2016 and December 31, 2016:

	Assets MCh$	Liabilities MCh$
As of January 1, 2017	**40,034**	**43**
Total realized and unrealized profits (losses)		
Included in statement of income	(2,026)	(28)
Included in other comprehensive income	27	—
Purchases, issuances, and loans (net)	—	—
As of June 30, 2017 (Unaudited)	**38,035**	**15**
Total profits or losses included in comprehensive income at June 30, 2017 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of June 30, 2016	**(1,999)**	**(28)**

	Assets MCh$	Liabilities MCh$
As of January 1, 2016	**39,913**	**—**
Total realized and unrealized profits (losses)		
Included in statement of income	2,587	40
Included in other comprehensive income	11	—
Purchases, issuances, and loans (net)	—	—
As of June 30, 2016 (Unaudited)	**42,511**	**40**
Total profits or losses included in comprehensive income at June 30, 2016 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of June 30, 2015	**2,598**	**40**

The realized and unrealized profits (losses) included in comprehensive income for 2017 and 2016, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Interim Statement of Comprehensive Income in the associate line item.

The potential effect as of June 30, 2017 and December 31, 2016 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.

NOTE 33
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following tables show the financial instruments subject to compensation in accordance with IAS 32, for 2017 and 2016:

As of June 2017
(Unaudited)

	Linked financial instruments, compensated in balance				
Financial instruments	Gross amounts	Compensated in balance	**Net amount presented in balance**	**Remains of unrelated and / or unencumbered financial instruments**	**Amount in Statements of Financial Position**
Assets	**Ch$ Million**	**Ch$ Million**	**Ch$ Million**	**Ch$ Million**	
Financial derivative contracts	1,988,554	—	1,988,554	227,100	2,215,654
Investments under resale agreements	—	—	—	—	—
Loans and accounts receivable from customers, and Interbank loans, net	—	—	—	26,356,582	26,356,582
Total	**1,988,554**	**—**	**1,988,554**	**26,583,682**	**28,572,236**
Liabilities					
Financial derivative contracts	1,899,642	—	1,899,642	160,997	2,060,639
Investments under resale agreements	145,570	—	145,570	—	145,570
Déposits and interbank borrowings	—	—	—	21,086,033	21,086,033
Total	**2,045,212**	—	**2,045,212**	**21,247,030**	**23,292,242**

As of December 2016

	Linked financial instruments, compensated in balance				
Financial instruments	Gross amounts	Compensated in balance	**Net amount presented in balance**	**Remains of unrelated and / or unencumbered financial instruments**	**Amount in Statements of Financial Position**
Assets	**Ch$ Million**	**Ch$ Million**	**Ch$ Million**	**Ch$ Million**	
Financial derivative contracts	2,237,731	—	**2,237,731**	263,051	2,500,782
Obligations under repurchase agreements	6,736	—	**6,736**	—	6,736
Loans and accounts receivable from customers, and Interbank loans, net	—	—	**—**	26,386,120	26,386,120
Total	**2,244,467**	**—**	**2,244,467**	**26,649,171**	**28,893,638**
Loabilities					
Financial derivative contracts	2,100,955	—	**2,100,955**	191,206	2,292,161
Investments under resale agreements	212,437	—	**212,437**	—	212,437
Déposits and interbank borrowings	—	—	**—**	22,607,392	22,607,392
Total	**2,313,392**	**—**	**2,313,392**	**22,798,598**	**25,111,990**

NOTE 34
SUBSEQUENT EVENTS

On July 3, 2017, the bank issued Current Bonds regarding their "S" category for Ch$60,000 million.

On July 15, 2017, the bank issued Current Bonds regarding their "T-16" category for Ch$100,000 million.

Between June 1, 2017 and the date on which these Unaudited Consolidated Interim Financial Statements were issued (July 18, 2017), no other events have occurred which could significantly affect their interpretation.

FELIPE CONTRERAS FAJARDO **Chief Accounting Officer**	**CLAUDIO MELANDRI HINOJOSA** **Chief Executive Officer**

Santander