Annual Report

Integrated Financial

Sustainability Report

2019

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Santander

Annual Report

Integrated Financial

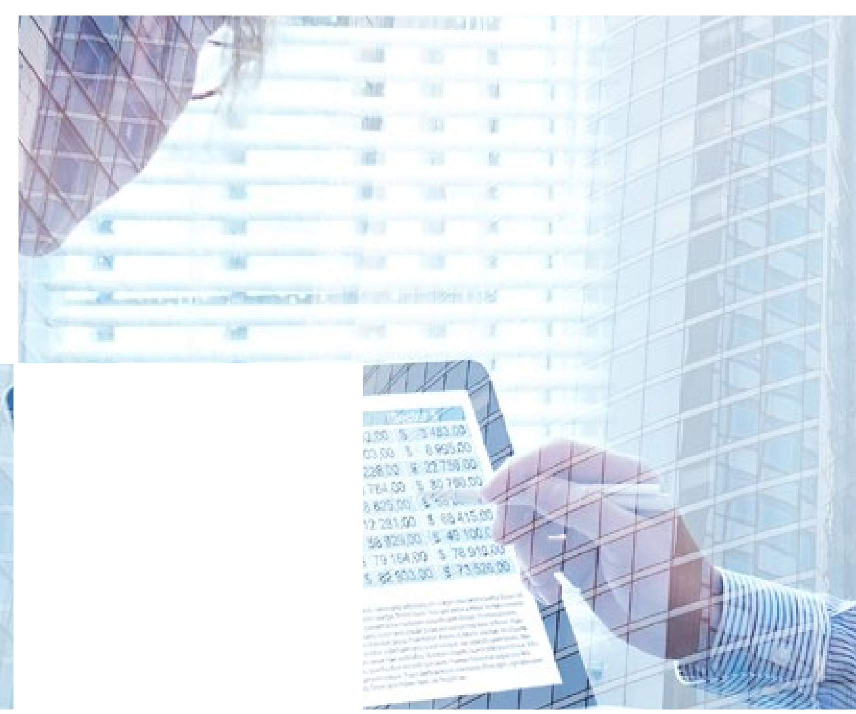
Sustainability Report

2019

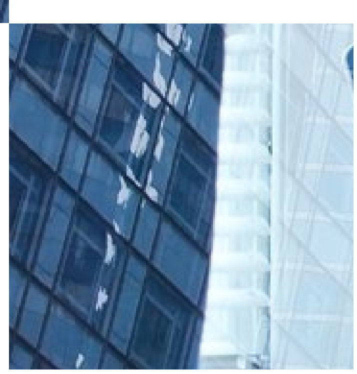
Santander

1 | SANTANDER IN FIGURES

2 | RESPONSIBLE BANKING



This integrated report will also be available online www.santander.cl



3 | CORPORATE GOVERNANCE

4 | ECONOMIC AND FINANCIAL PERFORMANCE

5 | RISK MANAGEMENT

6 | SANTANDER AROUND THE WORLD

7 | ANNEXES

GRI [102-7]

Santander Chile in figures

Summary of financial results

$ 50,578 billion
Assets

$ 47,108 billion
Total liabilities

$ 32,732 billion
Total loans

$ 23,490 billion
Total deposits

$ 554,176 million
Consolidated net income for the year

$3,470 billion
Equity

Infographics by interest group

SHAREHOLDERS

+8.1%
Loan growth

16.7%
ROAE

1.3%
ROAA

US$ 11,179.57 million
Market capitalisation

3.68%
Return on the last dividend paid

CLIENTS

3.4
Million clients

↑16.1%
1,143,347
Current accounts (including Life and Superdigital)

136,821
Santander Life Customers

Nº2
Customer Satisfaction

↑4.8%
704,021
Loyal customers

↑13.2%
1,216,360
Digital customers

COLLABORATORS

11,200
Total

54%
Women

18%
Women in leadership positions

74.9%
Unionisation

SUPPLIERS

3,902
SME Suppliers

85%
Local suppliers

21
Award-winning suppliers

97.68%
of bills paid in less than 30 days

SOCIETY

$10.83 billion
Total community contribution

Volunteering

2,411
volunteers

269,302
people positively impacted

ENVIRONMENT

	2017	2018	2019
Paper consumption (ton)	1,662	1,512	1,268
Paper recycling (ton)	172	534	1,256
Electronic waste (ton)	132	148	32.4
Power consumption (MWh)	29,605	28,640	28,139
Water consumption (m^3)	107,074*	103,420*	149,106
Total emissions (tCO_2eq)	18,557	18,377	16,148

*Estimate

2019 Awards

Financial Rankings

BANK OF THE YEAR, ACCORDING TO THE BANKER

Once again Santander Chile was chosen as Bank of the Year by the prestigious English publication The Banker, a prize also awarded to Portugal, Argentina, and at a group level, Western Europe and America. The journal highlighted the institution's commitment to improving the customer experience and its ability to create excellent financial results in complex scenarios.

BANK OF THE YEAR, BY LATINFINANCE

For the fourth consecutive year, Santander Chile was recognised by LatinFinance Magazine as Bank of the Year. On this occasion, the company was distinguished for its digital transformation processes and sustained revenue growth, thus consolidating its leadership in the market.

BEST BANK IN CHILE, ACCORDING TO EUROMONEY

For the eighth time, Santander Chile was recognised as the Best Bank of the Country by the English magazine. In the twenty-fourth edition of its annual awards, it also distinguished the entity as Best Bank for SMEs in Western Europe and Best Bank of Brazil, Portugal and Latin America.

SANTANDER PRIVATE BANKING DISTINGUISHED AS BEST PRIVATE BANKING, ACCORDING TO EUROMONEY

In 2019, Santander Private Banking (SPB) won the most significant number of awards in its history in the annual private banking competition of the English magazine Euromoney and was included among the top ten private banks in the world. The Chilean subsidiary won this award for the seventh time in a row, which was also awarded to Argentina, Mexico, Portugal and Spain, as well as at a Latin American level.

BANK WITH THE BEST REPUTATION IN CHILE

According to the Chilean Bank REP Lab study prepared by the Spanish consultancy Villafañe & Asociados, Santander Chile is the bank with the best reputation in the country, thanks to its good performance and realistic objective indicators, obtaining 83.9 points in the Global Index of Reputation.

SANTANDER ASSET MANAGEMENT ACHIEVES OUTSTANDING PARTICIPATION IN PREMIOS SALMÓN 2019

Santander Asset Management had a remarkable turnout in the Premios Salmón, which awards the most profitable funds in the industry, and obtained the following awards: 1st place Dynamic Santander Select, Permanence series, Aggressive Balance category; 2nd place Santander Aggressive Private Banking, Executive series, Aggressive Balance category and 2nd place Santander Chilean Shares, Executive Series, National Shareholder Large CAP category. Also, in the APV category, it achieved 1st place Santander Shares Emerging Asia, Shareholder Emerging Asia category, and 2nd place Santander Select Dynamic, Aggressive Balance category.

SANTANDER AMONG THE TOP FIVE OF MERCO COMPANIES

BBanco Santander was again recognized by Merco Empresas, reaching fourth place in this ranking that measures the companies with the best corporate reputations.

ESG Rankings

BEST CORPORATE GOVERNANCE BY CAPITAL FINANCE INTERNATIONAL MAGAZINE (CFI)

Banco Santander Chile received for the first time the award for Best Corporate Governance, awarded by the English magazine Capital Finance International (CFI).

SANTANDER CHILE INTEGRATES THE DOW JONES SUSTAINABILITY INDEX (DJSI)

Once more, Banco Santander Chile is part of DJSI Chile 2019, moreover ranking first in the local ranking among the banks that belong to this global benchmark in regards to sustainable performance issues. During the year, Santander Group was featured on this same index as the most sustainable bank in the world.

SANTANDER CHILE IN THE DOW JONES SUSTAINABILITY INDEX MILA 2019

Banco Santander remained for the third consecutive year in the Dow Jones Sustainability Index of Integrated Latin American markets (MILA), the first index of the Pacific Alliance that measures the economic, social and environmental performance of Chilean, Peruvian, Colombian and Mexican companies.

BANCO SANTANDER INTEGRATES THE FTSE4GOOD INDEX

Santander Chile managed to position itself as one of 19 companies in Chile to be part of the stock index FTSE4Good Emerging Markets and Latin America, thereby demonstrating its leadership in environmental, social and governance matters. The FTSE4Good Index Series, which consists of a series of stock indices of the London Stock Exchange, is a tool to measure the performance of companies in this area according to recognised global standards.

SANTANDER CORPORATE GOVERNANCE AMONG THE BEST IN THE COUNTRY

For the second consecutive year, Santander Chile's corporate governance was recognised as one of the top three in the country, according to La Voz del Mercado study, an evaluation carried out by EY, in conjunction with the Santiago Stock Exchange and the Institute of Directors of Chile.

SANTANDER IS RECOGNISED IN THE C3 RANKING OF CREATIVITY AND INNOVATION

Santander Chile was awarded again in the C3 Ranking of Creativity and Innovation developed by Brinca Global and the Universidad del Desarrollo, which recognises companies that promote an open innovation climate and culture in their organisations, directly impacting the development of the country. On this occasion, Santander won third place among large companies, climbing one place compared to last year.

BEST PLACE TO INNOVATE

For the fourth consecutive year, Santander stood out among the companies that best manage innovation in Chile, according to the Best Place to Innovate Ranking, which identified the most innovative companies in the country. Santander was the only bank included in the 2019 ranking, which this time contemplated a 360-degree evaluation, incorporating senior executives, collaborators, suppliers and customers.

Human Resources Awards

BANCO SANTANDER RECEIVES TOP EMPLOYER SEAL

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

TOP 3 IN GREAT PLACE TO WORK

Santander was again recognised by Great Place to Work among the best companies to work in Chile, ranking third in the category of institutions with more than a thousand employees.

The efforts made by Banco Santander to innovate and maintain its leadership position in term of financial, labour and Responsible Banking have been recognized nationally and internationally.

SANTANDER, BEST EMPLOYER FOR YOUNG PROFESSIONALS

Banco Santander Chile was recognised as the best employer for young professionals in the financial industry in the country, and sixth in the general ranking of the survey Employers for Youth (EFY), by Firstjob jointly with the Adecco Group. The assessment considered various attributes, such as career development, benefits granted, work environment and organisational culture.

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

Banco Santander managed to position itself in fourth place in the 2019 version of the Merco Talento ranking, a leading monitor in Latin America that evaluates the corporate reputation among companies that attract and retain the best professionals in the country. The methodology used consists of 360° surveys that include five evaluation perspectives: management, current workers, potential workers, society and experts.

GRI[102-14]

Letter from the Chairman of the Board and Country Head

Claudio Melandri Hinojosa

Dear shareholders, with great pleasure I present the Annual Report and the Results for the year 2019 of Banco Santander Chile, which not only allows you to see the outstanding financial performance recorded during the year, but also appreciate how we have positioned ourselves as a responsible bank that creates value for all its stakeholders while pushing the boundaries of innovation and competition within the domestic financial system.

In fact, as you will see throughout this comprehensive report, we launched a wide range of initiatives during 2019 that allowed us to conclude the year not only as a highly profitable bank but also as the most sustainable one in the Chilean banking market, as evidenced by the demanding Dow Jones Sustainability Index (DJSI).

In that regard, I would like to emphasize that during this period, all our business areas operated in an orchestrated manner, innovating and making an essential contribution to the Bank's results. Thanks to this, last year we closed with a generation of profits attributable to equity holders of $552,093 million and a return (ROAE) of 16.7%. Meanwhile, our efficiency ratio continued to show world-class standards, concluding the year at 40%.

Standing out within this year's performance is how our operation consolidated a 7.7% year-on-year increase in the volume of deposits and an 8.1% increase in the loan portfolio by the end of 2019, where the loans to individuals were recorded as the loan segment with the highest growth rate, in part influenced by the incorporation of

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Santander Consumer in November, after obtaining all the regulatory approvals.

In this way, the view with which we value 2019 and, above all, the challenges lying ahead for us as an institution concerning the social events recorded in the last half of the year, particularly after the turning point experienced on October 18, a date that has modified the analysis of scenario mapping for all sectors of activity.

Indeed, during the last three months of 2019, the political, economic and social landscape was profoundly and unexpectedly shaken by a series of events that have disrupted everyone's agendas. In this sequence of events, what has surprised the most are the acts of violence that have affected the country, especially the destruction of infrastructure, public transport services and facilities belonging to companies and entrepreneurs, with the consequent economic and social damage to tens of thousands of Chileans.

In this regard, we believe it is urgent and necessary to call upon all social actors to value and care for the capacity of dialogue displayed within the last 30 years, which has allowed us to achieve remarkable economic, political and social accomplishments as a country. A dialogue that has been responsible not only in form but also in substance, in the sense that the construction of our destiny has always been achieved in a fiscal and institutionally responsible way, bearing in mind that the excellent intention to address the problems of the present should not end up mortgaging the future. Accelerating the pace to meet remaining challenges, as implied by the stance assumed by our political and legislative representatives, cannot dismantle all the good we have built in recent decades, but should be understood instead as an effort to expand this great house that is Chile, to give a better welcome to all our compatriots.

As a bank, we approach this new scenario not only with a more extensive and in-depth scenario analysis, but with tangible and contingent actions that have always prioritized maintaining the highest quality standards, the greatest availability of our face-to-face and digital services and a very high care for the integrity of our clients and collaborators.

In terms of the economy, during 2019 our country's activity suffered the effects of various circumstances, such as the trade war between China and the United States, the global slowdown and, in the last quarter, the impact of the aforementioned social upheaval. In the year we saw a significant rebound in investment, supported by large projects in mining, infrastructure and energy. Until the third quarter, the economy had been accelerating, although at a lesser rate than expected at the beginning of the year, which was halted suddenly by the social crisis triggered in October.

Indeed, activity suffered an unprecedented contraction of more than 5% during October due to the physical disruption of several activities. Moreover, although the situation was returning to normalcy during November and December and even though the economy partially regained its dynamism, 2019 concluded with a 1.1% growth, well below the 2.5% growth expected before the social crisis.

The business climate and the confidence of companies and people have failed to pick up. This, in tandem with uncertainty at a political level, sets a scene that could affect household spending decisions and new investments. Added to this is the impact of the coronavirus, whose first global case was reported at the end of 2019. The spread of this virus from China has threatened global trade since its inception and could significantly undermine the growth not only of China, our leading trading partner, but of a big part of the world's economies. With this, the external sector of our country could suffer, putting additional pressure on economic governance. Added to this are the direct effects on our economy due to the spread of the virus and containment measures, which at this point are difficult to quantify.

In this context of multiple disruptive situations, Chilean assets have depreciated. In parallel, the exchange rate has depreciated quite substantially since November, while long-term interest rates have tended to rise, and the stock market has retreated significantly. This is why, understanding that any forecast at this stage will likely be subject to new revisions, our estimate is that Chile will have minimal expansion in 2020 and a recession cannot be ruled out, with most of the risks on the downside. By 2021, the economy should gradually recover to its trend.

A global look at the main milestones shaping the scenario in which we operated in 2019 cannot fail to address the legal and regulatory domain. Undoubtedly in this regard, the most relevant aspect relates to the publication of Law 21,130 on January 12, 2019, which modernizes the Banking Law. As is well known, this legal change is the most significant of the last 30 years, two of its most fundamental elements being the incorporation of new capital and reserve requirements, in line with those established by the Basel III Committee; and the identification of early intervention mechanisms for banks in the event of insolvency and crisis management.

At the same time, the Banking Law's reform updated the concept of corporate governance. It modified the structure and some powers of the banking regulator, the most relevant being the transfer of all the powers of the Superintendence of Banks and Financial Institutions (SBIF) to the Financial Market Commission (FMC), a milestone recorded in the calendar on June 1, 2019.

The year 2019 concluded with a number of other significant policy changes determined and/or in development. Such is the case of Law 21,167, which regulated payment forms for current account overdrafts, published on July 18 of that year to take effect on January 2, 2020. This single article law provided automatic payment of a customer's line of credit once sufficient funds have entered their current account, along with offering the customer to change this form of payment freely and at any time.

Other legal reforms relevant to our sector that were published or that took effect during 2019 are Law 21,163 that amended the rules of Law 19,913 that created the Financial Analysis Unit (UAF), to make it adhere to the new UN standards; and Law 21,081 that took effect during March 2019 and which amended the Law on Consumer Rights, giving additional powers of supervision to Sernac (National Consumers Bureau).

Finally, and presented as another relevant issue at a regulatory level, it is worth mentioning the entry of the draft bill on financial portability into legal discussion. The initiative, announced in August 2019, was filed by the Chamber of Deputies during September, and seeks, in the words of the then Minister of Finance, to reduce the costs and time taken when changing from one financial service provider to another.

As I mentioned at the beginning of this letter, we devoted a great deal of energy into achieving two major objectives during 2019. First, we have sought to strengthen the work already being undertaken for years in the area of responsible banking and to multiply our efforts to move the boundaries of innovation and competition within the banking sector, either by consolidating all successful bets of recent years as well as deploying new initiatives.

Regarding responsible banking, I must indicate our strategy has a clear direction: to tackle the enormous challenges we have in terms of the new business environment and an inclusive and sustainable growth, in order to forge strong loyalty links with our collaborators, clients, investors and the community as a whole. This work that has taken years saw a substantial milestone last September, when as Santander Group we formally adhered to the Responsible Banking Principles in the United Nations, identifying a wide range of areas where we committed ourselves to fulfil concrete objectives.

In the case of Santander Chile, this vocation is reflected by the highly professional management we have undertaken concerning ESG (Environmental, Social and Governance) risks, as well as the very active connection we have maintained with society through our historical alliances with Techo Chile and Belén Educa. In this domain, adoption of the best practices for our value offer to clients and co-workers has been, is and will continue to be the key lever driving the Bank's sustainability. In fact, we are already the leading bank within the domestic financial system, according to the latest report from Dow Jones Sustainability Index (DJSI), where we have a presence in the Chile and MILA rankings.

Being a Responsible Bank is something that is furthermore expressed in terms of

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stamps of quality and recognitions achieved during 2019. Indeed, our bank achieved for the second consecutive year the demanding Top Employer certificate and advanced to the third position in the Great Place to Work Chile (GPTW) ranking for companies with over 1,000 employees.

Additionally, Santander Chile was again recognized as the Best Bank of the country by the prestigious global publications The Banker, Euromoney and LatinFinance in 2019; It also positioned itself again as one of three companies with the best corporate governance in the local market, as credited by La Voz del Mercado award, bestowed by EY and the Stock Exchange. In terms of reputation and recognition, we solidified the leadership positions already achieved in Merco Empresas (4th place) and attained the first place in the Bank Rep Lab of Villañafe & Asociados, which assesses the reputation of local banks with a highly expert panel.

Furthermore, I do not wish to forego mentioning the outstanding results obtained by Santander Chile in its ESG rating by Vigeo Eiris. With a significant increase of 20 points over the previous measurement, we positioned ourselves as the fourth-best bank classified in emerging markets and the eighth-best bank in the world under retail and specialised banks; a qualification validated by the A grade we achieved in the 2019 MSCI ESG Ratings. This, of course, has gone hand in hand with the display of an increasing green financing offer in the local market, where the release of the first ESG Linked Loan to Acciona stands out, which ties the financing cost to the company's ESG performance.

Last year we spared no effort to evolve the paradigms of banking. Undoubtedly, the most emblematic case is the revolution that we ignited within the business model of the country's payment system.

In this regard, our vision is clear, and our decision to keep moving forward is unwavering. We diagnose that the local payment market had lagged behind, that the supply of value available to individuals and businesses was insufficient and inadequate, and that we had the opportunity to trigger a change that would open the market to greater competition and better price/quality standards.

This is how we can inform you with great satisfaction that last year we not only successfully migrated our entire fleet of credit and debit cards to the four-part model but also by year-end the pilot of our acquisition network, Getnet, was launched.

Our expectation is that the electronic payment market will increase by several times, which implies thousands and thousands of entrepreneurs will have access to POS devices and millions of Chileans with new financial alternatives to manage their resources, where we will spare no effort to offer highly innovative and convenient value proposals, such as Superdigital, that we piloted during the second half of 2019.

Other significant milestones of the year in the commercial field were the seven years renewal of our successful partnership with Latam, with the incorporation of a wide range of improved related benefits for our customers; the launch of new value offer under the Life umbrella, such as the Life Account, the Life Latam card, and the highly valued initiative Compensa tu Huella (Offset your carbon footprint), through which we are not only helping raise awareness regarding the urgent dilemma of climate change, but we are providing alternatives so that our customers can perform specific actions in that direction, alongside what we are doing as a bank.

Of great transcendence during 2019 was our consistent work in terms of customer satisfaction, where our commitment is to be the number one bank within the local financial system, as we indeed achieved specifically towards the end of the year. Today, with the NPS (Net Promoter Score) measurement underway, we have drawn up a navigation chart that I am sure will deliver results very soon.

The Work/Café, additionally, has lived a year of international consolidation during 2019, while continuing to remain one of our most powerful drivers of customer satisfaction, support for entrepreneurship and catalyst for innovation. We closed the year with 53 Work/Café offices and specifically model replicated among the main worldwide regions where the Group operates.

Fellow Shareholders, 2020 will be a challenging and demanding year. It will be challenging for the country and, certainly for our bank as well. However, as you will have appreciated above, today we have a stable company, very prepared and that for years has been laying the foundations of a strategy capable of responding in the best way to the challenges. Our innovative vocation, our eagerness to lead in markets where competition is the norm and our long-standing vision of being a Responsible Bank are the letters of introduction with which we enter 2020 and that allow me to have the confidence that we will continue to be leaders and the best bank in the country.

GRI[102-14]

Letter from the Chief Executive Officer

During the year the high adaptability and innovation of our teams was evident, who took forward the task of consolidating our leadership position in the country.

Dear shareholders, despite a challenging internal and external environment, 2019 was an excellent year for Banco Santander Chile, where we achieved significant progress on several fronts. During the year the high adaptability and innovation of our teams was evident, who took forward the task of consolidating our leadership position in the country not only in financial terms but also in terms of quality of service, digital experience and sustainability.

In this period, profits attributable to the Bank's equity holders reached $552,093 million, 6.7% less than in 2018. The decrease in the results was mainly caused by the increase of credit risk provisions, which rose by 29.3% during the year due to two factors: (i) extraordinary provisions of $31 billion produced by the credit risk model change for the commercial portfolio analysed as on a group basis, which includes mostly the SME portfolio, and (ii) an additional provision of $16 billion for the consumer portfolio, the amount recognized during the last quarter of the year. Excluding these two effects, our adjusted income would have reached $ 586,403 million, 0.9% less than the previous year. The ROE adjusted for these factors amounted to 17.8%.

This positive result was driven by the 5.6% growth of the operating income, which reached a record level of $ 1,910,956 million during 2019, which in turn was the product of the excellent business year the Bank had, with an 8.1% growth of its loans. Among the most outstanding products were consumer loans that rose by 13.6%, due to the robust expansions of Banca Select, Santander Life and the incorporation of our new subsidiary Santander Consumer Chile, dedicated to the financing of automotive loans. 2019 also witnessed a record number of mortgage loans that increased by 11% during the year. Finally, commercial loans rose by 4.4%, with a significant contribution from the SME and Middle-market segments, which both grew by over 5%.

This sharp increase in assets was accompanied by a remarkable year for the Bank's total deposits (demand deposits plus time deposits) with a 7.7% increase, led by a 17.8% growth of demand deposits. Moreover, the average cost of our term deposits in non-readjustable Pesos -which represent our largest source of financing- fell to 2.7% during 2019, reaching the lowest record of this financing source among our primary competitors.

The period under review was also one of the best years in attracting new customers and opening accounts. According to the latest figures published by the FMC, of all current accounts opened in 2019, 27% corresponded to Banco Santander, which allowed us to exceed for the first time 1 million current accounts.

The constant innovation and technological development which we are committed to have resulted in key initiatives to improve our customers' experience. In that line, one of our strongest value offerings is Santander Life, an initiative that is taking hold as a new way to interact with the community through a generation of digital products that rewards positive credit behaviour, with the most outstanding being the Meritolife Program. As customers meet their financial obligations on time, they accumulate "Merits" that allow them to access exclusive benefits such as more interest-free instalments, interest rate discounts, or flexibility in payments of instalment.

Due to the great success of this program, in 2019 we launched three more products in the Life ecosystem: (i) The Life Account, which consists of a debit card that does not charge for transactions and that enables the accumulation of Merits. This has proven to be a powerful tool for inclusion and empowerment considering that about 25% of Life Account customers had no access to formal banking, and approximately 42% had only limited access to a bank; (ii) Life Savings, which allows the customer to develop a scheduled savings program that also contemplates the accumulation of Merits and (iii) Life LatamPass credit card, which is associated with the MeritoLife program, and which also allows the accumulation of LatamPass miles. Life's total customers reached more than 136,800 at the end of the period, three times higher than the previous year and with a total loan amount of more than $ 43 billion.

During 2019 we also undertook the soft-launch of our 100% digital offer, Superdigital, available through the app stores and with which we have already exceeded 80 thousand downloads. It is a low-cost product that enables millions of people in the country to link a payment method to their cell phone to make purchases in all types of commerce,

Miguel
Mata Huerta

including digital platforms such as Netflix, Spotify, Uber, etc. In addition, it allows customers to receive their salary directly into their account.

All these efforts have resulted not only in a higher number of new customers but also in increased loyalty with old customers. Precisely, total loyal customers (defined as customers with several products in the Bank and a minimum level of profitability) increased by 4.3%, with an increase of 6.9% among high-income clients, while loyal customers within SMEs and Middle-market companies rose 5.3%. Our ability to innovate in digital banking was also reflected in the total number of digital customers of Santander Chile (who access their web accounts using their password) that grew by 13% during 2019, totalling 1,216,360.

This data is a true reflection of the significant advances in quality and innovation that the Bank has made in recent years, framed in the cultural transformation program that we have been implementing and supported by a customer-focused strategy, with the seal of our Simple, Personal and Fair style. Today the Bank's qualitative goals represent between 15% -20% of the individual goals of each collaborator, thus creating a virtuous cycle between our strategic objectives and the needs of our customers.

During the year, we also perfected the ways to measure our customers' satisfaction, aiming to improve the number of variables observed, as well as the overall scope of the survey. Each semester, an external and independent entity of the Bank interviews about 60 thousand of our clients and 1,200 of each relevant competitor. These are done via the internet and telephone, and rate satisfaction with banks concerning three main aspects: quality of service, quality of the product and of the brand image. These aspects are measured through net recommendation or Net Promoter Score (NPS) and net satisfaction. This new methodology reaches a broader and more diverse sample, given that 85% of surveys are conducted online, where rating tends to be harsher due to the process being more impersonal. Additionally, these surveys are audited to guarantee there is no bias in terms of customer selection or questions. In 2018 there was a gap of 10 percentage points between us and the Top 1 in the Net Promoter Score, while in Net Global Satisfaction there were 11 percentage points. During 2019 we improved and closed this distance with our main contender, reaching a gap of only 1 point in Net Promoter Score and 3 points in Net Global Satisfaction.

2019 was also a year of changes in terms of the country's payment system. Contextualizing, since 2015, operations with Bank credit cards in Chile had increased by 30% yearly on average, while those with debit cards had increased by 22%. At Banco Santander, we have been active in the service of these products in expansion, with a market share of 25% in the number of transactions, 26% in the total monetary amount of debit card transactions, and 24% and 25%, respectively, for credit cards, thus positioning ourselves as industry leaders in regards to both products. Notwithstanding, and according to our estimates, only 35% of retail stores currently have POS access. For the same reason, and considering our strong market position within the Chilean payment system, we concluded that it was time to open up the acquiring market and to change our credit and debit card stock to a four-part model similar to that existing in much of the world. Thus, at the end of 2018, we announced our intention to terminate our agreement with Transbank.

The next step was taken in April 2019, when we began the successful transition to the new payment model, whereby international brands (Visa, Mastercard, American Express) determine the associated exchange rates and not Transbank. In addition, we have been developing our own acquisition business under the brand Santander Getnet, where already, towards the end of 2019, we made the first transaction in a POS Getnet in a Work/Café. Our vision is to multiply the breadth of electronic payments and to decrease cash payments through a massive and secure system. We believe that we will be able to offer companies not only a fairer transaction fee, but also better technology, products and benefits, and alliances exclusive to the commerce.

Klare, the first 100% digital insurance broker in Chile, is another project developed and announced during 2019 and that will be fully operational in 2020. It meets our customers' demand to have an open platform where they can compare and buy transparently different insurance offers. In just four steps, customers will receive a 100% personalized offer with the insured amount, coverage description and other services.

Another important initiative in 2019 was our foray into the automotive financing business. In November, we acquired 51% of Santander Consumer Chile S.A., one of the leading companies in the field, worth $62,136 million. Santander Consumer Chile's portfolio amounts to $451,000 million in loans, mainly consumer loans, and has the second-largest car loan portfolio in thecountry, financing approximately 30 thousand vehicles per year. This company has a ROE of about 20%.

Continuing with the year's highlights, in the fourth quarter, we launched our first eco-friendly product for retail customers, who can offset their monthly carbon footprint through our website and APP. The Bank, with the help of external consultants, calculates a customer's carbon footprint based on their monthly expenses. The amount of carbon used can be offset by buying, on the Bank's website or APP, carbon bonds, or by donating to a green project within Chile. This initiative was launched at the end of November and during December alone 312 tonnes of CO2 were compensated through carbon credits. Customers also contributed to a foundation for a project in a national park near Coquimbo, and within a month had already reached 20% of the total funding for this project.

I also want to highlight the great year we have experienced in regards to Middle Market and Corporate and Investment Banking (CIB). Both segments recorded strong growth in their activities and revenues, with Transactional Banking and Treasury standing out. Operating income for these two areas increased by 11.8% in 2019, reaching a record level of $576,495 million. This increase was mainly generated by low-risk non-credit activities with little use of capital. This is even more meritorious because it was achieved in an environment of weak investment growth, demonstrating the adaptability of our team and its high synchronicity to the needs of our company clients.

In terms of efficiency and productivity, the results were equally positive. Santander Chile has always stood out for these qualities, not only when compared to local banks but also internationally. The significant growth in income plus an increase of only 3.9% in support costs led again to an efficiency ratio (support costs over operating income) of 40%. Other productivity indicators, such as turnover (loans plus deposits) by branch and turnover on employees increased by 11.3% and 7.6%, respectively. These efficiency levels were achieved even though the Bank continues to implement one of the most extensive investment plans in its history, which includes a total amount of US$390 million in the 2019-2021 period.

These productivity gains were achieved by improving our social responsibility and sustainability standards. Banco Santander Chile has more than 11,200 employees, 54% of whom are women, and 75% who are members of a labour union. In addition, the Bank has one of the best programs of labour benefits in the country, among which I highlight two topics that acquire particular relevance today: our working week already contemplates approximately 40 hours, and our minimum wage agreed with most unions is $760,000/monthly, 2.5 times above the legal minimum.

We also continue to reduce our impact on the environment, achieving further decreases in paper consumption, electricity, e-waste and carbon footprint. Our commitment from now until 2021 is to promote a culture of less waste and more recycling within the organization, intending to reduce electricity and paper by 7% and 15%, respectively, and the carbon footprint by 5%.

All this has been achieved through healthy risk management, with advanced management in our credit risk systems despite the lower economic growth. The non-performing portfolio ratio of total loans concluded the year at 2.1%, the same figure as in 2018. The impaired portfolio index on total loans also concluded steadily at 5.9% compared to 2018, with an improvement in consumer loans from 5.6% to 5.1%. This is a reflection of the consumer credit admission policy focused on growing mainly in the middle and high segments, making us become the bank with the best risk indicators in the consumer credit business among our main competitors. Finally, coverage, measured as on-balance sheet provisions on the non-performing portfolio, reached 133.0% at the end of 2019, compared to 126.1% in 2018.

In terms of market risk, particular emphasis was placed on liquidity risk, which allowed the Bank to navigate through the most intense period of protests and strikes without shocks. Our liquidity coverage ratio (LCR), which measures the ratio between high-quality liquid assets (HQLA) and needs in a 30-day liquidity problem scenario, closed the year at 143%, more than double that required by the current local standard.

In 2019 we also focused on non-financial risks, with cybersecurity and business continuity being a central issue. While digital banking offers many advantages for our customers and the Bank, it also increases the possibilities of being subject to cyber-attacks and fraud. To address this threat, Santander has had Cybersecurity Management in our Technology and Operations Division for the past five years. Furthermore, the Risk Division contains a unit dedicated to controlling and monitoring cyber risk. During the period, the Bank spent more than $13,000 million on cybersecurity.

The most significant milestone in terms of banking regulation was the promulgation of the new Banking Law in January 2019, which determined the transition of Chilean banking to the new capital standards under BIS III rules. In that sense, we believe we are well advanced in its implementation by being part of Santander Group, which mandates us to report our assets and risks under the European Central Bank's BIS III standards. During the year, the FMC began publishing the new models and risk weights to complete this process by the end of 2020.

Meanwhile, we continue to monitor our capital level, in line with current standards. At the end of 2019, our core capital indicator - or the equity of our shareholders divided by risk-weighted assets - was 10.1%. Our total Basel ratio, which includes the Bank's subordinated bonds, reached 12.9%. This substantial level of capital was achieved despite the high growth of the assets affected by the sharp depreciation of the Peso during the year, which reflects the advanced systems of capital control and optimization that our institution has implemented.

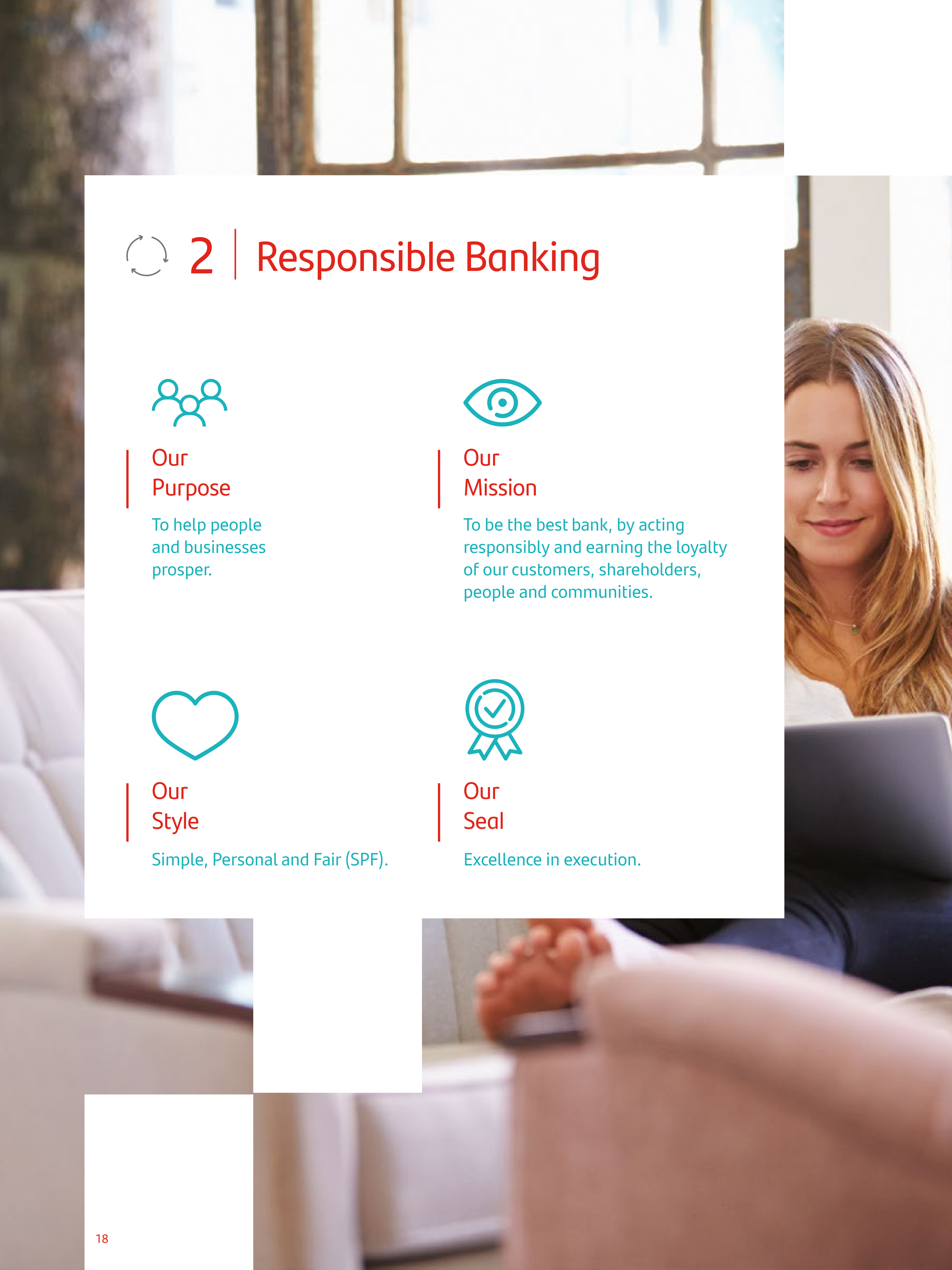
Concerning the stock market, the trade war between China and the US combined with social events in the country negatively impacted the local market. As a result, the Chilean banking sector also had weaker performance throughout the year. However, among our relevant competitors, we accomplished the best performance, with a total return, including dividends of -13.6%. We concluded the year with the greatest market value and the best price/value to book ratio among Chilean banks of 2.4 times.

As in the previous year, our Annual Report complies with the guidelines of the Global Reporting Initiative (GRI) to adequately account for the Bank's economic, social and environmental performance. Moreover, it constitutes our Communication of Progress with Global Compact, an initiative we have adhered to since 2003.

I would like to thank the Board of Directors and all stakeholders for their trust in this Bank and its people. The effort made in recent years is paying off. This became clear during 2019, in an environment that became suddenly clouded, and where we were able to demonstrate our capacity for innovation, anticipation and flexibility, which allowed us to achieve most of our goals, reaffirming our commitment to creating value for our shareholders, customers, collaborators, suppliers and society as a whole.

Kind regards.

Miguel Mata H



2 | Responsible Banking

Our Purpose

To help people and businesses prosper.

Our Mission

To be the best bank, by acting responsibly and earning the loyalty of our customers, shareholders, people and communities.

Our Style

Simple, Personal and Fair (SPF).

Our Seal

Excellence in execution.

Santander: A Responsible Bank

Santander Culture

Banco Santander has experienced a long process of cultural transformation that began in 2015, which has allowed the development of different initiatives that have contributed to the progress of people and companies in a simple, personal and fair way. Since 2019, the Bank has focused on the permanent management of culture as part of its DNA and signature way to do its work, creating transformations to achieve its business goals and the satisfaction of its collaborators, customers, shareholders and society.

Simple is to offer our customers products that are easy to understand while being agile and responsive to their needs. To do this, Santander needs its systems and processes to be easy to operate, which allows its employees to deliver clear answers with the flexibility that customers require.

Personal is to have differentiated models of care, offering each customer a service tailored to their individual needs. It is also a commitment to the Bank's collaborators to develop their full potential and achieve their objectives.

Fair is playing righteously, respecting and enforcing the rules. It is fair play. Santander must be transparent in its relations with others and keep its promises, contributing to the community. In short, we must treat others as we would like to be treated.

In line with the above, Santander has the mission to be the best bank, by acting responsibly and gaining the loyalty of all its stakeholders, hand in hand with our SPF corporate behaviours.

Our corporate behaviours to be more SPF:

Show respect

Truly listen

Talk straight

Keep promises

Actively collaborate

Bring passion

Support people

Embrace change

Santander has the mission to be the best bank, by acting responsibly and gaining the loyalty of all its stakeholders, hand in hand with our SPF corporate behaviours.

GRI [102-16]

Policies and principles

Banco Santander Chile develops its business in compliance with both national and international current legal regulations governing the banking activity. Furthermore, it has an internal regulatory framework of policies and principles that guide the action of all the company's employees conforming to its purpose, vision and culture.

This framework, consisting of documents prepared by the Group and approved by the respective local governance bodies, is sent to Santander Chile to be adapted to the local reality and implemented. Likewise, each subsidiary also develops internal policies that are approved by the local corporate governance. All these guidelines, in addition to current legislation, ensure the development of ethical and responsible behavior in all areas of the Bank's activity.

Key policies and regulations include the following:

- **General code of conduct**
  It is the central element of the organization's compliance program. This document brings together the ethical principles and standards of conduct that must govern the actions of all the Group's collaborators, promoting professional, just, impartial and honest conduct.
  It addresses the principles of equal opportunities and non-discrimination, respect for people, a balance between private and professional life, prevention of occupational risks, protection of the environment, social and ecological responsibilities, and collective rights. Among the primary regulations are the compliance to general and internal rules, ethical behavior, non-competition, responsibility, commitment to the Group, and prevention of collusion. It also describes patterns of conduct for various specific situations around conflicts of interest, control of information and confidentiality, external relations and with authorities, prevention of money laundering and terrorist financing, among others.
  This document is available in the regulation portal on the Bank's corporate Intranet page, in each contributor's virtual folder, and on the website santander.cl. All collaborators, new and current, are committed to reading the Code of Conduct, accepting it and signing it.

- **Corporate Culture Policy**
  It establishes mandatory monitoring rules and guidelines that ensure the formation and anchorage of a solid corporate culture in Santander Group and all its subsidiaries, and which has as its cornerstone the development of a Simple, Personal and Fair (SPF) work.

- **General Sustainability Policy**
  It defines the general principles of sustainability of Banco Santander Chile and the commitments voluntarily undertaken to create long-term value for all the Bank's stakeholders.

- **Climate change policy and environmental management**
  It details the criteria of Santander Bank relating to the set of initiatives that advocate the protection of the environment, the mitigation of the effects of climate change and the reduction of the impact derived from the activities of the organization, taking into account the best international practices.

- **Stock Markets Code of Conduct**
  A body of regulations aimed at preventing conflicts of interest and the use of privileged information for people working in key areas within the Bank.

- **Corruption Prevention Policy**
  A document that substantiates the firm commitment of Santander Group to the fight against any form of corruption. The policy details the elements that the Bank must comply with in terms of preventing corruption and bribery, per the provisions of the Corporate Model of Corporate Defense of the Santander Group. This corresponds to the framework of ethical practices that allows minimizing the probability and impact of those criminal risks that could be considered linked to the Bank's ordinary activity, according to the crimes described in Law No. 20,393 on the criminal liability of legal persons.

- **Reputational Risk Model**
  A document that establishes the principles to prevent, manage and control reputational risks, identifying key processes, assigning roles and responsibilities and establishing the framework of practices that the Santander Group implements for its management. While reputational risk management is the responsibility of all employees, per the principles of good conduct and SPF corporate values, compliance management ensures effective risk control, proper management and application of the model and the various reputational risk policies.

- **Cybersecurity Corporate Framework**
  It is a body of related policies that establishes the principles to which Santander Group and its subsidiaries adhere to manage cybersecurity, defining key roles, responsibilities and processes for the protection of systems, information and customers of the Bank. This framework supports the identification and correction of cyber risks; the development of a cybersecurity culture; promotes education on the subject and compliance with the national regulatory framework in this area, among others.

Compliance Management and the Human Resources Division are the areas responsible for managing the values, principles and standards of conduct of the organization; collaborators can approach the Management to resolve their doubts or queries regarding any of these documents.

Sustainability model

Banco Santander understands sustainability as the ability to adapt to new demands using creativity and innovation as tools through robust corporate governance. This, to facilitate economic and social progress, and at the same time, mitigate the environmental impact of the Bank.

This approach falls within the context of Responsible Banking and aims at the creation of long-term value, as well as the management of social and environmental risks that undermine sustainability. It is also one of the essential inputs that the Bank has to achieve its purpose and mission.

Santander's sustainability approach:

- Is an inherent part of the Bank's business and its corporate culture.
- Manifests itself at a national level.
- Is reflected in products, services and business management.
- Is reflected in the Bank's individual, mass, and digital communication.

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

Interest groups and materiality

People are the core of the purpose and vision of Banco Santander, whether as collaborators, customers, shareholders, suppliers or as part of the community. To better manage their business and meet the needs of people related to the Bank, the organization seeks to identify all of its stakeholders and to build with them a long-term relationship based on trust and loyalty.

Banco Santander Chile managed to identify the most relevant topics for each interest group in the economic, environmental and social areas of the institution through a materiality analysis carried out by an external consultant. This topic map is a valuable input for the Bank's management and sustainability strategy and was used to develop the contents of this report. In this way, Santander makes sure to address the issues that are most relevant and that have the most impact on the management of its business. (For more information about the materiality process, please refer to Section 6 "About This Report".)

Interest groups of Banco Santander Chile

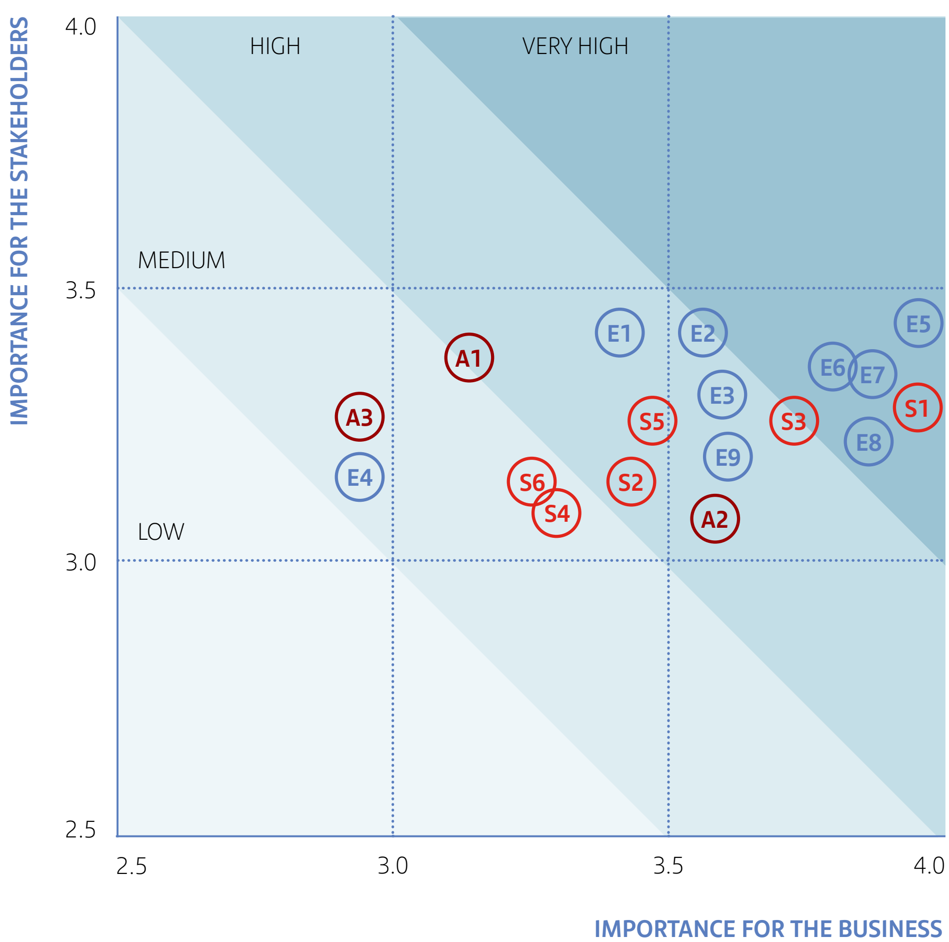
Interest group	Subgroup	Key topics and concerns raised
Shareholders and investors	Financial rating agencies Shareholders Investors	• Corporate governance • Ethical behavior • Risk management • Regulatory adaptation and contribution to the public debate • Sustainability of results
Customers	Individual clients SME clients Corporate clients Institutional clients	• Cybersecurity and data protection • Digital transformation • Customer satisfaction • Products and transparency
Collaborators	Management and senior management Managers, sub-managers and supervisors Permanent technical and administrative staff Unions	• Strong and committed internal culture • Diversity • Attraction and retention of talent
Contractors	Contractors (external staff)	• Diversity • Attraction and retention of talent • Responsible vendor management
Suppliers	Technology providers Information providers Corporate services agencies	• Diversity • Attraction and retention of talent • Responsible vendor management
Public and International Organizations	Ministries Congress International Organizations (e.g. IMF, OECD)	• Sustainable finances • Indirect environmental impact • Internal environmental footprint
Regulatory entities and associations	Financial Market Commission FMC (ex-SBIF) Sernac Conadecus / - ODECU	• Products and transparency • Corporate governance • Ethical behaviour • Risk management • Regulatory adaptation and contribution to the public debate • Sustainability of results
Civil Society	NGOs Associations (e.g. ABIF) Academia and think tanks	• Ethical behaviour • Risk management • Regulatory adaptation and contribution to the public debate • Sustainability of results • Indirect environmental impact • Internal environmental footprint
Media	International media Local media Specialized press Social Media	• Ethical behaviour • Risk management • Regulatory adaptation and contribution to the public debate • Sustainability of results
Local communities	Volunteering projects Inhabitants around offices/branches	• Ethical behaviour • Regulatory adaptation and contribution to the public debate • Financial empowerment of people • Commitment to social progress and development

Materiality matrix

GRI [102-46] [102-47]

After a process of identification and analysis that involved the participation of those groups of interest most relevant to the Bank, we obtained a list of material topics, that is, a list of the most critical economic (E), environmental (A) and social (S) issues, both for stakeholders and for the business of Banco Santander. These topics were considered for the preparation of this report to adequately respond to each group and reflect the performance of the company, so they will be addressed throughout this document.

The following matrix indicates the material topics according to the importance of these topics for interviewees.



E5. Cybersecurity and data protection
S1. Strong and committed internal culture
E7. Customer satisfaction
E6. Digital transformation
E8. Products and transparency
S3. Attraction and retention of talent
E2. Ethical behaviour
E3. Risk management
S5. Commitment to social progress and development
E1. Corporate governance
E9. Sustainability of results
A2. Indirect environmental impact
S2. Diversity
A1. Sustainable finances
S6. Responsible supplier management
S4. Financial empowerment of people
A3. Internal environmental footprint
E4. Regulatory adaptation and contribution to the public debate

Responsible Banking: Challenges

Santander has a mission, a vision and a way of doing things that results in it being a responsible bank, which actively contributes to creating economic, environmental and social value for all its stakeholders. This is also expressed in Santander Group's public commitment to the principles of Responsible Banking at the UNEP-FI, which means defining new challenges for the organization.

The six Responsible Banking Principles establish a global standard definition of what it means to be a Responsible Bank and are aligned with the UN Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. These are:

*

During 2018, the financial initiative of the United Nations Environment Program (UNEP FI), along with 28 financial institutions including Santander Group since 1992, developed the Responsible Banking Principles. It is the first global framework between the financial sector and UN Environment to incorporate sustainability into all areas of the banking business and thus contribute to sustainable and equitable economic and social development, while taking care of the environment.

Banco Santander aims to help people and businesses prosper, a concept that is closely linked to this initiative. Consequently, Santander Group signed its formal adherence to the six principles of Responsible Banking in September 2019, before the United Nations General Assembly. In doing so, Santander Group publicly expressed its firm conviction that accountability and transparency in the financial sector generate confidence, and thereby the opportunity to create value for its stakeholders and society at large.

Alignment
Align the business strategy to be consistent with the needs of individuals and the objectives of the society.

Impact
Continue to increase the positive impacts while reducing the negative impacts of the organization's activities, products and services.

Customers
Work responsibly with clients to encourage sustainable practices and enable economic activities that create shared success.

Interested parties
Consult, participate and collaborate proactively and responsibly with interested parties.

Corporate governance and setting of goals
Rely on an effective corporate governance and a responsible banking culture.

Transparency and responsibility
To periodically review the implementation of these principles and to be transparent and responsible for the positive and negative impacts of the organization.

Given their adhesion, Santander delimits two major challenges: on the one hand, adapting to a new entrepreneurial or business environment and on the other, boosting and consolidating inclusive and sustainable growth.

Challenge 1: New business environment

Banco Santander seeks to have a culture, governance, tools, and business practices that meet the expectations that groups of interest have concerning the company.

To develop banking activity in a responsible way a solid and deep-rooted culture is required, one that allows meeting the new demands of an increasingly changing and competitive business environment, and that can, furthermore, foster trust and support among shareholders, customers, employees and society in general. Santander gathered all these aspects in the work culture and summarized them in three words: Simple, Personal and Fair.

This culture is reflected in the leadership and behaviour of the Bank's collaborators, and in their willingness to find new ways of working. It is also transferred to the experience of customers, who encounter a simple, personal and fair way to interact with Santander and meet their banking needs. Likewise, this culture is embodied in responsible business practices, a risk culture based on integrity, and a long-term strategy designed to protect the interests of shareholders and the whole society.

Challenge 2: Inclusive and sustainable growth

Anchored to the mission of Banco Santander, this challenge contemplates two aspects that are closely related: inclusive growth and sustainable growth, which the institution seeks to promote and consolidate to facilitate the progress of all.

For Santander, it is essential to strike a balance between economic growth, social welfare and environmental care. Thus, an inclusive and sustainable growth is part of the Bank's effort to fulfil its purpose of contributing to society.

Inclusive growth, as Santander understands it, is to go beyond meeting the needs of customers, and to always strive to help entrepreneurs create businesses and jobs, to strengthen local economies, to promote financial inclusion, to contribute to the education of people as a lever of individual and collective progress and to develop social investment programs.

Also, sustainable growth seeks to contribute to caring for the environmental and to mitigate climate change, while promoting sustainable financing, contemplating the social and ecological risks and opportunities of the environment.

Responsible Banking Priorities

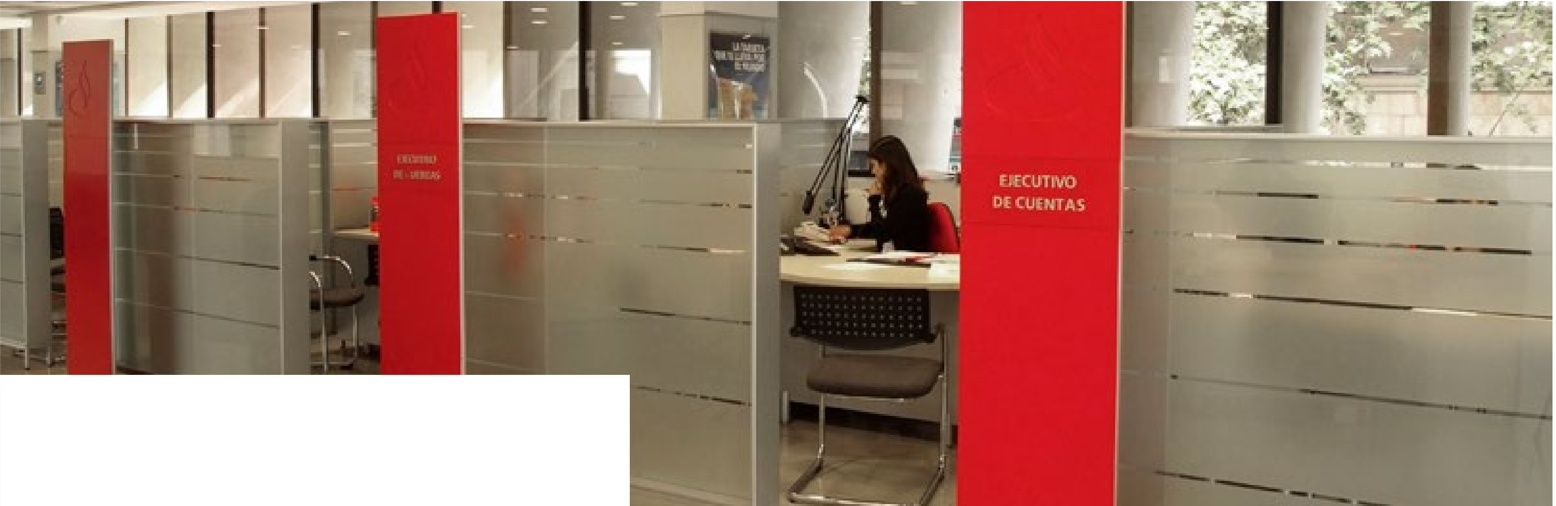
Considering all this, Santander Group made 10 commitments in the form of Key Performance Indicators (KPIs) to continue working on being a Responsible Bank. The first four respond to the challenge of the new business environment, and the next to the challenge of inclusive and sustainable growth:

- Top 10 best companies to work
- Women in the Board
- Women in leadership positions
- Equitable wage gap

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

Also, Santander Chile actively adhered to the global commitments, establishing a way forward for each line of work, which is presented in the following chapters of this annual report.

- Scholarships, internships, and programs for entrepreneurs
- People assisted through community support programs



Strategic pillars

The implementation of the Responsible Banking strategy addresses the following strategic cornerstones: Shareholders, Customers, Collaborators, Society and Excellence in execution. The following chapters in Banco Santander's 2019 Report are structured around these five pillars, communicating how the Bank has managed to create value for each of them.

These are presented with a statement of intent and a series of performance indicators to assess the year-to-year evolution and the achievement of the defined goal, as shown in the following table:

	Declaration	Key metrics	Results 2018	Results 2019
Customers	"We want to be the best bank for customers, leading in digital excellence and experience, earning their loyalty."	Satisfaction index	Top 2	Top 2
		Satisfaction Index	100%	
		Digital clients		120%
		Digital sales		106%
Collaborators	"We want to be the best major company to work in Chile, attracting and developing talent, committed to our SPF culture."	Talent identification	110%	100%
		Great Place to Work	5 in general ranking and 1 in companies with more than 5,000 employees	3 in companies with more than 1,000 employees
Shareholders	"We want to be the most profitable and sustainable bank, with strong levels of capital, attractive dividends and optimal risk management."	ROE	19.2%	16.7%
		Solvency	10.6%	10.13%
Society	"We want to be recognized as a responsible bank that contributes to society."	People helped by the organization	Not applicable*	68,944
		Financial Empowerment	Not applicable*	200,358 persons
Excellence in execution	"We want everything we do to carry a seal of excellence in execution".	Self-generated complaints	-4.5%	-13.9%
		Paperless	-16.3%	-27%

* During 2019 other metrics were used for the strategic pillar "Society".

Responsible Banking and Sustainability Government

Santander has a particular governance structure in terms of responsible banking and sustainability, both at a corporate and at a local level, which eases the implementation of these aspects in all business and support areas within the Bank, in each of the countries it operates.

During 2019, Santander Chile made a series of innovations concerning the implementation of sustainability, to advance the achievement of new challenges.

The Responsible Banking, Sustainability and Culture Committee was created in replacement of the Sustainability Committee, led by Miguel Mata, CEO of Santander Chile. This committee seeks to promote and integrate the challenges of being a Responsible Bank, discussing the implementation of the general lines, which are to have an appropriate culture and to promote an inclusive and sustainable growth, as well as monitoring the social and environmental projects of the Bank.

The Sustainability General Policy was also updated, and the old Environmental Management Policy was transformed into Climate Change and Environmental Management Policy. Both are available on the Bank's website.

General Sustainability Policy

This document presents the general principles of reference in corporate social responsibility and in the management of social and environmental risks. It is based on the best international practices that exist in this area and on the guidelines issued by the Group, paying attention to the United Nations Sustainable Development Goals (SDGs).

Specifically, this policy provides the framework for the relationship that Banco Santander establishes with its employees, customers, shareholders, community and suppliers. It also refers to its commitment to Human Rights, responsible taxation, the environment and the Equator Principles.

Moreover, it should be noted that this document establishes the approval of specific sectoral policies for the analysis of the environmental and social risk of the activities of clients operating in sensitive sectors, such as defence, energy, metallurgical mining, and others. Santander restricts its participation in certain activities, which is subject to prior analysis of their environmental and social impact.

Climate change and environmental management policy

In this document, which is covered by the Sustainability Policy aforementioned and in the Group's Climate Change and Environmental Management Policy, Banco Santander is recognized as a company with direct impact on the environment arising from the use of natural resources in its daily management, and that it has indirect impacts through its banking and financial services.

Based on this statement, the Bank is committed to the protection of the environment and mitigating the effects of climate change to prevent or reduce the pollution generated by its activities; to establish management mechanisms to measure the evolution of environmental performance; and to promote awareness among its stakeholders about environmental care, among others.

The policy establishes the Bank's internal environmental management as well as the management that is carried out by banking and financial services, where the funding of sustainable projects stands out, alongside social risk and environmental analysis

in credit, equity and funding operations, with the aim to reconcile the commercial performance of the Bank with social and environmental concerns.

The entire management of Banco Santander is aligned to a solid Corporate Governance that is expressed in principles and policies and a way of doing things that seeks to safeguard and materialize the purpose of the company.

Memberships and adherence to external initiatives

GRI [102-12][102-13]

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

- Acción Empresas (Chilean chapter of the World Business Council for Sustainable Development, WBCSD), since 2005
- United Nations Global Compact, since 2003
- UNEP-FI, since 1992.
- PROhumana Foundation, since 2007

It also supports the following Sustainable Development and responsible banking initiatives:

- Responsible Banking Principles UNEP-FI since 2019
- Acuerdo Producción Limpia (APL), since 2019
- Huella Chile, since 2019
- Equator Principles (EPs), since 2012

GRI [412-2][414-1][414-2]

Human Rights

Banco Santander Chile adheres to the Group's Corporate Human Rights Policy, which includes the United Nations Guiding Principles on Business and Human Rights. Moreover, the Bank adheres to various international declarations that incorporate this aspect, including Global Compact, Sustainable Development Goals, and Equator Principles.

The Group's Corporate Human Rights Policy, available on the website, expresses Santander's commitment to respect and promote these rights in all areas of action, including activities, processes, services and operations; and to prevent or mitigate any violations caused by its activity. All Santander workers are also responsible for reporting human rights violations.

Santander also encourages its suppliers to adhere to the commitments within this Corporate Policy. In this context, all contracts with suppliers include a clause that addresses, among other things, the field of human rights. In addition, the Bank's procurement model determines the process of selecting, approving and evaluating its suppliers, ensuring that they meet the ethical and responsible banking criteria of the institution, including human rights.

In the case of private security guards, formation and improvement courses were established by the Autoridad Fiscalizadora en Seguridad Privada (OS10) and don't include training in this area.

It should be noted that in addition to the Corporate Policy, the Bank has other policies that incorporate protection and respect for Human Rights, namely:

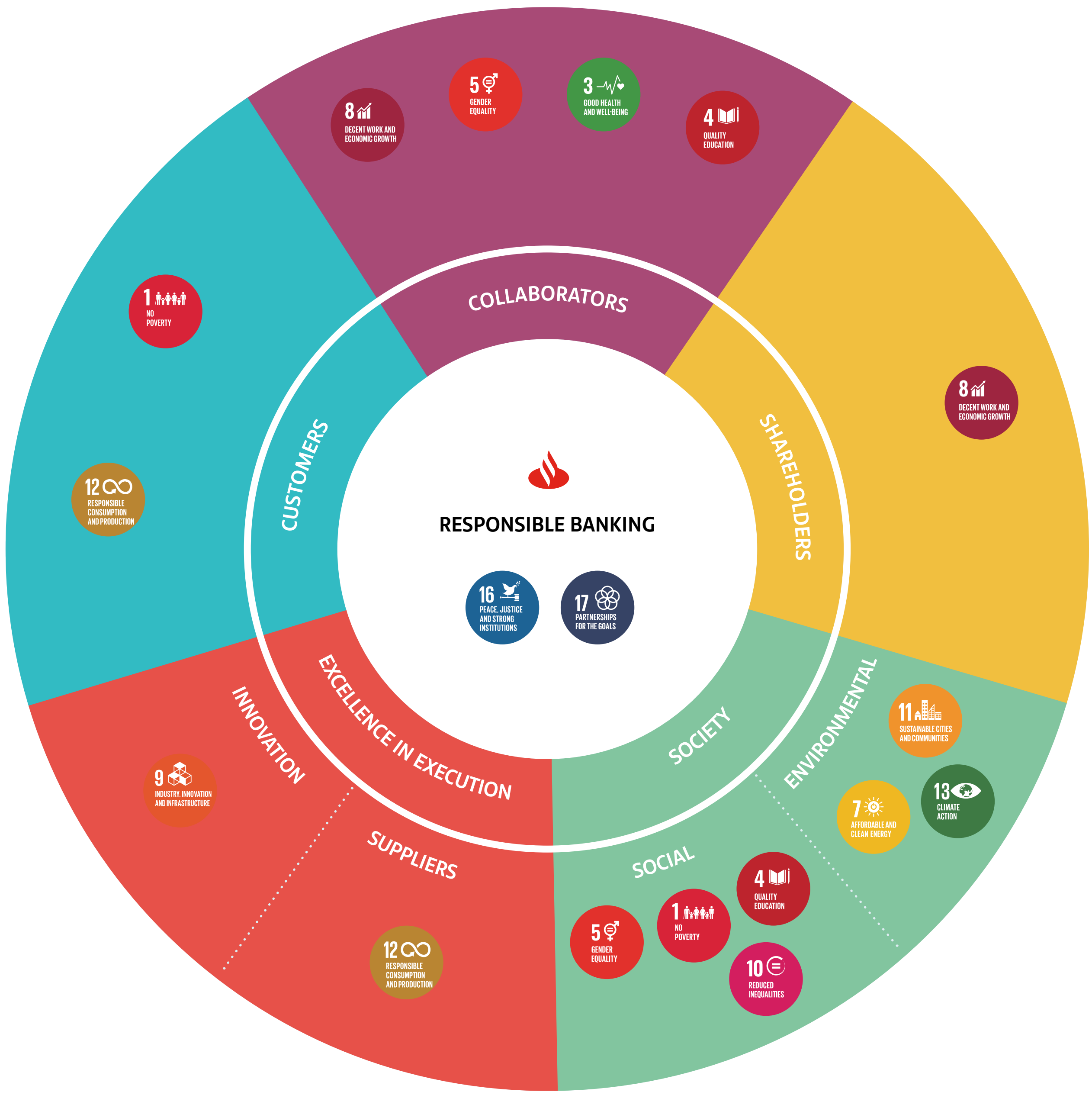
- General Code of Conduct.
- Human Resources Policies.
- Health and Safety Policy.
- Labor harassment Policy.
- Diversity and Inclusion Policy.
- Labor Inclusion of Disabled People Policies.
- Clauses for suppliers that commit to abide by the United Nations Global Compact Ten Principles.

Contribution to Sustainable Development Goals

Santander is firmly convinced that socially and environmentally responsible management contributes to the sustainability of the environment and society, a necessary condition for the Bank's long-term activity. It is in this context that its commitment to the Sustainable Development Goals (SDGs) of the UN 2030 Agenda is framed. These are 17 goals, each with different objectives, which seek to end poverty, protect the planet and ensure peace and prosperity for the people. The UN Global Compact is the body responsible for promoting adherence to the SDGs among companies.

The diagram below indicates the SDGs that are addressed in each chapter of this report, which are related to specific programs and initiatives that Santander carries out in each area:

Santander Chile's contribution to the SDG



COLLABORATORS

8 DECENT WORK AND ECONOMIC GROWTH

- Providing adequate working conditions to employees that offers dignified living conditions.
- Promoting youth employment to provide equal opportunities to new generations.

5 GENDER EQUALITY

- Ensuring that all company policies consider the issue of gender and that business culture promotes equality and integration.

3 GOOD HEALTH AND WELL-BEING

- Promoting a healthy lifestyle among employees, implementing, for example, a varied diet in the dining room of the organization or implementing physical exercise programs.
- Providing regular safety and health training to all workers.

→ *Be Healthy*

4 QUALITY EDUCATION

- Providing training and lifelong learning opportunities for employees to improve their skills.

→ *Academia Santander*

SHAREHOLDERS

8 DECENT WORK AND ECONOMIC GROWTH

- Maintaining economic growth.
- Improving economic productivity levels through diversification, technological upgrading and innovation.

SOCIETY / Environment

7 AFFORDABLE AND CLEAN ENERGY

- Promoting the development of renewable energy projects.

→ *Sustainable Finance*
  - *Financing of green projects (Acciona)*

→ *28% of electricity consumption comes from renewable energy (100% wind energy)*

11 SUSTAINABLE CITIES AND COMMUNITIES

- Promoting the development of sustainable projects.
- Establishing socio-environmental risk policies and assessments.
- Social or sustainable bonds

→ *Sustainable Finance*
  - *Acciona ESG loan*
  - *SONDA Green Bond*
  - *CMPC Green Bond*
  - *Arauco Sustainable Bond*
  - *AES Gener Hybrid Bond*

13 CLIMATE ACTION

- Incorporating climate change measures into policies, strategies and plans.

→ *Carbon footprint measurement*
→ *Compensation of the Bank's carbon footprint*
→ *Customer carbon footprint compensation*
→ *Climate change policy and environmental management*
→ *Clean production agreement*
→ *ISO 14001*

SOCIETY / Social

1 NO POVERTY

- Creating and strengthening public-private partnerships to carry out projects that promote poverty reduction.

→ *Techo-Chile*
→ *Solidarity Work Café*
→ *Santander technical scholarships*

5 GENDER EQUALITY

- Developing social investment programs that reinforce Santander's commitment to the integration, equality and defence of women.
- Developing training programs for women in the local communities where the company operates, to empower them and improve their labour skills.

→ *Belén Educa:*
  - *Women Leaders Mentorship*
  - *Motivational talk of the Chilean women's football team*

10 REDUCED INEQUALITIES

- Carrying out education and financial literacy programs that accompany the development of different sectors of society.
- Incorporating new technologies that facilitate responsible digital financial inclusion.

→ *Financial Education*
  - *In-school Financial Education Program*
  - *Financial education talks*
  - *Sanodelucas.cl*
  - *Financial Education Olympics — ANP*

8 DECENT WORK AND ECONOMIC GROWTH

- Promotion of entrepreneurship, creativity and innovation, formalization and growth of micro, small and medium-sized businesses, through access to financial services.

→ *Santander Universidades*
  - *International Mobility grants*
  - *Brain Chile*

→ *Techo - Chile*
  - *BSO programme (Santander Technical scholarships)*

4 QUALITY EDUCATION

- Carrying out projects that contribute towards development with a focus on education.
- Creating partnerships with foundations to carry out projects that promote quality of education.

→ *Belén Educa*
  - *Tutoring program*
  - *Scholarships of Academic Excellence*
  - *Cybersecurity Talks*

→ *Techo-Chile*
  - *Santander Technical Grants Program*
  - *"Un Techo para Aprender" Learning Centers*

→ *Country Committment (Compromiso País)*
  - *Santander in the Present*
  - *Learn More*
  - *Learn Better*

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Being an institution with solid principles and defined values.
- Having clear policies against corruption and bribery in all its forms.
- Making our results transparent in all areas of sustainability.

17 PARTNERSHIPS FOR THE GOALS

- Adhering to initiatives that promote compliance with the SDGs.

→ *UN Global Compact*
→ *PROhumana*
→ *Acción Empresas*
→ *Responsible Banking Principles*
→ *Partnerships with various NGOs and foundations*

EXCELLENCE IN EXECUTION/ Suppliers

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Promoting sustainable practices in suppliers.

→ *Awarding sustainable suppliers*
→ *Outsourcing Framework*
→ *Homologation Policy*

EXCELLENCE IN EXECUTION/ Innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Modernizing infrastructure and investing in more resource-efficient technologies

→ *Digitalization and digital transformation*
  - *Paperless*

CUSTOMERS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Developing products and services with a positive impact on the environment and society.

→ *Superdigital*
→ *Cuenta Life*
→ *Customer carbon footprint compensation*

1 NO POVERTY

- Offering products and services that promote inclusion and financial education

→ *Cuenta Life*
→ *Superdigital*

1

Creating value for customers

Everything Banco Santander works for begins and ends with its clients, who are at the centre of its activity. Santander is committed to being the best bank for them, responding to their needs in a timely fashion, providing innovation, technology, availability, flexibility and security.

3,418,185
Total clients

→ 3,184,063
Individuals

→ 207,202
SMEs

→ 24,542
Middle market

→ 2,378
CIB

Customer communication channels

- Commercial channels
- Corporate website and its sections
- Satisfaction surveys
- App and claims website, with traceability of the solution status
- Social Media Profiles: Facebook, Instagram, Twitter, YouTube and LinkedIn
- Social media campaigns, Santander App and Contact Center

↑ 13.2%
1,216,360
Digital customers

136,821
Total Life Customers

18,448
Superdigital customers

↑ 4.8%
704,021
Number of loyal customers

Present throughout the country

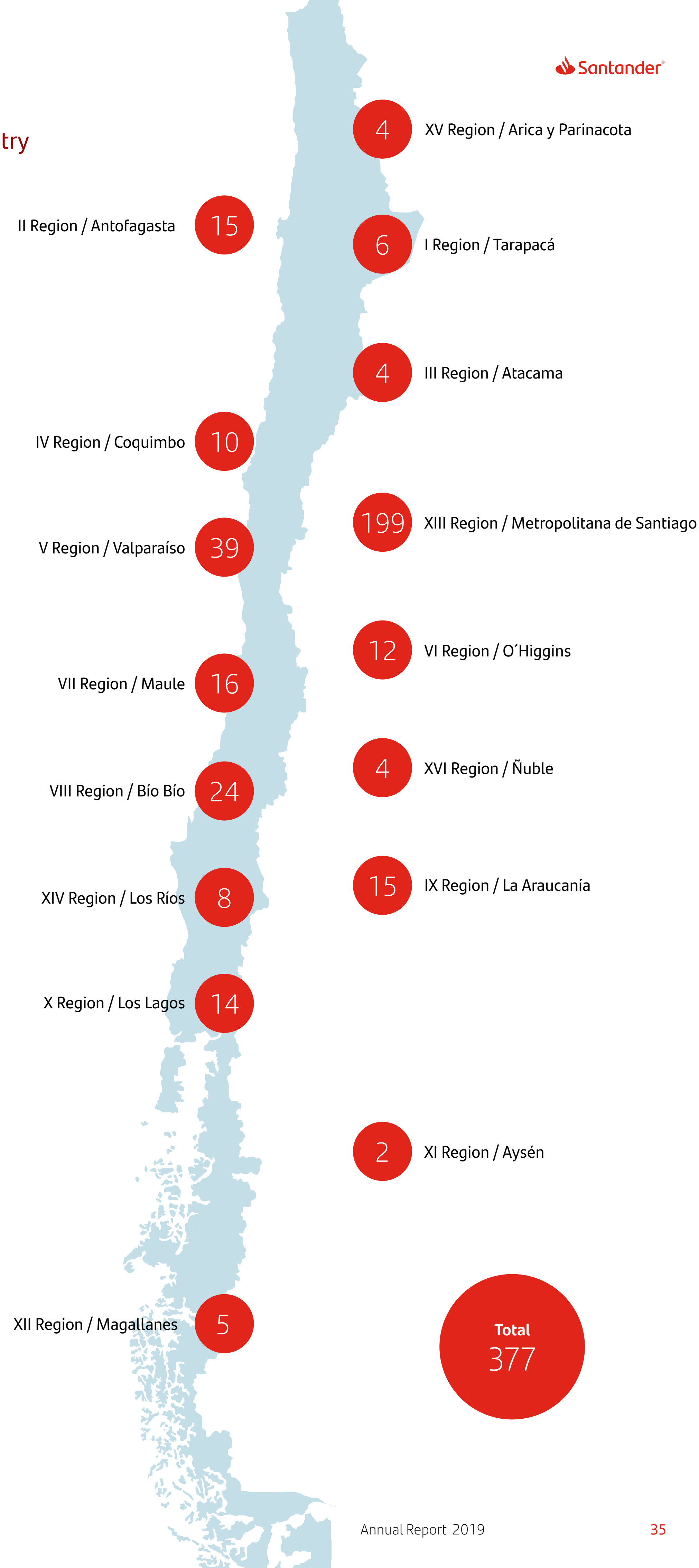
GRI [102-4][102-6]

279
Number of traditional branches

7
Number of Service Centres (middle-market)

38
Santander Select

53
Number of Work Cafés



Strategic Pillars

In recent years, Banco Santander has developed a profound cultural and commercial transformation to answer to the new challenges and opportunities that arise in an everchanging world, one in which digital innovation, flexibility and agility have become critical among the modern needs of the Bank's customers.

Within this context, and in line with the strategic priority of being the best bank for customers, Santander is promoting a new service model for individuals, a pioneer in Chile, that is grounded in omnichannel banking and in the one-stop-shop concept, all of which aims to position the customer at the centre of the Santander Experience.

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Omnichannel

Santander seeks to be a bank widely available to the client, at any time and from any place, which involves the use of technology to enable different attention channels and consultation and requirement platforms connected with each other in order to deliver each client with continuous and multi-channel service that promotes and favours self-service.

An essential aspect of omnichannel banking has been to facilitate the access of the client to any branch of the Bank. In practice, this means customers stop being assisted by a single executive in a single branch, with the service being extended to all executives and to different channels, always maintaining the continuity and quality of the experience.

Following this transition, Santander now counts with attention channels that are more integrated and that allow the customer to operate interchangeably through branches–including Work/Café–; digital channels –either the mobile application or the website–; or by calling the Contact Centre.

The main benefits for customers are:

- Higher availability, with an entire team of executives at their disposal to meet their needs.
- Improved flexibility, with the potential to be attended by any branch within the country.
- Greater proximity to the Bank, through inclusive and innovative formats.

During 2019, Santander continued to strengthen its digital channels and the Contact Centre service. Also, on the private online banking site, customers are able to request to be contacted by an executive via phone.

One-Stop-Shop

Another aspect of the Santander customer experience is related to the concept "one-stop-shop", which refers to single-instance purchasing, that is, the possibility for a customer to enter and leave the Bank obtaining everything they may need expeditiously, without being put through complex procedures.

Some examples of the above are subscribing to products through the website and the App, accessing current account plans, and ten-minute card replacement and activation, among others.

Overall, after the consolidation of the Simple, Personal and Fair corporate culture, during 2019 the Bank set out to extend these values to its customers to improve attention, building together the attributes that define the Santander customer experience. This served as a guide for all initiatives and models designed during the year.

In this way, the Bank focused on granting an experience focused on channel availability, continuity of interactions, and agile and fluid attention, always grounded on proactive and straightforward communication.

Internal customer culture

The work the Bank has developed for clients has been complemented with initiatives along similar lines that involve collaborators, in order to promote and instil a culture that favours the experience. These initiatives seek to provide coherence between what is projected at customers directly and the work done by and for them at Central Services.

Quality of Service

The cultural and commercial transformation promoted by Santander in recent years – that have materialized in new proposals placing the client at the centre of the operation– have responsibly improved the growth, profitability and sustainability of the business, bolstering confidence and satisfaction among the Bank's customers.

This is evidenced in the figures: during 2019, the number of loyal customers continued increasing by 6.9% in the high segment, 4.3% in the mass segment and 5.3% in SMEs and Middle Market companies.

This is also evident in the results of the different surveys applied to clients of the Bank, among them the Benchmark Study of Satisfaction which considers clients of Banco Santander and of its main competitors. The objective is to learn the perception of the client's overall experience with their financial institution, the Net Promoter Score (NPS) recommendation index, and their understanding of each aspect of the service.

In 2019, the Bank won second place in customer's recommendation. This achievement is the result of the consolidation of the new attention model, with a focus on digital innovation, which distinguishes Banco Santander from its competitors.

Customers perceive in Santander the permanent pursuit to drive the financial industry towards new ways of banking in Chile, aiming to meet the increasingly globalized demands of users, which require new solutions. In this context arises the 360° attention model, with integrated channels, a 24/7 Contact Centre, and the customer invariably placed at its core.

The results obtained constitute valuable feedback to continue improving the Santander's service experience and to meet the established goals - both at the corporate level and at the level of direct collaborators and Central Services - which are monitored year by year.

Complaints management

Banco Santander maintains various communication channels enabled for customers to make inquiries and complaints, which are: website, Santander App, Contact Centre and branches. All requirements are entered into the system and managed to deliver an agile response and solution.

2.73

claims were registered for every 10,000 active customers during 2019.

RECOMMENDATION (BANK'S TOTAL *NET SATISFACTION SCORE*)

Category	2018	2019
The Bank's position compared to the relevant competition	3°	2°

GRI [418-1]

Customer Protection

One of Banco Santander's prime focuses is its customer's protection and cybersecurity, considering that it is a relevant and rising risk due to the exponential increase in the use of technology. The Bank has worked steadily in recent years to strengthen the detection, protection and defence frameworks by incorporating the most advanced tools, in line with international best practices in this area.

The organization has several policies, which are frequently revised and renewed. This regulatory body is aimed at business users, technology users and co-workers in general, addressing all aspects of cybersecurity within the organization, such as identity and access management, technology and cybersecurity risk management for service providers, network security, cloud security and vulnerability management, among others.

The risks associated with cybersecurity are managed at the highest level of the organization and includes the participation of the president, the Board, and Senior Management in regular meetings where critical issues regarding this matter are addressed.

Furthermore, the Board participates in the cybersecurity strategy in quarterly sessions with the Risk Committee, where issues are discussed in greater depth.

The Santander challenge: provide a safer experience

To address the issue of cybersecurity, Banco Santander has established a premise that consists in protecting its customers, without undermining their experience. That is, any measure taken in favour of the Bank's security and its users must necessarily consider, from the design stage onwards, the possible impact on the customer experience and its mitigation. With this, it seeks to maintain its excellence in service, while reinforcing it with improved security.

Privacy and data protection

Following the updating of the Data Protection Policy - as part of the improvement plan that contemplated the implementation of the Infringements Prevention Model in this area - the Bank raised the standard of requirements regarding the processing of customer data.

All employees of the Bank receive constant training and reinforcement regarding how customer information should be treated; restrictions on the use of USB ports and non-corporate emails have been applied to prevent information leaks; and contracts with suppliers that process personal data contain more strict security requirements and clauses that allow auditing their processes, among others.

Likewise, the contracts between the Bank and its clients include specific clauses regarding the use of personal data obtained in light of their contractual relationship. Santander Chile's website contains a section called Security Policy of Portal Use where customers are explained how their data is processed and the powers granted to the organization for their treatment.

Fraud management

In terms of the growing risk of cyberattacks, and in compliance with the requirements of the current regulatory framework, Santander has 24/7 support channels so that customers who are victims of fraud can immediately receive aid from the Bank. Once a complaint is made, the Bank begins its management process and users receive a reference number with which they can monitor their case. Specific workflows have also been implemented for electronic fraud, theft and/or loss of bank cards and their alleged cloning or forgery.

Customer Service Management is responsible for delivering a response to customers regarding these requirements.

*

PROMOTING CYBERSECURITY

During 2019, Santander Chile held two external lectures for clients to raise awareness of cyberattacks and help them take concrete steps to manage this threat in their own companies and workplaces. One of the lectures was attended by 150 Chief Information Officers from different universities, while the other included the attendance of 100 clients from large companies.

To the aforementioned can be added the successful cybersecurity campaign 2019 "Don't let your guard down", which counted with the participation of TV star Carlos Pinto for a second consecutive year. Aimed primarily at collaborators, the campaign seeks to keep them alert and aware of the threat

GRI [102-2]

Business areas

of cyberattacks and to act responsibly against suspicious situations to prevent crimes affecting the Bank and its customers.

In line with the Bank's mission and the new challenges, the business areas have been able to respond to the unique demands of different customer segments, with a supply of relevant and straightforward products and services, which resulted in a solid year for Santander in 2019.

Retail Banking

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

Retail Banking represents about 64% of gross revenues (including interest income, fees and income from financial transactions) and contributed 37% of the net operating income of the Bank through the sale of a variety of products and services such as consumer and mortgage loans, credit and debit cards, current and debit accounts, savings and investment products and insurance. It also offers specialized loans for working capital and foreign trade, state-guaranteed loans, leasing and factoring.

During 2019, the Retail Banking area continued to focus on boosting the growth of emblematic projects, such as Work/Café and Life, and the pooling of customers. In the SME business, we worked to consolidate a model of proximity with a focus on service quality, obtaining great results. Moreover, and adhering to the commitment to be an environmentally responsible bank, Santander Chile launched "Santander Carbon Footprint Program", an initiative that allows customers to offset the carbon footprint of the products they purchase with their bank cards.

This strategy led to a successful year in its effort to contribute to the progress of individuals and companies, which can be perceived in the record-level increase of the number of clients, which in 2018 ranged from 30,000 to 40,000 per quarter, a figure that doubled in the third quarter of 2019 with over 84,000, and that kept strong in the fourth quarter with more than 76,500 customers. Furthermore, Santander achieved a 27% market share in the opening of new accounts during 2019, and more than 1,000,000 current accounts in the domestic market.

The milestones achieved during the year are detailed below:

WORK/CAFÉ

- The successful Work/Café branch model, which emerged in Chile in 2016 and is currently being replicated in Argentina, Brazil, Mexico, Spain, Portugal, Poland, and the United Kingdom, concluded 2019 with more than 50 offices open throughout the country and a presence in all regions.
- Six branches with traditional cash service integrated into the Work/Café infrastructure, offering more options to their customers.
- Eight Work/Café 2.0 branches, which have multi-segment executives, with the ability to respond to commercial needs "end-to-end". This new form of Work/Café increases the executives' productivity due to their new attributions; it noticeably reduces the use of paper, thanks to the digitization of contract documents and signature with fingerprint; and the delivery of products is done at the time of contracting, allowing

the customer to leave the branch with ready-to-use products. The Work/Café 2.0 branches grew exponentially both in productivity and attraction of new customers, obtaining excellent results in terms of their satisfaction.

- Two Work/Café branches within universities, opening spaces that encourage the generation of ideas and the collaboration between students and academics.

- Improvements in the digital Work/Café service experience, including a new version for booking rooms, which allows you to send personalized invitations to attendees and evaluate the experience after the use of the schedule.

SANTANDER LIFE

Since its launch in December 2017, Plan Santander Life continues to provide the most substantial number of new customers, thanks to the success of the Meritolife program and the digital capture of customers. By the end of 2019, Life had more than 136,800 users and over $43 billion in loans.

During the year, Retail Banking completed the value offer for individuals: Cuenta Life and Life Latam were launched in addition to Plan Santander Life. This generates a simple and transversal offer that promotes inclusion, financial education and responsible banking, consistent with the Santander culture.

- Plan Cuenta Life: a 100% digital account with rapid account opening, with no income requirement and with a focus on savings, which supports the inclusion and financial empowerment of people. Since its successful launch in June 2019, it has attracted more than 58,000 customers, with an average opening of more than 8,000 accounts per month.

- Plan Santander life Latam Pass combines the best of both worlds: The Life proposal with the successful Latam Pass program, allowing customers to accumulate miles through their purchases and the Meritolife program. Since its launch in June 2019, it has attracted more than 7,500 customers.

- Meritolife: 136,821 customers and more than 1,000 interest rate reductions for good financial performance.

SUPERDIGITAL

A mass prepayment offer aimed mainly at young people, digital netizens and people who are not incorporated into the financial banking system, such as immigrants. Superdigital operates from an app, combining a physical and a virtual electronic card, as well as a varied menu of financial options. With this Superdigital customers can move and organize their money in an innovative way, being able to top-up their phone plans, transfer money to their contacts, or divide bills with them, among other benefits.

- A few days after its pre-launch in July 2019, it had 5,000 customers, a figure that has since been continually increasing and that concluded 2019 with more than 18,400 users.

- The official launch is expected in 2020.

SELECT PRIVATE BANKING

Launched in October 2018, this model seeks to expand and improve the offer to high equity clients, that is, clients with liquid investments over $40 million or with a positive balance between debt and equity, subtracting the mortgage, over $100 million.

This service model has more than 5,000 customers who require and receive personalized advice through a comprehensive service that includes a wealth manager, the support of several specialists and a broader and more flexible product offer than that offered by the branch network.

- During 2019, the work focused on increasing turnover, providing continuous advice to customers with strong support from the team of specialists in investment, insurance and prevision, which was vital in the high volatility environment exhibited during the year.

- Select Private Banking had a high level of customer acquisition. They demonstrated significant levels of satisfaction, validating the model. We expect to expand this project to a second location in Santiago during the next period and to continue to improve the value offer.

Middle-Market Banking

Middle-Market Banking offers products and services to companies and large companies with annual sales of over $2 billion, as well as real estate companies that execute projects to sell to third parties and construction companies with yearly sales of over $800 million. Middle-Market Banking also tends to the institutions' segment, which includes organizations such as universities, government agencies, municipalities and regional governments.

This division covers its clients' needs through a comprehensive offer that includes commercial loans, mortgage loans, leasing, factoring, foreign trade, credit cards, current accounts, transactional and treasury services, financial consulting, savings and investment products and insurance. Also, real estate companies are offered specialized services for financing, primarily residential projects.

In 2019, Middle-Market generated $214,611 million, equivalent to 29% of net operating income. The business strategy during the year centred on consolidating a new way to relate to customers, mainly by strengthening the management of advisory services by the executives through a change of focus, training, and a strong support structure. Moreover, this division focused on the digitization of processes, allowing for client empowerment, freeing the executive who now has more time for advice and other services that generate higher value.

As a result of this strategy, Middle-Market performed very successfully throughout the year, meeting all budgets and achieving high levels of quality indicators, thus maintaining market leadership.

2019 HIGHLIGHTS

- 50% growth in structured businesses, such as financial advisory for the structuring and placement of bonds, mergers and acquisitions, among others.
- 8% increase in digital customers, compared to 2018, reaching by more than 106% the target set.
- In loans, the Middle-Market segment grew by 5.2% in the year, in line with the country's economic growth.
- The implementation of Factoring Web, a new tool available on the website that allows companies to obtain resources to fund the payment of taxes, obligations and working capital, among others. Some of its benefits are: automatic electronic invoice assignment through Office Banking, online communication with the Internal Revenue Service (SII); and availability of funds in the current account within a maximum of one hour.

DIGITAL CUSTOMERS

Category	2018	2019	Goal 2019
Number of customers using an online platform for services and solutions (transfers)	**1,074,552**	**1,216,360**	**1,198,365**
Individuals	956,709	1,084,515	1,072,517
SMEs	98,591	111,186	106,398
Middle-Market	17,691	19,009	17,961
CIB	1,561	1,650	1,489

Santander Corporate & Investment Banking

Present in 22 countries, the Corporate & Investment Banking (CIB) division offers comprehensive assessment to foreign multinational companies or Chilean multinational companies with sales above $10 billion. These are corporate and institutional clients that, due to their size, complexity or sophistication, require tailor-made services or high value-added wholesale products.

This division has four specialized units: Corporate & Investment Banking; Global Transaction Banking; Financial Solutions & Advisory; and Global Markets, through which it offers a wide variety of products to meet the needs of finance, investment and risk coverage of their clients.

During 2019, the focus of Santander CIB was its relationship with customers, for which five strategic pillars were established:

- To be comprehensive financial advisors, favouring long-term relationships and conducting business with added value.
- To be among the top three in all service rankings.
- To be leaders in infrastructure and energy within M&A and Project Finance.
- To optimize the credit portfolio and the efficiency in the use of capital.
- To optimize the transactional business and add a higher degree of intelligence.

Santander CIB concluded a successful year, with a 35% growth in the markets area, managing to position itself as a referent in terms of treasury among global and local customers, thanks to its profitability strategy. It also obtained a 23% increase in its results, compared to 2018. CIB operations accounted for about 21% of the organization's net income in 2019.

Furthermore, the division continued to lead in rankings related to various investment banking products:

- 1st in Project Finance
- 2nd in local Debt Capital market (DCM)
- 3rd in International DCM for Chilean issuers, according to Bloomberg
- 4th as DCM Latam franchise, according to Dealogic

One aspect that is becoming increasingly relevant in this segment are finances that incorporate environmental, social and governance criteria (ESG), where Santander is a global leader and principal promoter within Latin America and Chile. In May 2019 Banco Santander funded the first loan linked to ESG (ESG Linked Loan), formalized in the country, in favour of the local subsidiary of Acciona. Similarly, in October the Bank structured the most relevant Green Syndicated Loan at the regional level, also in support of Acciona, to finance solar and wind energy investments in Chile. This places the Bank at the forefront of sustainability and responsible banking, in line with the growing interest shown by investors.

2019 HIGHLIGHTS

TRADE

- Glencore: Regional Confirming (Chile, Perú, Canada); US$ 80 million
- LATAM Airlines: PDP; US$ 200 million
- Jetsmart: WK Loan. US$ 30 million
- Arauco. Project MAPA ECA EUR 550 million (ticket SAN 35%)
- Telecommunication: Mass Receivable; US$ 100 million
- CMPC: RPP, US$ 270 million
- Collaboration Revenues: RPP (4); US$ 80 million

CASH

- Local Ripley RFP
- Global Falabella RFP
- Local Metro RFP renovation

GDF

- Leader in local bond issuances: 12 loans during the year and 30% of the volume placed. New issuers such as Patio Comercial and Cencosud Shopping stand out, along with recurring issuers such as Sonda, CMPC and Latam.
- First structuring agent of issuers related to infrastructure, refinancing in the long term the Hospital de Antofagasta and ViasChile, holding of Abertis toll roads.
- Funding of project to expand Autopista del Sol and Costanera Norte, and provider of VAT financing of several wind and solar projects in Chile.
- Structuring leader in the syndicated credit market, including acquisition financing and the first credit in Chile, qualified by international agencies as ESG.

GLOBAL MARKETS

- Delta OPA on Latam.
- Derivative restructuring mandate in the Cencosud exchange.
- Intralatam: Femsa coverage of its capital in Chile, Derco and Parque Arauco in Colombia.
- Santander CIB consolidates itself as a leader in the markets of fixed income and currencies, for international and national institutional clients.

Company Products

In April 2019, Santander Chile created the Company Products Division, with the mission to become a leader and a referent provider within the financial system for all the company products it manages.

This new division focuses strategically on differentiated business management, efficient processes, and innovation and development, all of which are transversely directed at the Bank's three business areas, to support its management and specialized sales. To achieve this, the Company Product Division has four Product Areas and a Sales Network:

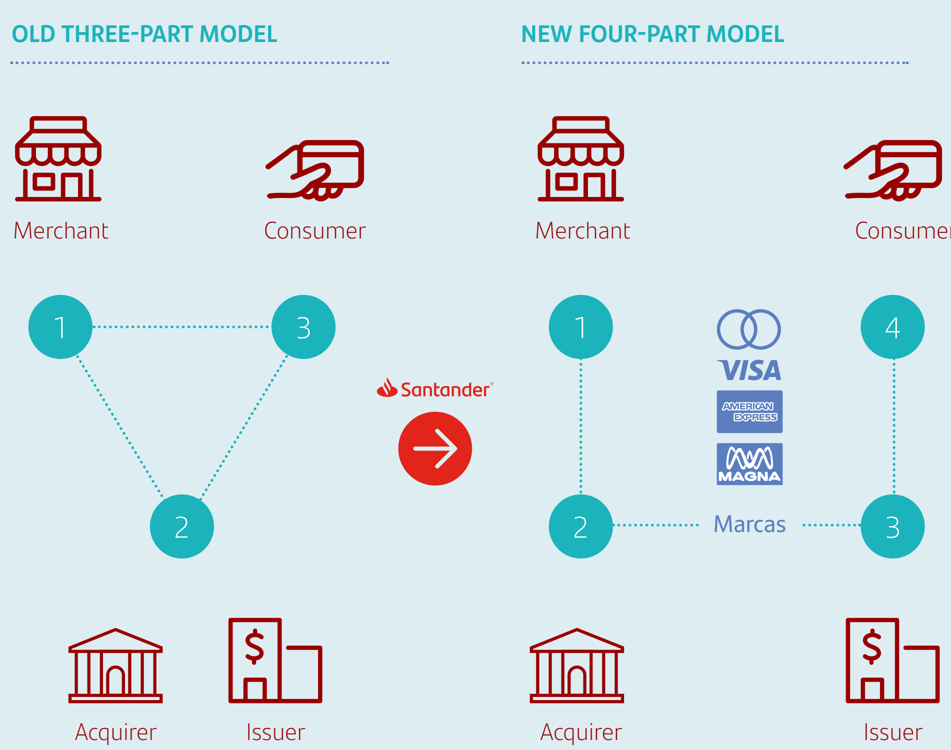
- **Specialized sales area**
  A network of expert executives with national coverage, whose function is to sell and advise SMEs clients and companies on more complex products.
- **International business**
  A family of products and services that the Bank enables for its customers so that they can operate their foreign currency flows more quickly, with less risk and on a larger scale. It includes the following products:
  - Transactional products
    Send and receive payment orders, in unitary and mass mode.
  - Documentary products
    Collections, letters of credit, guarantees.
  - Financing
    Import, export, general-purpose.
- **Cash Management**
  Collaboration with the integral management of the client's treasury through high value-added products for collection and payment processes employing various face-to-face and remote channels, both locally and globally.
- **Leasing, Factoring and Confirming**
  A family of products that the Bank makes available to its customers to provide working capital and investment solutions, generating a differentiated offer to different types of customers and segments.
  - Leasing:
    Lease with the option to purchase different assets (including real estate).
  - Factoring:
    Advance of invoices and other documents (with and without responsibility).
  - Confirming:
    Improving the payment management of suppliers, giving them the option to anticipate payments.

Getnet, the new acquirer from Santander

Since 2018, Banco Santander is driving the payment industry towards greater openness, migrating its card stock from the old three-part model to the new four-part model. This facilitates the incorporation of new players into the market, promotes competition and modernizes the industry.

In its mission to contribute to the progress of individuals and companies, Banco Santander will offer the market a new acquisition solution for card payments. This product, which will be oriented to all business segments and will accept cards from all brands and issuers, will offer a modern, safe and competitive service.

Getnet, Santander's new acquisition network, will help expand the card market in Chile, multiplying the scope of electronic payment and safely reducing the use of cash. In this way, through the Company Products Division, Banco Santander will deliver a comprehensive solution to its customers, supporting the development of companies and improving the customer experience.



2

Creating value for collaborators

Banco Santander aims to be the best company to work for and as such, create value for its employees, who are the cornerstones of the organization. For this, the Bank promotes diversity and well-being at the workplace, ensuring labour health and safety, and promoting the attraction, development and promotion of talent, all through the Simple, Personal and Fair culture.

11,200
total collaborators

54%
women

7.6%
foreigners

1.1%
people with disabilities

98%
with performance evaluation

Communication channels with collaborators

- Global commitment survey
- Corporate Intranet with two-way communication
- Physical and Virtual Centres of Attention, (CAP and mobile CAP) and (CAV)
- Internal magazine *Ideas*, and special editions in print and digital format
- Mass e-mails
- Complaints box

Ana Botín's visit to Banco Santander Chile

The president of Banco Santander visited the country in November 2019, where she participated in a meeting with the Board. In this opportunity she highlighted our teams' commitment, and called on them to continue working to offer the best customer service experience.

Along with recognizing the dedicated and responsible work of all collaborators, the president invited them to continue walking the path of responsible banking and financial empowerment of those who need it most, highlighting several of the initiatives that Chile has promoted along these lines. She also referred to the upcoming challenges and the importance of being a Bank at the service of the people.

President Botín concluded the meeting by thanking the entire Santander Chile team and inviting them to keep striving to always be the best.

> "I encourage you to continue as before. Count on all our support and trust".

Strategic focus points

1 INFORMATION PROCESSES AND SYSTEMS

2 TO PROMOTE COMMITMENT AND PRODUCTIVITY

3 TO COLLABORATE STRATEGICALLY WITH THE BUSINESS

4 CULTURAL TRANSFORMATION

EXCELLENCE IN EXECUTION (TRANSVERSAL)

Cultural Change

In 2015 Santander began a process of cultural change to institute the Simple, Personal and Fair (SPF) culture within the company. This process was carried out in three stages; the latter of which, concerning settlement, was developed during 2019, and emphasized the permanent SPF culture management within the Bank.

During the year, we continued to work on the principle initiatives, which seek to establish Santander culture within the organization and its leaders:

TEAM JOURNEY

A programme that goes deeper into the leadership model and the challenges of leading in the new culture. It focuses on personal leadership, aiming for managers to embody the mission and vision of the Bank, and to exemplify corporate values and SPF behaviours to stakeholders, thereby building a more robust and sustainable business over time. During 2019, 84 managers participated.

MOBILIZERS

A programme created in 2016 to support the Bank's cultural transformation process, which was maintained throughout the current settlement stage. Mobilizers play a crucial role, displaying their ability to influence the organization and to support cultural change in daily work, enabling all collaborators to be ambassadors of this new culture. During 2019, 42 people from the Bank's 13 divisions participated.

PROXIMITY PLAN-SPF MEETINGS

An initiative implemented this year intending to create spaces to foster proximity between managers and employees to discuss the process of SPF cultural transformation and how to proceed regarding future challenges, in order to deliver the best customer service experience.

The president of Banco Santander, Claudio Melandri, together with several members of the Management Committee, participated in a total of 19 SPF meetings held in different cities within the country, with more than 800 people from the Branch Network, Contact Centre and Central Services. The collaborators were able to talk in an atmosphere of closeness, participating in instances of reflection and motivation concerning the culture and its extension to the client, who is at the centre of all the Bank's activity.

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SANTANDER RECOGNIZES YOU (SANTANDER TE RECONOCE), 2019

In line with the efforts to establish the culture within the organization, this initiative seeks to recognize those who stand out for being SPF referents; collaborators who promote change within their working teams and who represent the values and behaviours of the Santander culture. In 2019, four workers were distinguished.

It should be noted the recognition is personal and not material, that is, it seeks for recipients to be surprised with a touching, simple personal experience, organized with the complicity of their family and co-workers.

1,598

supervisors were ambassadors of Santander Culture.

NEW WAYS OF WORKING

An accompanying aspect of Banco Santander's cultural transformation relates to the incorporation of more flexible forms of work and collaboration in tandem with innovation, to achieve greater agility, productivity and effectiveness, for the benefit of employees and customers.

In this context, during 2019 Santander continued to advance in the migration to Office 365, which reached a coverage of 93% of the Bank. This software has various tools that facilitate flexible and collaborative work, as well as ensuring safety. From this technology, it was possible to implement a remote work programme, in a pilot stage, in addition to other initiatives that continue in the line of Flexi-working.

Staff in figures (as of December 2019)

11,200
collaborators

54%
of
women

38.4
years
average age

9.5
years
of service

46%
of
men

41.3
years
average age

11.1
years
of service

Collaborators by type of contract

GRI [102-8]

2018

6,075
women
indefinite

5,154
men
indefinite

34
women
fixed term

42
men
fixed term

11,305
total

2019

6,058
mujeres
indefinite

5,119
hombres
indefinite

10
women
fixed term

13
men
fixed term

11,200
total

Collaborators by region 2019

Region	Indefinite	Fixed-term	Women	Men
II Region / Antofagasta	223	2	149	76
IV Region / Coquimbo	213		110	103
V Region / Valparaíso	601		334	267
VII Region / Maule	333		179	154
VIII Region / Bío Bío	453		248	205
XIV Region / Los Ríos	81		51	30
X Region / Los Lagos	297	1	145	153
XII Region / Magallanes	88		49	39
XV Region / Arica y Parinacota	58		28	30
I Region / Tarapacá	112		57	55
III Region / Atacama	66	1	43	24
XIII Region / Metropolitana de Santiago	8,034	17	4,322	3,729
VI Region / O´Higgins	187	2	111	78
XVI Region / Ñuble	95		52	43
IX Region / La Araucanía	306		173	133
XI Region / Aysén	30		17	13

Total
11,200

By type of contract
- Indefinite
- Fixed-term

By gender
- Women
- Men

Best place to work

One of the strategic pillars of Banco Santander is to be the best workplace among major companies within Chile, attracting and developing talent committed to the SPF culture of the organization.

For this, it is important to have teams committed to achieving the company's goals, and motivated to keep contributing with their work and ideas. In this sense, the task of the leading collaborators is fundamental, working as team managers and promoters responsible for maintaining a pleasant working climate and for generating an atmosphere of trust and collaboration.

In line with the above, Santander promotes the integral development of its collaborators, the recognition of a job well done, the conciliation of the personal and professional life, and a healthy environment for everyone's performance, all of which helps to create a space of mutual benefit for employees and the company.

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Santander among top for Great Place to Work

In 2019, Banco Santander was recognized as the third best company to work for in Chile, in the category of companies with more than a thousand workers, according to the Great Place to Work (GPTW) ranking. With this recognition, Santander ranks for the second consecutive year among the top five companies in the ranking.

It should be noted that the GPTW survey, conducted once a year, is a valuable additional input to assess the satisfaction of collaborators and to work on measures towards increasing their satisfaction levels.

Santander recognized as Top Employer 2019

For the first time in its history, Banco Santander Chile received the Top Employer 2019 certification from the Top Employers Institute, becoming the only certified bank within Latin America in this regard. This recognizes the Bank as one of the world's leading employers, providing its employees with excellent conditions for growth and talent development at all levels of the organization, and continuously working to improve human resources policies and practices for the benefit of its collaborators.

Human Capital Development

Banco Santander promotes its employees' growth and development through tools and training instances that allow us to have a team prepared to achieve the goals that the Bank establishes in the medium and long term in pursuit of its strategy.

Santander Academy

GRI [404-2]

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

The Santander Academy continued to develop in 2019 with emphasis on two main targets:

- Compliance with a functional curriculum that aims to level the knowledge of collaborators according to the topics of each division and area;
- The development of critical knowledge and skills, both in the framework of critical roles within the organization and in business transformation projects and/or areas.

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Highlights 2019

- Update of the contents of the curricula and initial digitalization of some of them. The aim is to have a 80% virtual and 20% in-person study modality by 2023.
- A general mapping of skills to determine the competencies that will be required in the future. The results will be used to update the learning plans, thereby ensuring the development of adequate human capital in accordance with their needs.
- Specific skills and potentials mapping corresponding to the talent calibration process carried out throughout 2018 and 2019, to identify collaborators with high performance and growth potential in the organization, and who require a Personal Development Plan.
- A complete transformation of the onboarding process of new collaborators, moving from a classical and expository methodology to an activity that favours experiential learning through playful activities and stories of outstanding collaborators, generating an environment that facilitates immersion.
- The option to pursue diploma courses was offered, in association with the Universidad de Chile: The Internal Diploma of Introduction to Finance, and the Diploma of Innovation and Digital Banking, which allow collaborators to improve their performance and cooperate with the fulfilment of the objectives of the Bank.

Investment in training

Investment in training	2017	2018	2019
Employee training: as % of income	0.134%	0.180%	0.178%
Employee training: amount ($)	$2,441,504,724	$3,322,300,000	$3,441,504,724

Concerning the results obtained by Santander through training investment, some of the most emblematic programmes, with greater duration and investment have an impact study. Nevertheless, investment return studies is expected from 2020 onwards, for those programmes where the methodology is applied.

Average training hours per year, per collaborator

GRI [404-1]

Position	Women	Men	Total
Managers	30.0	25.7	55.7
Assistant Managers	48.8	48.1	96.9
Supervisors	24.9	28.7	53.6
Professionals	50.7	58.5	109.2
Administrative staff	40.5	42.0	82.5

The table shows that the average working hours between men and women are quite similar, which is indicative of gender equity in training and that it is proportional to the number of employees in Santander.

Nevertheless, analysed by job category, the chart shows a significant difference in the number of hours of training that the Bank allocates to its professionals. This is related to the functional, technical and skill formation of their positions.

Training programmes

GRI [404-2]

TRAINEE PROGRAMME: PRIVATE BANKING / SELECT / SME

A 20-day induction programme for new employees that are executives of Individuals, Select and SME clients. They work on fundamental topics of their functions, soft skills, technical knowledge, and others. It includes a field internship process.

133 participants

TRAINEE CONTACT CENTER

30-day induction programme for new employees in Contact Centre Executive positions. They work on fundamental topics of their functions, soft skills, technical knowledge, and others. It includes listening to cases and resolutions.

580 participants

DIPLOMA IN INNOVATION AND DIGITAL BANKING

Programme for collaborators and supervisors with 2 years of service, and excellent performance evaluation. It seeks to develop executive proficiencies and enhance creativity, entrepreneurship, and innovation skills, along with strategic and financial decision-making for innovation development at a global scale. During the diploma course, a project is developed and applied to a common challenge of Banco Santander, using the Google Design Sprint methodology.

33 participants

INTRODUCTION TO FINANCE DIPLOMA

Programme for collaborators with at least 1 year of service, and good performance evaluation. It provides concepts and tools necessary for financial decision-making within a company concerning the context they face. With this, they will be able to manage basic financial information based on a comprehensive vision of the business that follows the latest financial trends, allowing them to create value for their areas. During the course, an applied project is developed, and its possible implementation is evaluated.

30 participants

POSTGRADUATE SCHOLARSHIPS

Programme for collaborators and supervisors with 2 years of service and good performance evaluation. The Bank funds 50% of a national diploma, a national master's degree, or a master's degree in banking and financial markets.

46 participants

ONBOARDING DAY

The reception for new collaborators, supervisors and managers (in an on-site modality for people of the Metropolitan Region). The goal is to engrain the Bank's purpose, the SPF culture, and to always keep the customer at the centre. Also available is the new Digital Integration Day, which presents all the topics and areas of the Bank.

499 participants

EXTENSION CENTRE

A programme that provides entertainment and recreational spaces to employees and supervisors with an indefinite contract, for their development in the personal and professional field, thus enhancing motivation and emotional well-being.

496 participants

ENGLISH PROGRAMME

Three English programmes for critical positions in need of this language to develop their functions: online basic level, on-site group intermediate level, and onsite group communicational advanced level.

875 participants

INTERNAL STORYTELLERS

Programme for partners who are experts on specific topics. The aim is to enhance and refine the skills of internal storyteller. It includes training in soft skills and instructional design.

126 participants

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CROSS THE BORDER

Outstanding programme for collaborators with at least two years of service and excellent performance evaluation. The aim is to enhance their English level as a tool for professional development by means of a two-month course in an English-speaking country. It includes a monetary contribution from the company and paid leave.

42 participants

Talent management

Being the best financial services open platform requires having the best talent at the service of the strategic objectives of the company. In this regard, Santander seeks to create the necessary instances to attract the right people and keep them motivated and committed to their work.

Progress 2019

668
professional internships throughout the year and all over the country, aligned with the new curriculum needs of the leading universities of Chile.

2 positions
Santander climbed in the Merco Talent study, which measures the attraction and retention of professional talent in Chilean companies, moving from 6th place in 2018 to 4th place in 2019.

6th place
And Best Bank in the Employers for Youth (EFY) study, from the FirstJob company, where Santander Chile participated for the first time. It is a study that recognizes the best companies for young professionals in Chile, measuring internal and external attributes, and the work experience of millennials in those companies.

Digital talent

Today's financial sector requires innovation and digital talent to respond efficiently and expeditiously to current and future business challenges. To this end, Banco Santander seeks to attract and incorporate young professionals with digital thinking, who understand the importance of adapting and anticipating the pace of technology and the industry. Among 2019's outstanding initiatives are:

SANTANDER YOUNG PROFESSIONALS PROGRAMME

An initiative that aims to foster a hotbed of high potential professionals for the different areas of the Bank. In September 2019, 16 young professionals were incorporated with digital, statistical, IT and mathematical thinking, according to the need and requirements of the new profiles requested by the Bank.

BUSINESS EXPERIENCE SANTANDER 2019

An event that aims to attract young talent with a profile specialization in digital, mathematical, statistical and computational thinking. 100 university students participated, who had to solve challenges inspired by real customer experience cases of the Bank, both in a digital and face-to-face format, alongside issues related to cybersecurity. The cases had to be solved using Agile and Gamification methodology, and the proposals were evaluated and awarded by a jury composed of managers from different areas of the Bank.

10
students on the winning team received 10 postgraduate scholarships valued at US$ 1,000.

Outstanding talent management programmes

SANTANDER WORLD

An outstanding exchange programme that promotes international transit and expedites the development of internal talent, offering eight Chilean collaborators the possibility of working from one to three months in a Santander office in another country, while receiving eight foreign collaborators in the Chilean offices. This experience benefits not only those who travel but also the team that welcomes the participants. The programme allows:

- To strengthen links between home and host country teams.
- To count with ambassadors of culture and corporate values of Santander.
- To learn and share best practices, experiences and ideas.
- To learn about other cultures.
- To develop new capacities.

YOUNG LEADERS PROGRAMME

This is a corporate development programme, launched in 2019, that seeks to identify talents with leadership potential to drive Santander's transformation. This first edition of the programme selected 280 professionals from all countries where the Bank is present, who were nominated by their own co-workers for representing Santander values and leadership. The programme includes activities such as training in Madrid, a meeting with Ana Botín, mentoring managers, coaching sessions, volunteering and English classes, among others.

19

young people from Chile had the opportunity to be part of this training experience which allowed them to develop at a personal and professional level.

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INCLUSION IN TALENT MANAGEMENT

Understanding that diversity and inclusion enrich the workplace environment, Santander also implements talent attraction mechanisms that meet inclusive standards.

During 2019 employment platforms and inclusive practices were developed for attracting talent. These tools include accessibility options, ReadSpeaker system, inclusive job offers, and user experience improvements.

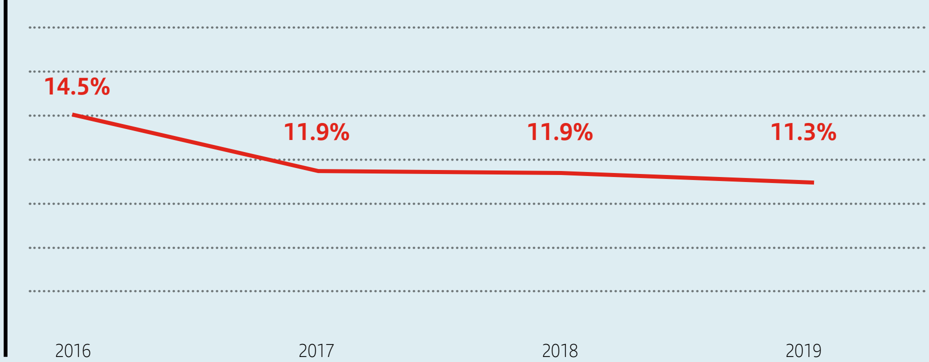
General turnover

GRI [401-1]

Position	2016	2017	2018	2019
Total employment turnover rate - all types of departures (voluntary, dismissals, retired, etc.) as % of total collaborators	14.5%	11.9%	11.9%	11.3%
Voluntary employment turnover rate - voluntary retirement as % of total collaborators	3.4%	3.6%	3.7%	3.6%

Banco Santander's overall employment turnover rate fell between 2016 and 2017, then remained stable, with a slight decrease in 2019. In turn, voluntary employment turnover has remained stable, around 3%.

Total employee turnover rate
All types of departures (voluntary, dismissals, retired, etc.) as % of total employees

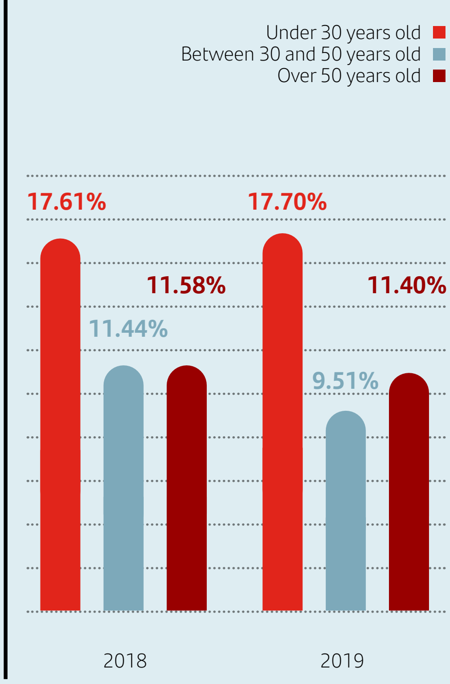


Turnover by age

Breakdown by age	2018	2019
Under 30 years old	17.61%	17.70%
Between 30 and 50 years old	11.44%	9.51%
Over 50 years old	11.58%	11.40%

The employee turnover rate is slightly higher for employees under 30 years of age and remained slightly over 17% within the last 2 years. Meanwhile, the employee turnover rate between 30 and 50 years-old collaborators fell from 11.44% to 9.51%.

Employee turnover rate by age



New recruitment vs turnover

Breakdown by gender	Total number of new recruitments		Total number of staff turnover		Staff turnover rate	
	2018	2019	2018	2019	2018	2019
Women	813	561	773	679	12.41%	11.36%
Men	895	465	696	583	13.09%	11.40%

Performance cycle

Santander understands performance as the level a collaborator achieves according to their skills, effort and work. The organization manages the performance of all employees, not only to achieve the company's objectives but also to ensure individuals' growth, by developing and strengthening their potential to their maximum.

The management model assigns value to **what** is done, in addition to **how** it is done, aligning both them of course to the organization's culture. This model is carried out in various stages, in which both the employee and the supervisor are primarily responsible. These are:

- **Goal setting:** this is the first instance of feedback in which the goals to be met–which are specific to their respective function– are determined for the period, and performance expectations are declared, along with discussing how to achieve these goals.
- **Feedback:** it is a formal instance of feedback and conversation between the line manager and each of the team members, to make a status review of their performance after the calendar year has progressed.
- **Bottom-up evaluation:** aims to provide supervisors with feedback about their performance as managers and support them in developing their leadership, identifying their strengths and opportunities for improvement. This evaluation enables the Bank to shape a leadership style that answers to the organization's challenges and the SPF culture, based on the feedback that the teams themselves give to their supervisors, along with the practical tools that Human Resources makes available to them.
- **Performance evaluation:** it is the final feedback, where the fulfilment of the defined goals and the results are reviewed according to the objectives set at the beginning of the year, being assessed with a final indicator.

Performance evaluation by job and gender categories

GRI [404-3]

% of workers of the total employees who have received periodic performance and professional development evaluations

By job category				
Managers	Assistant managers	Supervisors	Professionals	Administrative staff
100%	100%	100%	96.9%	96.3%

By gender	
Women	Men
95.4%	98.8%

Promoting diversity and inclusion

Banco Santander seeks to assemble diverse and inclusive teams that nourish the work environment with different perspectives, enriching the organization's capabilities, hand in hand with respect and equality, under the wing of the SPF culture

For this purpose, the Santander Chile has a Diversity and Inclusion Policy, which provides the framework for the respect and appraisal of this issue within the Bank. That being said, in 2019 the organization established the focus on the following four types of diversity during 2019 up to 2025:

Gender equity

Santander promueve la equidad de género en sus espacios de trabajo, reconociendo el valioso aporte que las mujeres realizan a las actividades del Banco. Durante 2019 se celebraron diversos hitos en este ámbito:

DIAGNOSIS OF WOMEN IN MANAGEMENT POSITIONS

A diagnosis was made of female managers in the Bank, who represent 26.2% of the total number of managers and assistant managers. We interviewed currently employed women and those who had stopped working in Santander to investigate the potential difficulties they had in reaching their position.

The challenge for Santander Chile in the short and medium-term is to increase the presence of women in management positions to at least 30%.

WOMEN'S LEADERSHIP SKILLS PROGRAMME 2018/2019

This initiative intends to hasten the incorporation of more women into leadership positions within the organization. 34 women from different areas of the Bank participated, who experienced comprehensive and transformational training between November 2018 and June 2019, that sought to strengthen their leadership skills by fostering networks both inside and outside the Bank, enhancing their business thinking and empowering them in their career design and professional development. The programme included group classes and workshops, coaching sessions, mentoring and lectures.

We need to highlight that the group of women leaders who participated in the Mentoring Women Leaders Programme for students of the Belen Educa Foundation emerged from the leadership skills programme.

SANTANDER BEGINS CERTIFICATION PROCESS OF CHILEAN STANDARD 3262

In line with what has already been done, during 2019 the Bank began the process of Chilean Standard 3262 certification, a management tool to make visible and address the promotion of gender equity as a pillar of sustainability.

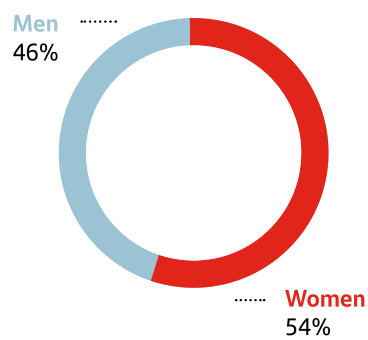
The agreement was signed alongside the Ministry of Women and Gender Equity at a ceremony attended by government authorities and representatives of different companies, who also participated in a workshop to publicize this tool in detail and share different experiences. This standard is expected to be in place at the Bank by October 2020.

GENDER DIVERSITY OF OUR COLLABORATORS

GRI [405-1]

Breakdown by gender	Managers	Assistant managers	Supervisors	Professionals	Administrative staff
Women	12%	42%	49%	57%	53%
Men	88%	58%	51%	43%	47%

Percentage of women of total workforce



54% of the total workforce are women

Gender diversity	Percentage of women
Percentage of women in the total labour force	54%
Percentage of women in executive positions (over total executive positions)	28%
Percentage of women in junior executive positions (over total junior executive positions)	42%
Percentage of women in senior executive/senior management positions (over total senior management positions). A maximum of 2 levels from the CEO is considered.	18%
Percentage of women in executive positions, in income-generating areas (e.g. sales, marketing)	24%

Workers with disabilities

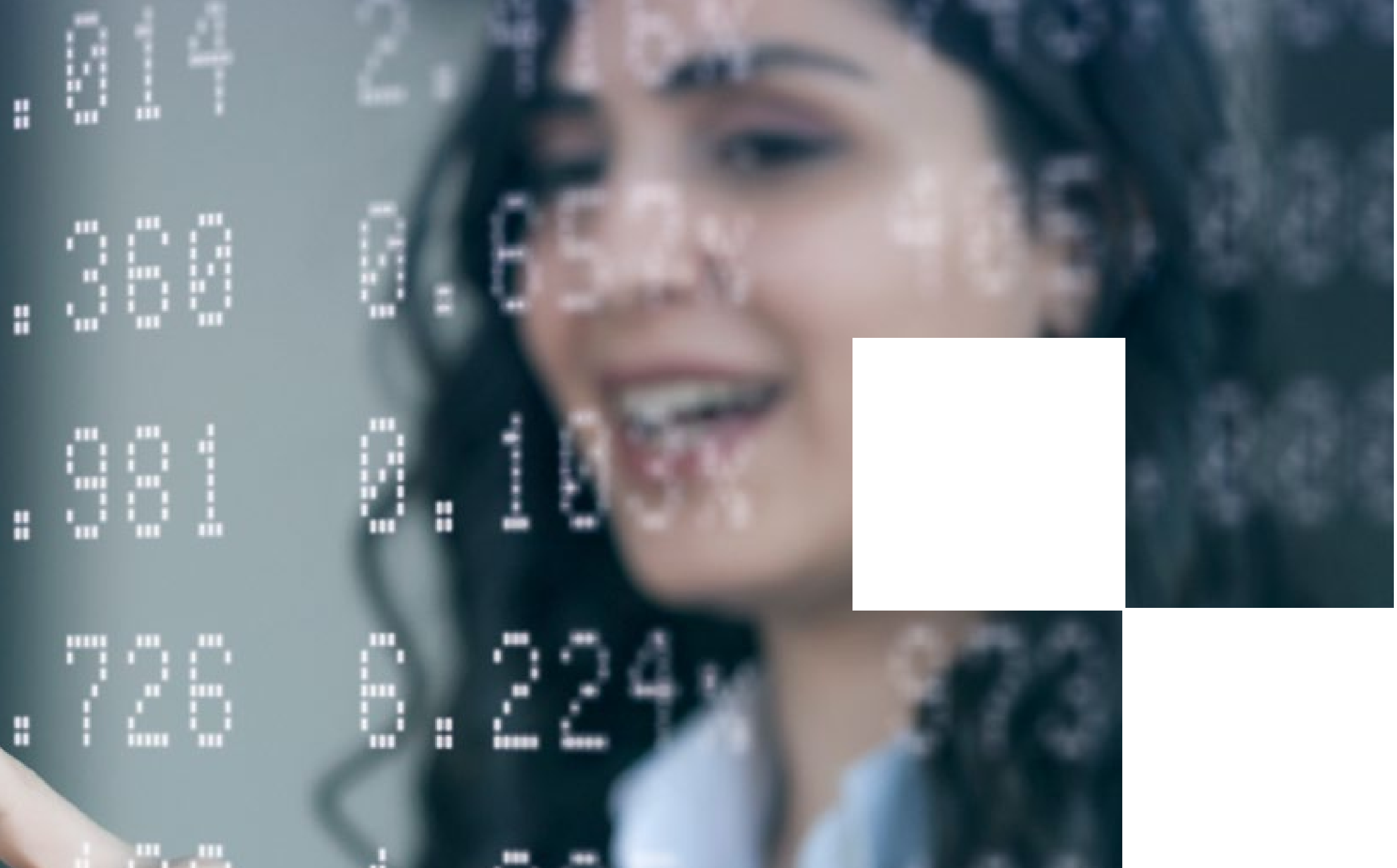
The Inclusion Committee, composed of collaborators from different areas and representatives of collaborators with disabilities, is responsible for ensuring compliance with the Labour Inclusion Law within the Bank, as well as encouraging effective employment insertion and autonomy for those with disabilities.

As of December 2019, 1.1% of the Bank's employees are individuals with disabilities, meeting both the company's target for 2019 and what is required by law (1%). Santander hopes to continue to increase the number of individuals with disabilities in its workforce.

HIGHLIGHTS 2019

- A registry was created concerning employees who could be susceptible to a disability, who were evaluated through a consultant. Those who qualified were guided and advised to certify their disability.
- We worked with expert consultants in the recruitment of individuals with disabilities, to find candidates who met the profile of the vacancies that the Bank had so they could be incorporated.
- Several awareness-raising lectures were held with work teams and supervisors, to demystify the concept of disability and reinforce the opportunities and benefits of having more diverse teams.

Banco Santander encourages effective employment insertion and autonomy for those with disabilities.



Generational diversity

Concerning generational diversity, 56% of the staff of Banco Santander Chile is concentrated in Generation Y, that is, people born between 1980 and 1994; these are followed by Generation X (people born between 1965 and 1979, with 35% of the personnel). In third place are the so-called Baby Boomers, people born between 1944 and 1964, who represent 9% of the staff. The Bank expects to maintain diversity among these different age groups.

AGE DIVERSITY OF OUR COLLABORATORS

GRI [405-1]

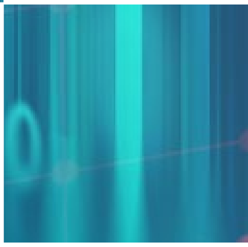
Breakdown by age	Managers	Assistant managers	Supervisors	Professionals	Administrative Staff
Under 30 years old	0%	0%	4%	18%	26%
Between 30 and 50 years old	56%	73%	77%	71%	54%
Over 50 years old	44%	27%	19%	11%	20%

Cultural diversity

Santander Chile promotes and values cultural diversity in its personnel and therefore seeks to increase the recruitment of people of different nationalities, always within the country's legal framework. As of December 31, 2019, foreigners represent 8% of the Bank's staff, mainly people of Argentine, Colombian, Venezuelan and Spanish nationalities.

The organization arranged the Welcome Programme, which aims to provide legal guidance to foreign collaborators and their families on visa processing and other procedures relevant for their smooth integration into the country.

Notwithstanding the above, the Bank considers cultural diversity as a value that goes beyond nationalities, which is why it promotes the recruitment of people who escape traditional banking profiles, such as those coming from other areas of work or who have international experience, whether in life, study or work. This aspect was measured within the Bank's management positions during 2019, which resulted in the achievement of the target of at least 70% of people being culturally diverse.



Compensation

Santander has a compensation and benefits system that seeks to compensate the contribution, effort and commitment of its employees with impartiality. This promotes a pleasant working environment and aids the purpose of those who integrate the Bank.

Compensation is composed of a fixed amount and a variable amount, depending on the level of performance:

- **Fixed amount**
  Recognizes and rewards the role and level of responsibility of the collaborator's position.
- **Variable amount**
  It rewards performance based on meritocracy and achievement of both team and individual targets. It also considers how objectives are achieved, in terms of leadership, commitment, rigorous risk management, and in line with long-term goals.

It should be noted that the average initial salary that Santander offers its employees amply exceeds the legal minimum established in Chile. This is in line with its mission to contribute to the progress of people, and it reflects how the company's adherence to the principles of sustainability and responsible banking, is an integral part of the Bank's management.

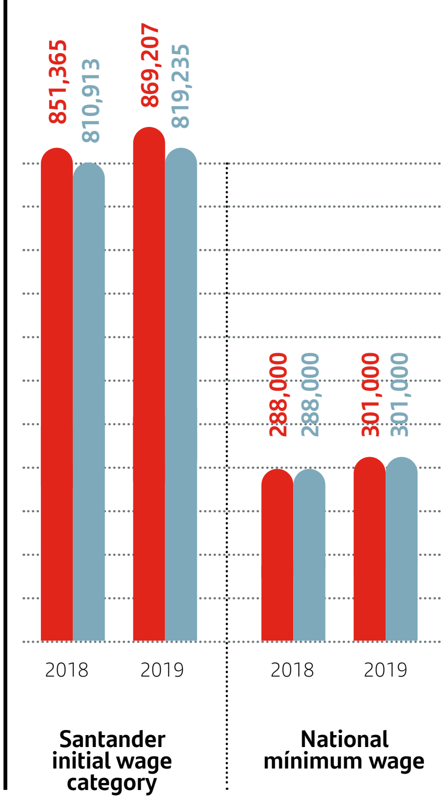
During the year, the minimum income paid by the Bank was, in the case of men, 289% the Chilean minimum wage, and in the case of women, 272%.

Local minimum wage by gender vs Santander's initial average wage

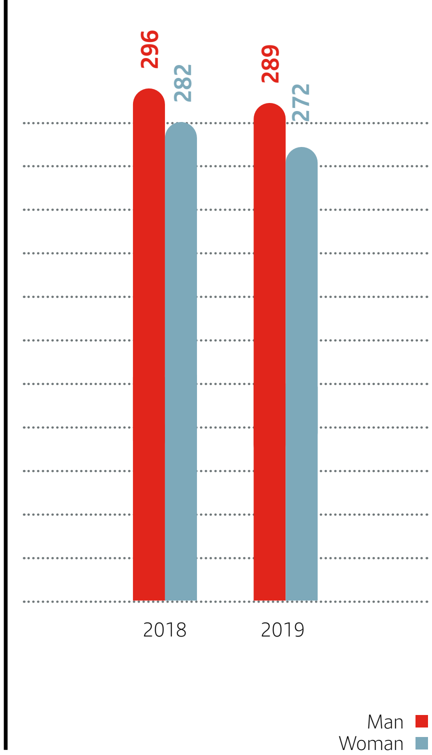
GRI [202-1]

	National minimum wage ($)		Initial wage in Santander		Santander vs National Ratio	
	2018	2019	2018	2019	2018	2019
Woman	288,000	301,000	810,913	819,235	282%	272%
Man	288,000	301,000	851,365	869,207	296%	289%

Santander's initial wage average vs National minimum wage



Santander vs National Ratio %



In Banco Santander, we have a remuneration policy based on the concepts of equity and competitiveness, and therefore it does not discriminate in terms of our employee's gender. Each year the group performs an analysis of the earning position in regards to the Gender Pay Gap (GPG), to detect possible differences and opportunities for improvement.

Ratio of basic salary over remuneration of women to men

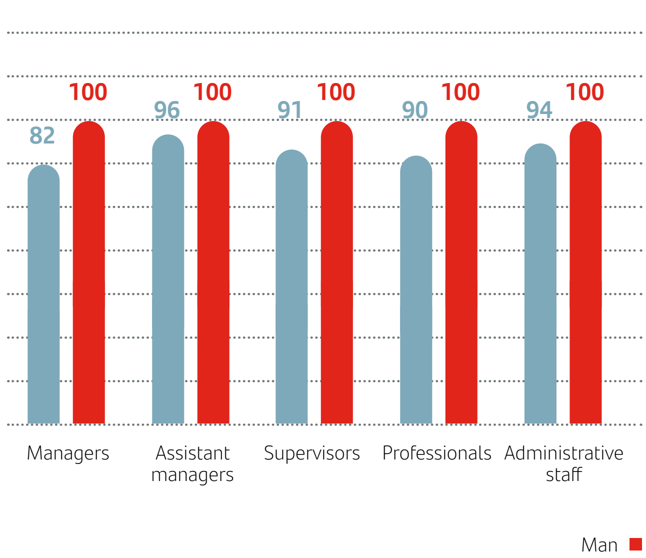
GRI [405-2]

Labour Category	Ratio of basic wage and remuneration of women to men
Managers	82%
Assistant managers	96%
Supervisors	91%
Professionals	90%
Administrative Staff	94%

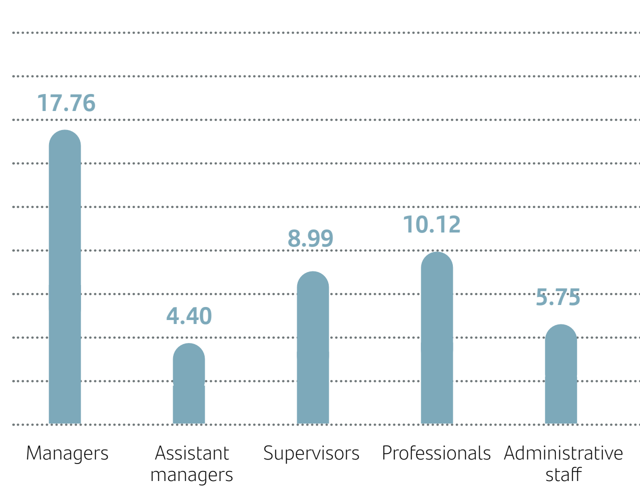
Position	Average wage gap
Managers	17.76%
Assistant managers	4.40%
Supervisors	8.99%
Professionals	10.12%
Administrative Staff	5.75%

Position	Wage Difference
Managers	27.81%
Assistant managers	15.74%
Supervisors	8.39%
Professionals	4.92%
Administrative Staff	2.00%

Ratio of basic wage and remuneration of women to men
%



Average wage gap
%



GRI [401-2][401-3]

Benefits

Reflecting its commitment to its collaborators, Banco Santander offers a range of benefits and incentives to their full-time workers, including life insurance and health care, among others that were created to promote work and family life conciliation, the education and development of employees and their children, and to support critical moments in the lives of those who are part of the Bank. The following are the main benefits and the coverage in place as of 2019.

- **Life insurance**
  Coverage of 36 base salaries in case of natural death; 72 base salaries for accidental death; and 36 base salaries for total and permanent disability. Payments for these coverages is made once the worker has delivered their beneficiary declaration to their respective insurance company. This benefit covers 100% of all full-time employees.

- **Health care**
  This benefit consists in the possibility of participating in one of the welfare funds, which are autonomous from trade union organizations and which share a bipartisan administration with the Bank. If the employee does not wish to join a health fund, they must bear the costs of the health and life insurance supplement on their own.

- **Parental leave**
  On the birth of a child, the Bank grants a seven-day leave to the child's employee father. Of these days, five correspond to those granted by current legal legislation. The birth must be accredited through a certificate. In 2019, 90% of collaborators who became fathers with the right to this benefit used it. On the other hand the Bank complies with the legislation of paid maternity. During 2019, 417 women took this leave, that is to say 100% of those elegible.

- **Childcare facilities**
  Banco Santander directly pays a nursery service for the children of female employees, who are under two years of age. The benefit is granted through establishments recognized by the National Pre-School Board JUNJI, with which our organization has an agreement, for a maximum monthly amount of 10.5 UF, and an equal amount for enrolment. The Bank also provides a substitute benefit for those female collaborators whose children are unable to attend a nursery.

- **Full payment of licences**
  In the case of medical leave due to illness or occupational accident or disease, the Bank shall pay all employees their usual fixed remuneration in full for a period of up to three months. This benefit goes beyond the minimum legal requirement and includes maternity and parental leave.

- **Retirement Plan**
  GRI [201-3]
  The Bank also offers an additional benefit for its senior management, consisting of a pension plan that seeks to provide them with funds for a better supplementary pension at the time of retirement.

  The Bank supplements the voluntary contributions made by the beneficiaries for their future pension, with an equivalent contribution based on mixed collective insurance policies, the beneficiary of which is the Bank. Managers will be entitled to receive this benefit only if they are currently employed at the time of their 60th birthday.

Support benefits for the development of collaborators and their families as of 2019

163

Grants for pre-university

266

Scholarships for staff

225

Scholarships for offspring studying at universities or professional institutes

END-OF-YEAR BENEFITS

- Christmas food packages
- Christmas presents for offspring
- Christmas Party for offspring
- Annual Christmas Bonus

11

Awards for Best PSU Score

3,582

Academic Excellence Awards

6

Ibero-American scholarships for employees' offspring

516

Collaborators had access to a nursery for their children

886

Collaborators had access to pre-school for their children

558

Bonuses and child-birth gifts

SUPPORT BENEFITS

- Uniforms
- Meals
- Transport
- Commitment and Loyalty Bonus
- Permanence Bonus
- Bonus for Family Dependent of Employee
- National Holidays Bonus
- Winter Bonus
- Holiday Bonus
- School Bonus
- Marriage Bonus
- Bereavement Bonus
- Bereavement Leave
- Marriage and Civil Union Leave

Flexiworking

Alongside the above, Banco Santander has adopted labour flexibility as a value that contributes to the improvement of their employees' quality of life, giving attractive benefits for them, ranging from free afternoons and remote work to Meaningful Leave (Pausa con Sentido). The latter is a programme that grants a special leave of up to three months, without pay, for those who want to take a break to carry out a project relevant to their lives and that for lack of time they have been unable to achieve.

"I feel very lucky and happy to work in a company that gives me the chance to have a real space for myself and my family. This programme is very innovative since all the people who I have spoken to about the application to this programme are all amazed".

CAMILA LOZANO
PRE-JUDICIAL CREDIT EXECUTIVE, TERRITORIAL CENTRO CÍVICO, AND BENEFICIARY OF MEANINGFUL LEAVE

Added to the aforementioned, there are three new benefits in this line that were launched during 2019:

- **Personalized Schedule**; an initiative that allows employees of Central Services to start and finish their working day an hour earlier or later. The schedule change can be taken between one to five days a week, with the option to choose a different schedule for each day. It is also possible to use this model for a limited or an extended period. By the end of November 2019, 429 applications had been received to try this working modality.

- **Tele-working;** pilot programme launched by the Human Resources Division in August 2019, with the participation of 35 collaborators, who worked together with their supervisors to delimit the initiative's purpose, key definitions, responsibilities, ethical practices, and other aspects. A perception measurement concerning the use of this modality, which included a survey of participants and an interview with supervisors and internal clients, obtained good overall results. The design of a policy and procedures for those who choose this work modality was also completed, concerning the function they perform within the Bank.

- **Afternoon Leave for Voluntary Work (Permiso Tarde de Voluntariado)**; pilot programme launched in 2019 that granted a free afternoon leave to Central Services employees with an indefinite contract, so that they could have 4 working hours to volunteer in their own or third-party initiatives, focusing on helping the most vulnerable people in our society. This initiative became a permanent benefit from March 1, 2020.

Below is the number of partners who benefited from work flexibility initiatives during 2019:

20
people took a Meaningful Leave

7,612
collaborators took a free afternoon and 8,902 took special family leaves

259
employees worked under the mode Schedule to Suit You

3,787
contributors accessed the Additional Leave

4,665
collaborators took their Birthday Afternoon off

35
partners participated in the Tele-working pilot programme

GRI [403-1][403-2][403-3][403-4][403-5][403-6][403-7][403-8][403-9][403-10]

Health and Safety

For Banco Santander, its employees' occupational health and safety is a concern. For this reason, it has implemented a working programme that includes the implementation of strategies concerning occupational health, work safety, fire prevention and other issues, in order to improve and prevent health and safety conditions, and thus promote the well-being of the people who are part of the organization. This programme, developed jointly with the Mutual de Seguridad, is monitored monthly and has approximately 60% coverage.

For 2019, the approach taken by the occupational health and safety management aimed at reducing the accident indicators caused by occupational hazards, occupational diseases and transit accidents. It should be noted that, in 2019, the accident rate registered a 7.7% drop compared to 2018, exceeding the 5% reduction target; the occupational disease rate was reduced by 10%, amply exceeding the 6% decrease target; while the road accident rate had a 15% reduction goal, however, the result was 8.9%. According to data from the Superintendence of Social Security (SUSESO), there was an increase in transit accidents nationwide, especially in the last quarter of the year.

Another critical focal point of the occupational health plan is the control of psychosocial factors and risk factors concerning musculoskeletal diseases. Since 2017 these risks have been systematically assessed within all branches and central buildings. With the results obtained in the last assessment during May 2019, we are working with Mutual de Seguridad in plans for the implementation of corrective measures, as there are branches assessed as medium-risk.

During 2019 the risk prevention team attended several workshops to increase knowledge regarding the WMSDs protocol application, psychosocial risks protocols and the Occupational Noise Exposure Protocol (PREXOR).

Occupational and preventive examinations

All occupational and preventive examinations advised to collaborators in the context of occupational health programmes are carried out at the Mutual de Seguridad. To maintain the confidentiality of results, they are delivered directly to each collaborator, in compliance with Law 19,628 on the protection of privacy and the Internal Regulations of Hygiene and Safety of the organization.

Work-related injuries

GRI [403-9]

	Number	**Rate**
Number and rate of deaths resulting from an occupational injury	0.00	0%
Number and rate of occupational injury with significant consequences (not including deaths)	0.00	0%
Number and rate of recorded occupational injury	66	2.35%
Primary types of work-related injuries	Ankle sprains, knee contusion, hand contusion, sacrococcygeal contusion.	

Work-related diseases

GRI [403-10]

	Number of diseases
Number of fatalities as a result of work-related diseases	0
Number of work-related health impact cases	10
Main types of work-related diseases	Psychosocial diseases; musculoskeletal diseases and occupational dysphonia.

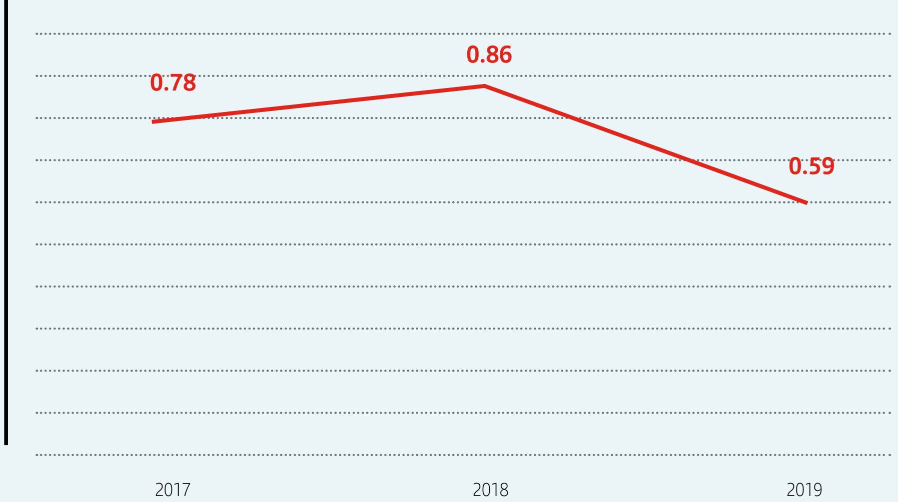
Work Safety

	2017	2018	2019	Goal
Accident rate (/100)	0.78	0.86	0.59	n.a.
Fatality rate (/100,000)	0	0	0	0
Average number of days lost due to accident	19.89	12.12	26.45	<30

	2016	2017	2018	2019
Absence rate*	4.00%	4.40%	4.70%	4.60%
Days of absence	35.98	61.41	41.41	62.25
Coverage: % employees	100	100	100	100

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

Accident rate



Prevention of occupational risks

Banco Santander Chile has a Risk Prevention Policy that provides the framework for all activities in this area. Furthermore, the Bank makes available to all employees a mandatory e-learning course that concerns the use and management of fire extinguishers, risks within offices, risks of falls, burns, procedures in case of emergency, and other contents related to occupational risk prevention.

On the other hand, the Risk Prevention department of Santander has a procedure for identifying hazards and non-conformities through a preventive management tool called Check Mutual, which seeks to identify processes, assess the level of operational risk control, and establish recommendations to address compliance gaps. Likewise, the controlling measures, according to associated risk levels, are established based on the collection of information carried out within the workplace.

The Bank's occupational safety and health programme also consider the levelling of competencies of the risk prevention team, which continually incorporates new technical skills to ensure effective compliance with the work plan. During 2019, workshops were held on Manual Loading Management, WMSDs protocol regarding Musculoskeletal Disorders, and Occupational Noise Exposure Protocol (PREXOR), among others.

Joint committees

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

Healthy collaborators

Health initiatives driven by the Bank include the BeHealthy Week, a programme that emerges from the Group to address the challenge of being the healthiest organization in the world. The programme promotes healthy behaviours concerning exercise and nutrition, and provides tools to control and improve health and stress management. The 2019 version of this initiative considered various activities organized around the four cornerstones of the programme: Know Yourself, Feed Yourself, Balance Yourself and Move Yourself. Among them, there were motivational lectures about health, healthy cooking workshops, an organic products fair, mindfulness workshops, relaxation massages and sports and recreational workshops.

BeHealthy week also offers partners the possibility to take voluntary preventive tests such as blood pressure control, glycemia, weight, height and a health habits survey. These tests are performed by a medical team of the Mutual de Seguridad, and results are delivered directly to collaborators for them to manage their health.

As reported previously concerning benefits, Santander facilitates the access of its employees to health services outside the occupational field through a series of medical agreements with different health agencies and institutions, which are informed on the intranet. This is coupled with a collective agreement that includes health insurance contracted with an insurer to cover the co-payment of medical and dental care of employees and their dependents.

The Bank does not receive the results of medical examinations carried out by its employees in the non-occupational context, except those carried out by private security. Due to the nature of their functions and current regulations, they are required to undergo a physical examination and a certificate of impulse control, after which the company only receives a Suitable or Unsuitable result, without additional details.

GRI [402-1]

Freedom of association

Banco Santander Chile maintains a continuous and fluid dialogue with its 24 trade union organizations and 3 federations, which represent the interests of the employees before the company.

The Bank works collaboratively with all of them, seeking the well-being of its workers and balancing the compliance with the Group's objectives. The organization has a relationship policy for all trade union organizations, which provides meeting and communication spaces to facilitate dialogue, welcome their approaches and ensure that they are aligned with the strategic objectives of the organization, as well as periodically reporting on decisions that impact both the company and its employees.

Collective bargaining agreements

GRI [102-41]

As a result of these approaches, in December 2019 a collective bargaining process was successfully closed with the Contact Centre area of Santander.

It should be noted that 100% of employees are covered by collective bargaining agreements.

Unionization	**2017**	**2018**	**2019**
Percentage of employees represented by an independent union.	75.5%	75.1%	74.9%

Corporate volunteering

The collaborators' commitment to Santander's mission is strongly reflected in the corporate volunteering initiatives promoted by the Bank.

This consists of a set of activities supported by Banco Santander that, aligned with the sustainability strategy of the company, seek to motivate the participation of employees, who devote their working time, skills and talents to causes, projects and non-profit organizations whose goal is to contribute positively to society.

The Bank's Culture Policy contains the guidelines governing the activities to be performed, which approach education as the central axis with three primary lines: prevention of school dropouts; promotion of higher education; and promotion of financial education. However, the policy also leaves room for the development of other activities concerning the social and economic needs of the location where they are developed.

These instances are also valuable tools to strengthen the company's commitment to society; to increase in professionals the sense of commitment and pride in belonging to the company; to create bonds that improve internal cohesion between employees; and to develop competencies and skills necessary for their professional and personal life, such as collaboration, teamwork, leadership and creativity.

The main organizations with which Santander performs corporate volunteering are TECHO-Chile and Fundación Belén Educa, to which the active role of Santander Chile in Compromiso País is added since 2019. This is a programme of the Presidency of the Republic of Chile that seeks to answer the main social problems, among them, the incomplete schooling of people over 18 years. Likewise, collaborators can participate with their own initiatives through the annual Santander solidarity projects contest.

During 2019, 24 initiatives were carried out, involving a total of 2,411 employees, benefiting 11,554 people. Among the outstanding activities of the year was the Volunteer Afternoon launch, the Volunteer in Financial Education programme, Santander in the Present (Santander Presente), Women Leaders Mentoring, Volunteer in Environmental Education, and the various solidarity projects organized by volunteers from all the regions of the country.

(For more information about these and other social impact programmes see chapter Creating value for society.)

Volunteering hours during 2019, broken down by position

Position	Total
Directors	0.0
Managers	194.0
Assistant managers	234.0
Supervisors	811.8
Professionals	2,862.5
Administration staff	814.5
Total	**4,916.8***

*The figure above combines working and non-working hours, with 57% of working hours and 53% of non-working hours.

3
Value to Shareholders

DECENT WORK AND ECONOMIC GROWTH

188,446,126,794

Number of shares in circulation

Banco Santander Chile centres its daily efforts around financial business, product innovation, risk management, a strong focus on customers' quality of service and an important presence in the local market. This places the Bank as a leading financial institution in the country, both in terms of market share, asset strength and profitability. Moreover, it is one of the leading players in the local market, both concerning market capitalization and trading volume.

US$ 11,179.57 million

Market capitalization

16.7%

ROE, one of the most profitable banks in Chile

3.68%

yield on last dividend

2.37

times Book Value

A+

(stable) by JCR rating agency that started coverage in 2019.

Communication channels with shareholders

- Shareholders' Meeting
- Annual Report
- 20F Report
- Quarterly results reports
- Conference calls and webcasts
- Investor Relations webpage at Banco Santander website
- Investor conferences in Latin America, Europe, USA and Asia
- Meetings and visits to branches
- Communication via email
- Breakfasts with local investors and minority shareholders

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

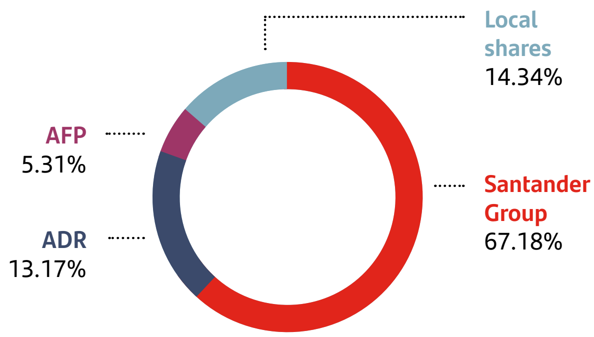
Shareholder Structure

As of December 31, 2019 Banco Santander's core capital was divided into 188,446,126,794 single-series shares, without preference of any kind. The Bank's shares are traded on the Santiago Stock Exchange and the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs). The primary shareholder is Santander Group, which controls 67.18% of the ownership through the companies Santander Chile Holding S.A. and Teatinos Siglo XXI Ltda. The remaining shareholders include Administradora de Fondos de Pensiones (AFP)-who as of December 31, 2019 held a total of 5.31% of the shares-and other minority shareholders, including investors who are ADRs holders and represent 13.17% of ownership. Relevant ADR holders that stand out are major global pension funds and sovereign wealth funds in the United Kingdom, the United States, Canada, the Middle East and Asia.

Business name or shareholder name	Nº actions	% over total
Santander Chile Holding S.A.	66,822,519,695	35.5%
Teatinos Siglo XXI Inversiones S. A	59,770,481,573	31.7%
Santander Group	**126,593,001,268**	**67.2%**
T Rowe Price Group Inc	4,925,701,200	2.6%
Standard Life Aberdeen PLC	3,716,450,000	2.0%
A F P Habitat S A	2,916,887,066	1.5%
Banco de Chile on behalf of third parties	6,314,521,607	3.4%
Schroders PLC	2,755,972,800	1.5%
A F P Provida S A	2,498,414,222	1.3%
Vanguard Group Inc/The	2,404,530,695	1.3%
A F P Capital S A	2,111,056,412	1.1%
JPMorgan Chase & Co	1,940,978,400	1.0%
Itaú-Corpbanca on behalf of third parties	5,083,184,612	2.7%
Banco Santander on behalf of foreign investors	4,571,196,533	2.4%
A F P Cuprum S A	1,298,142,588	0.7%
Banchile Corredores de Bolsa S. A	1,219,522,255	0.6%
Harding Loevner LP	1,113,956,400	0.6%
Wells Fargo & Co	1,092,526,000	0.6%
B.C.I.Corredor de Bolsa S.A.	840,788,679	0.4%
Larraín Vial S.A. Corredora de Bolsa	809,744,704	0.4%
Renaissance Technologies LLC	806,210,800	0.4%
Santander Corredores de Bolsa Limitada	765,833,180	0.4%
A F P Model S A	755,936,113	0.4%
INCA Investments LLC	563,000,000	0.3%
FMR LLC	527,084,000	0.3%
USS Investment Management Ltd	526,869,600	0.3%
Morgan Stanley	486,296,813	0.3%
Dimensional Fund Advisors LP	466,870,800	0.2%
State Street Corp	443,735,078	0.2%
A F P Planvital S A	427,142,802	0.2%
AQR Capital Management LLC	407,518,000	0.2%
BlackRock Inc	376,796,000	0.2%
Btg Pactual Chile S.A.Corredores de Bolsa	345,251,421	0.2%
Valores Security S.A. Corredores de Bolsa	316,077,690	0.2%
Ariel Investments LLC	314,219,200	0.2%
Bice Inversiones Corredores de Bolsa S.A.	310,148,814	0.2%
Driehaus Capital Management LLC	281,274,000	0.1%
Todd Asset Management LLC	260,487,200	0.1%
Parametric Portfolio Associates LL	222,464,000	0.1%
Other 11,387 shareholders	7,636,335,842	4,0%
Total	**188,446,126,794**	**100.0%**

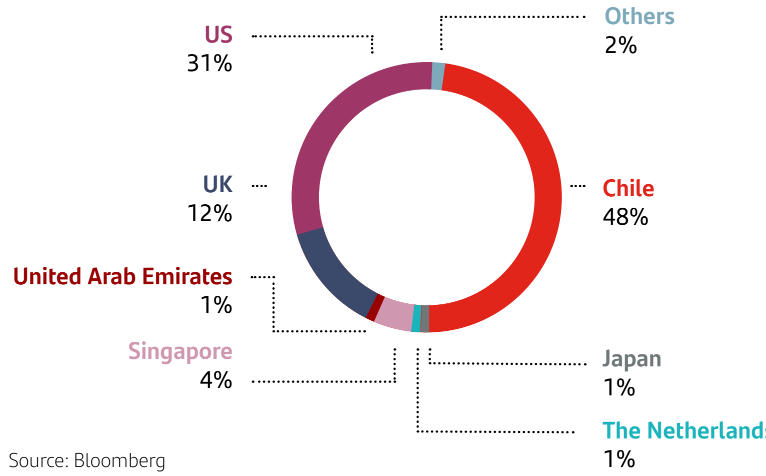
Source: DCV and Bloomberg

Banco Santander Chile Share Structure



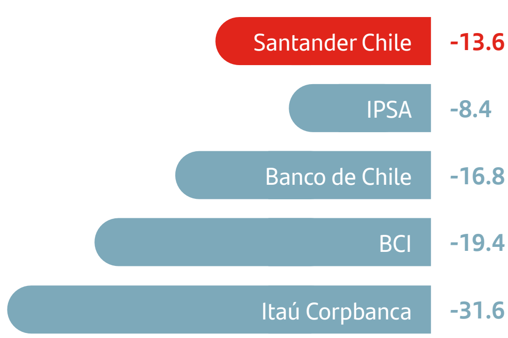
Source: DCV

Geographical distribution of minority shareholders in Santander Chile



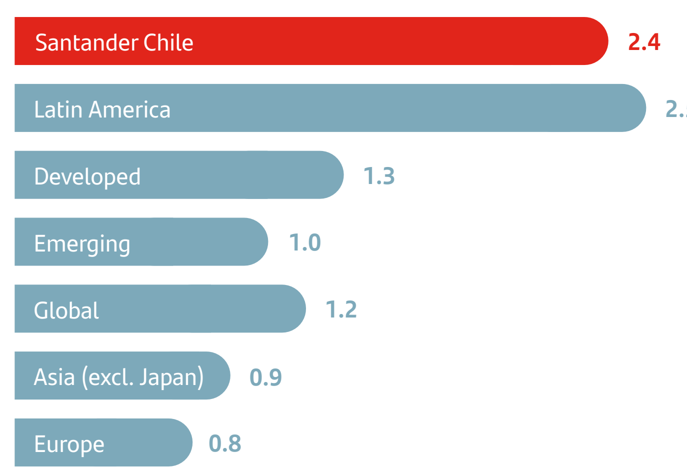
Source: Bloomberg

Total return including dividends
%



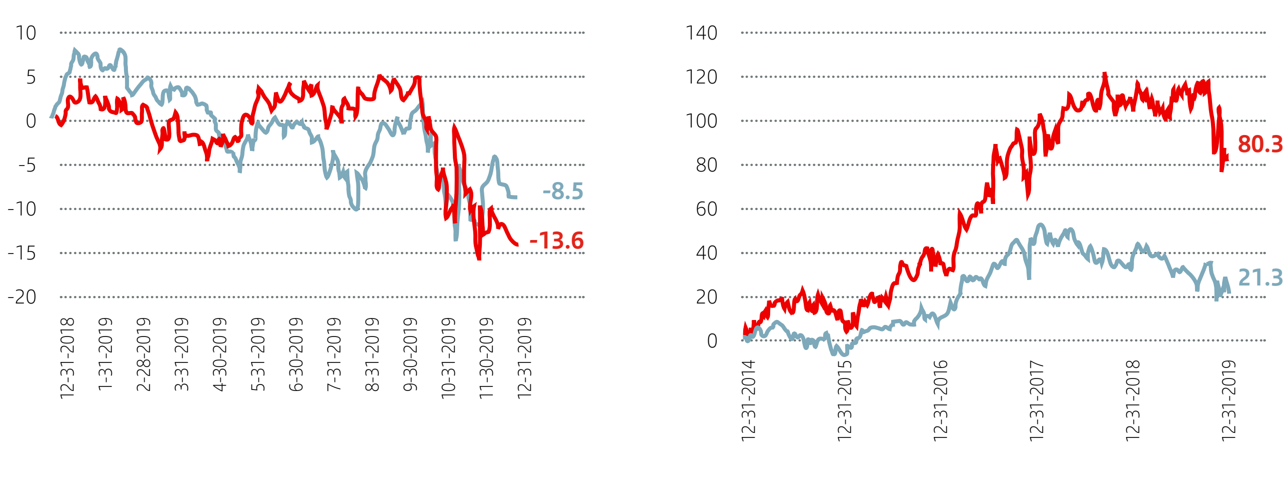
Source: Bloomberg

Price to book value compared to other banks



Source: UBS Global Banks Valuation

Comparative Evolution
%



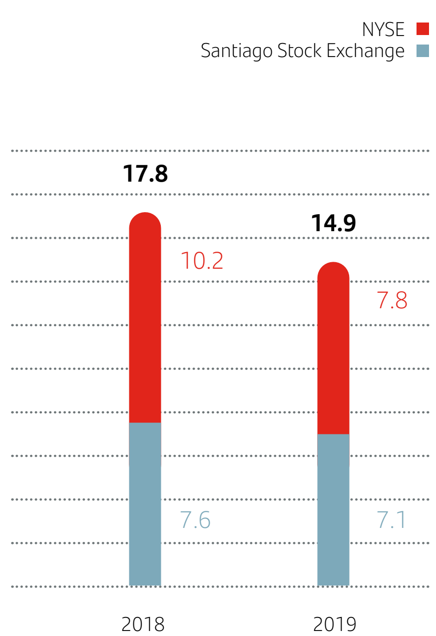
Source: Bloomberg

Stock Market Indicators	2019	2018	2017	Change%
Closing share price ($)	43.00	51.69	48.19	(16.8)
Highest share price ($)	53.99	55.23	50.65	(2.25)
Lowest share price ($)	42.00	47.50	34.65	(11.6)
ADR price (US$)	23.07	29.90	31.27	(22.8)
Highest ADR price ($)	32.62	34.94	32.06	(6.64)
Lowest ADR price ($)	20.84	28.94	21.36	(27.99)
Shares (million)	188,446.1	188,446.1	188,446.1	N/A
ADR Ratio	400.00	400.00	400.00	N/A
Earnings per share ($)	2.93	3.14	3.0	(6.69)
Earnings per ADR (US$)	1.57	1.80	1.95	(12.78)
Dividends per share ($)	1.88	2.25	1.75	(16.44)
Dividends per ADR (US$)	1.13	1.49	1.04	(24.16)
Pay-out policy (%)	60.00	75.00	70.00	(20.00)
Share price/profit per share (times)	13.52	17.12	16.83	N/A
Share price to book value (times)	2.37	3.01	2.90	N/A
Market capitalization (US$ millions)	11,179.57	14,086.35	14,732.00	(20.64)
Average daily traded volume (US$ millions)	14.94	17.76	17.91	(15.88)
Total return (including dividends) in pesos	-13.62	12.00	35.10	N/A
Total return (including dividends) in dollars	-19.21	-0.25	49.30	N/A

Stock price performance

After a rather positive 2018, 2019 posed challenges. For an important part of the year, international stock markets were affected by the uncertainty created by the trade war between the United States and China. Due to the importance of these two countries for Chilean trade, the local stock market experienced high volatility during the year.
Regarding the social events that occurred within the country towards the end of 2019, uncertainty in the local market increased from October onwards, and the Chilean peso depreciated sharply. As a result, the local stock index IPSA closed with a negative annual variation of 11.2% and a total return, including dividends, of -8.4%.
The Chilean banking sector performed lower than the IPSA as it is a sector exposed to economic performance. Banco Santander Chile achieved the best annual variation among its peers, with -16.8% and ending the year at a value of Ch $ 43.0 (US$23.1 per ADR). Considering the dividend paid during the year as well, which corresponds to 60% of the attributable income for 2018 in the amount of $1.88457837 per share, the total return received by shareholders in the year reached -13.6%.
In terms of valuation, the Bank ended 2019 trading at a price to book value ratio of 2.37 times, which reflected the optimism regarding the future performance of the institution, as well as the positive assessment the market has of the Bank's strategy and the good financial results achieved. Santander Chile's share is one of the most traded at a national level, considering the transactions on the Santiago Stock Exchange and the NYSE. In 2019, the average daily trading volume reached US$14.9 million, of which US$7.1 million corresponds to local shares and US$7.8 million to ADR.

Average daily trading volume US$ million



Dividend Policy

The Bank's dividend policy is governed by the current regulations on dividends outlined in the Chilean Securities Market Law and the General Banking Law, which indicates that at least 30% of the assigned profit for the year is to be distributed. Nevertheless, as in previous years, the Bank has distributed dividends over 30% due to the high returns and good results that Santander has achieved. Therefore, in 2019, and following the resolution of the Ordinary Shareholders' Meeting held on April 23 of the same year, 60% of the profit attributed to equity holders was distributed of the 2018 profits, which meant a dividend yield of 3.7% at the date of payment.

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

Year	Dividend (Ch$ millon)	Percentage of distributed profits	Dividend yield (%)
2015	330,198	60	5.07
2016	336,659	75	5.30
2017	330,646	70	4.30
2018	423,611	75	4.24
2019	355,141	60	3.68

Activities with Investors

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

Furthermore, various communication channels are set up to ensure permanent contact with various investors and minority shareholders. In total, during 2019, more than 800 contacts were made with investors of all types in more than 10 countries.

Risk rating

Banco Santander is one of the private companies with the best risk rating in Latin America and emerging markets. The institution has risk ratings at the national level from Fitch Ratings and ICR; and at the international level from Moody's, Standard & Poor's (S&P) and Fitch Ratings, all of which upheld their ratings of the Bank indicating a stable outlook. In 2019 and for the first time, the Japan Credit Rating (JCR) was added to the international rankings, which classified Santander with an A + and a stable outlook.

Local ratings

Fitch Ratings	
Shares	1CN1
Short-term deposits	N1+
Long-term deposits	AAA
Mortgage bonds	AAA
Senior bonds	AAA
Subordinated bonds	AA

ICR Chile	
Shares	1CN1
Short-term deposits	N1+
Long-term deposits	AAA
Mortgage bonds	AAA
Senior bonds	AAA
Subordinated bonds	AA+

Banco Santander stands out among the main sustainability indexes

International ratings

Moody's

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

Standard & Poor's

Foreign currency long-term rating	A
Local currency long-term rating	A
Foreign currency short-term rating	A-1
Local currency short-term rating	A-1

Fitch Ratings

Foreign currency long-term rating	A
Local currency long-term rating	A
Foreign currency short-term rating	F1
Local currency short-term rating	F1
Viability rating	A
Outlook	Stable

JCR

Foreign currency long-term rating	A+
Outlook	Stable

Due to Santander's strong commitment to the progress of individuals, its respect towards the environment and its good corporate governance, which is also manifested in its adherence to the main initiatives of sustainable development and responsible banking, Santander Group was distinguished, for the first time, as the world's most sustainable bank in the Dow Jones Sustainability Index (DJSI) 2019. This international benchmark assesses the sustainability performance of companies in economic, social and environmental domains.

Furthermore, and for the fifth consecutive year, Santander Chile is part of DJSI Chile, achieving first place among the local bank ranking belonging to this index, after reaching a total of 67 points. The Bank also managed to stay in the DJSI MILA.

This adds to the ESG (Environmental, Social Governance) rating obtained with VIGEO Eiris, of 58/100 points, which increased by 20 points compared to the 2016 rating, while in the MSCI index, Santander Chile is evaluated with an A rating in the ESG field. Moreover, Santander Chile is one of 19 companies within Chile to be part of the FTSE4Good Emerging Markets and Latin America stock index, being very well evaluated in the environmental and social dimension in comparison to other banks in the index.

These achievements reflect the constant and systematic work that the institution has been developing in recent years in terms of sustainability, and they are also an invitation to continue improving and contributing to the inclusive and sustainable growth that the world requires nowadays.

Dow Jones Sustainability Indexes

FTSE4Good

DJSI CHILE

24%

we are part of the 24% most sustainable companies in the world

1st

in domestic banking Sector

ESG VIGEO EIRIS RATING

58/100

points

In retail and specialized banking catrgory

8th

of 270 in the world

4th

of 100 in emerging markets

4

Creating value for society

Understanding that to get people and businesses to thrive is essential to achieve a balance between economic growth, social welfare and environmental protection, Banco Santander has undertaken the challenge of creating value for society in a responsible manner, promoting inclusive and sustainable growth through a variety of initiatives that incorporate social and environmental criteria in its development.

We present here the work that Banco Santander Chile has developed at a social and environmental level, guided by the General Sustainability Policy, the Climate Change Policy and Environmental Management, and the Culture Policy of Santander, which provide the framework to design and develop all projects.

Communication channels with members of the society

Press room

Sustainability website

Santander Commitments
a bimonthly digital newsletter that informs actions concerning our commitment to sustainability

The Bank's Social networks such as
Instagram, Facebook, and Twitter profiles.

GRI [413-1]

Social Dimension

For Santander, it is important to contribute to society, not only because it accomplishes the Bank's mission of contributing to the progress of individuals, but because it generates a positive impact beyond that of the direct beneficiaries of its initiatives.

In this sense, the Bank has chosen to contribute to the inclusive growth of society in three main areas: Contribution to Education and Social Inclusion, Financial Empowerment, and Support of Entrepreneurship, with the belief that by contributing in these areas, individuals acquire the tools necessary to improve their quality of life and broaden their horizons. When individuals progress, their families, and finally, the country progress as well.

The projects detailed here have emerged from dialogue with various organizations from both civil society and academia, which have a long-term relationship with the Bank. TECHO-Chile and Fundación Belén Educa are some examples of this. The initiatives that are finally concreted are those aligned to the company's mission, and that have the most significant positive impact on the community.

Contribution to Education and Social Inclusion

- Santander International Mobility Scholarship Programme
- Universia
- Fundación Belén Educa
- Compromiso País Programme (Nationwide Commitment Programme) (Santander in the Present, Learn Older, Learn Better)
- Un Techo para Aprender Learning Centers

Financial empowerment

- Sanodelucas Santander
- Santander Life
- Cuenta Life (Life Account)
- Financial Education Programme within schools along with the Public Policy Centre of the Pontificia Universidad Católica de Chile
- Olimpiadas de Actualidad (News Olympics) of the National Press Association

Support for entrepreneurship

- Ideas X
- Santander X
- Brain Chile
- Work/Café Programmes
- Santander Technical Studies Scholarships

Corporate volunteering

Contribution to Education and Social Inclusion

HIGHER EDUCATION SUPPORT PROGRAMME

In just over 20 years, Grupo Santander's Higher Education Support Programme (PAES in Spanish) has become an ally for university students within all countries where Santander maintains operations. In Chile, Santander Universities is the area responsible for managing its contribution to the programme's three pillars: scholarships, entrepreneurship and employment.

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Goal

To contribute to the preparation of future professionals in the context of globalization, creating international experiences that allow them to broaden their world vision and acquire new tools that they can put at the service of society.

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2019 Highlights

- The number of beneficiaries in entrepreneurship and scholarships doubled, from 500 in 2018 to 1,000 in 2019.
- The 2020 target is 2,000 beneficiaries.

SANTANDER INTERNATIONAL MOBILITY SCHOLARSHIP PROGRAMME

Santander Universidades (Santander Universities) has been in Chile for more than 18 years, and for 20 years around the world. It is a programme that offers international mobility scholarships for undergraduate students, young teachers and researchers who can apply for the Ibero-American scholarship programme to universities in Argentina, Brazil, Spain, Chile, Colombia, Mexico, Peru, Portugal, Puerto Rico, and Uruguay, as well as for free destination and use, in the case of Free Choice Mobility scholarships. Currently, the programme has supported the progress of more than 4,500 beneficiaries. This initiative has a direct impact on the lives of those involved, expanding their worldview and increasing their possibilities for social mobility. During 2019, the programme granted more than 400 scholarships, with applications increasing by 28% over the previous year.

*

Goal

To create international experiences to expand the horizons of young undergraduate students taking a semester of training abroad to acquire new tools of development and improvement.

+400
scholarships awarded

"I decided to try international mobility because in the scientific area, to have networks and international connections is quite important. Besides, for me as a person, it is a great opportunity to be able to develop, to know other cultures, to master a new language and in general to train myself as a person to contribute to society. The Santander Scholarship for me is a great opportunity."

ISABEL GARCIA, AWARDED A SCHOLARSHIP BY SANTANDER IN 2019

After completing high school, Isabel decided to stay in the Maule Región and study bioinformatics at Universidad de Talca. Thanks to Santander's International Mobility Scholarships, Isabel was able to travel to Canada and study at the University of Ottawa.

Santander Scholarship Awards 2019, a recognition of international mobility

For the third year, Santander Universidades celebrates students who received one of Santander International Mobility Scholarships.

More than 200 students participated in Santander Scholarship Awards 2019, a moving ceremony of recognition to the beneficiaries of a Santander International mobility scholarship, with the objective to enhance the academic training of students with preparation abroad.

> I invite you to make the most of the opportunities you are granted with these scholarships. Always try to leave a mark, contribute your knowledge and skills to the development of others".

Cristóbal Díaz, the scholarship-holder of Pontificia Universidad Católica de Chile 2018.

Universia

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

Through its digital platform, young people can access information on higher education institutions, national and international university studies, scholarships, courses, employment options and news from the university world.

Among the most relevant initiatives during 2019 was the work performed by Metared, a collaborative network formed by managers of Information Technologies and Communication (ICT) areas belonging to universities and public and private institutes in Ibero-America, with more than 40 institutions within Chile. It aims to address the vital task of digital transformation in higher education by sharing best practices and success stories, and by carrying out collaborative projects.

During the year, several seminars, meetings and videoconferences were held at a national and international level concerning issues related to digital transformation. Among these, the II National Meeting of Metared Chile and the I International Meeting, both based in Santiago, stand out. They addressed the work carried out among higher education institutions regarding their relationship to providers, cybersecurity, educational technologies, indicators and KPIs, among other topics.

II National Meeting of Metared Chile, host institute: Pontificia Universidad Católica de Chile.

Goal

To be the largest Ibero-American university cooperation network that contributes to the progress of higher education institutions and their communities. Its strategic pillars are: to be a meeting ground for different institutions; to support the digital transformation of universities; to guide the academic orientation of future students and to promote employment and employability.

2019 Highlights

1. Metared Chile, its various webinars, lectures and working meetings, emphasizing the II National Meeting and the I International Meeting.
2. Meetings among higher education institutions, including the Meeting of Communications Directors and the Meeting of Postgraduate Directors.
3. 2020 Admission Journal: a publication that informs future students about pre-degree admission processes, delivering 70,000 copies nationwide at 219 points.
4. Labour integration and self-employment course: E-learning course taught to more than 20,000 students in 2019, which comprehensively addresses critical issues for all new professionals.
5. Postgraduate Expo: Fair that brings together more than 20 universities reporting on their offer of postgraduate courses and continuing training.

Fundación Belén Educa

Banco Santander has maintained an alliance with Fundación Belen Educa since this non-profit organization began its contribution to promote quality of education within vulnerable sectors. For 19 years, this cooperation has resulted in several initiatives that have enabled the inclusive and sustainable growth of pupils and students of schools in Puente Alto, Maipú, La Pintana, San Joaquín, Quilicura, Pudahuel, Santiago and Cerro Navia in the Metropolitan Region, and La Union, in the Los Rios Region. The following projects were carried out during 2019:

- **Santander Academic Excellence Scholarships**
  Four young former students from Belén Educa were recipients of an academic excellence scholarship the Bank grants annually since 2004 to those with distinguished school performance, commitment, leadership, responsibility and contribution to the community, easing their transition towards higher education. Historically, this benefit has enabled scholarship holders to fund all or a percentage of the annual fee for the university courses they have chosen. Currently, the scholarship is intended towards a programme of maintenance and retention of scholarship-holding students entering higher education, providing funding for the student's transport and food, as well as personalized assistance during the process.

- **Internships in Banco Santander**
  29 young individuals who had just finished secondary education completed their internship in various areas of the Bank, thereby meeting the requirement of graduating from their secondary education technical speciality.

- **Mentoring Programme for Women**
  In 2019 the first version of the Women Leaders Mentorship Programme was launched, developed jointly with Belén Educa and the Ministry of Women and Gender Equality. The aim of this initiative is to encourage young women to continue their secondary and higher education, taking as an example other professional women who act as mentors. On this occasion, a group of 19 female executives from Santander accompanied the same number of students from Belén Educa to guide them in their personal and professional concerns. The programme seeks to build a space for dialogue and conversation regarding the role of women in the world of work.

- **Santander tutoring programme**
  Thanks to the support of volunteers from the Bank, 44 students in their high school senior year belonging to Belén Educa schools received personalized guidance during their final school year on personal, academic and employment concerns. During the 11 consecutive years since the program was implemented in the Bank, it has gathered more than 150 Santander tutors and a similar number of tutored students. This institution has been successful in accompanying the Foundation's schoolchildren, increasing year by year the continuity of studies percentage, which in the case of students accompanied by Santander professionals reaches 83% (compared to 73% of the rest of Belén Educa students).

- **Cybersecurity lecture**
  Banco Santander executives gave lectures on digital self-care and cybersecurity to 160 students from 8th grade to 11th grade, from San Damian de Molokai school belonging to the Foundation, located in the commune of Cerro Navia. In the activity, the young students learned about the main risks they face in their digital interactions through social networks and the internet in general and were able to ask the Bank's experts questions in a final group discussion.

- **Meeting with La Roja Femenina in Santander Club**
  About 40 female students from Belén Educa, from the Arzobispo Manuel Vicuña school of La Legua, attended one of the National Women's Football Team training sessions at the Santander country club, as part of their preparation for the FIFA Women's World Cup in France, after which they shared a moment with the athletes.

  The meeting included a motivational talk directed at young female members on behalf of the technical staff of the Football Team, who highlighted the importance of discipline, perseverance and teamwork.

- **Environmental Education Project**
  Four schools of Fundación Belén Educa participated in the Santander recycling and environmental education programme. This resulted in the installation of recycling spots within these establishments, awareness lectures to all students and teachers, and training in recycling techniques.

*
Goal

To promote quality of education in vulnerable sectors, through community investment programmes in schools of Fundación Belén Educa.

14,260	668	1,154
Beneficiaries	Volunteers	Donated Hours

Compromiso País Programme

Nationwide Commitment (Compromiso País) is an initiative coordinated by the Presidency of Chile, which brings together the public, private, academic and civil society sectors to solve problems affecting the most vulnerable population of the country. To this end, 16 working groups were set up, each addressing various problems identified.

With the mission of contributing to the progress of people and with the firm conviction that education is the driving force of the country, Santander Chile joined this project, leading from the private world the workgroup dedicated to ensuring that people over 18 years old, who did not complete their schooling, are able to do so.

The figures indicate that 37% of Chileans over the age of 18 (about 5 million people) have not completed the 12 years of schooling required by law (source: CASEN 2017), which has a direct impact on the employment and social opportunities they can access. Banco Santander Chile participates in the education workgroup with the Ministry of Education, AIEP, Crece Chile and Escuelas del Cariño.

- **Santander in the Present**
  EUnderstanding that education plays a transformative role in the lives of people, Banco Santander, through its participation in Compromiso País, has developed this programme with the goal to enable people over 18 years of age who have yet to complete their studies, to take free exams and finish their secondary education, thereby allowing them to meet a vital labour requirement.

During 2019, 28 employees of the Bank participated, who for the duration of three months assisted a group of 87 people comprised of workers from the Bank's suppliers, parents of different schools in Belén Educa and people that enrolled through the neighbourhood council. Each of them was given access to a digital platform to complete their studies, and to teachers trained to answer their doubts online and in the company of volunteer tutors, who donated 1,023 hours (406 working, 617 non-working). Out of the total number of those enrolled, 66 people took the exam and all of them passed.

*

Goal

To support people over the age of 18 who are currently not studying in the completion of their 12 years of schooling.

87
Enrollees

28
Volunteers

66
Graduates

1,023
Volunteer hours

Banco Santander looks to contribute to the progress of people with the firm conviction that education is the driving force for progress.

- **Aprende Mayor (Learn Older)**
  It is a programme aimed at people over 60, mostly retired or not working, who wish to complete their primary education. 76 older adults from the communes of Independencia, La Granja and Perquenco attended language, math, history and science classes twice a week for three months.

  The programme, which is part of the Compromiso País initiative, was designed and implemented in an alliance between SENAMA, the Ministry of Education, Universidad Católica and Banco Santander, and culminated with the examination taken by 54 students, of whom 43 passed.

  This successful pilot initiative was designed to be replicated by other institutions throughout the country.

*
Goal

To support and prepare people over the age of 60 to complete schooling.

76
Enrolees

54
Tested

43
Graduates

- **Aprende Mejor (Learn Better)**
  It is a programme aimed at preparing academically individuals deprived of their liberty who have not completed their 12 years of formal education necessary for their high school validation exams. This population today shows a high interest in completing their studies, but different issues within the prison context hinder their educational process.

  Aprende Mejor was a programme coordinated jointly by Banco Santander and Gendarmerie, with the support of the Ministry of Education. Thanks to this programme, 61 inmates of the Santiago Sur Pre-trial Detention Centre were taught voluntarily by university students from related careers. Of the 61 inmates who enrolled in the programme, 28 took the exam and 19 passed.

*
Goal

To prepare academically individuals deprived of liberty.

61
Enrolees

28
Tested

19
Approved

A Shelter to Learn Education Centers (Centros de Aprendizaje Un Techo para Aprender)

Answering the need to provide educational opportunities and spaces that mitigate the effects of social exclusion and encourage community participation around education, Banco Santander and TECHO-Chile created the Learning Centres "Un Techo para Aprender". These are spaces that provide non-formal learning opportunities for children and adolescents living in contexts of high vulnerability.

There are recreative educational programmes, which promote skills such as collaboration, personal and social responsibility, critical thinking and communication, as well as the value of living and sharing together.

Mains goals

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

Specific goals

1. To build and enable optimal educational spaces to develop different educational programmes.
2. To promote learning in excluded territories through educational programmes and activities for children and adolescents.
3. To strengthen the community's commitment to children and adolescents' education.

455
children attended

65
social leaders trained as educational managers

1,092
families positively impacted and

3,713
people

4
operating programmes

10
operational learning centres

2,739
hours of educational use of spaces

383
Santander volunteers

> "You go and meet people. What I like the most is playing with friends, playing football with people or other games there, or sometimes we read books. I have a better time than watching TV or playing on my phone. I like games and share with so many kids. Also, I learned to put together the letters because I didn't know how to read well, and the educational managers have helped me."

Testimony of a child benefited by the Learning Centre.

*

TECHO-Chile launches the "Sin Lugar" (without a Place) campaign

On average, 10 families begin their lives at an encampment every day in Chile. This reality is what motivated the development in 2019 of "Without a Place", a campaign with which TECHO–Chile sought to add partners and to raise awareness regarding the consequences of the lack of housing or of a decent neighbourhood to live in.

It is a three-chapter micro-series based on real life, which portrays the experiences of families living in encampments and blocks, reflecting the reality of exclusion lived by thousands of people in Chile.

In order to promote social inclusion, Banco Santander invited its clients to join as partners in TECHO-Chile's endeavour, through communication campaigns within its main social networks.

It should be noted that this audio-visual work was recognized in the Achap Awards with four gold medals: Best campaign in Chile, Best Branded Content Series, Best Director, and Best Actor.

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Banco Santander participates in discussion groups concerning the city

Banco Santander participated in an unprecedented day of activities to discuss and reflect on education, housing, and integration, together with Government authorities, representatives of the private sector, citizens, public figures, and volunteers and residents of the communities where TECHO-Chile works. The meeting was held in the Metropolitan Park of Santiago and aimed to foster dialogue regarding issues related to the city in order to diminish societal gaps and build fairer and more integrated cities.

Financial empowerment

GRI [203-2]

One of the ways Santander Chile positively impacts people is through financial empowerment, both through financial education initiatives that encourage responsible decision-making regarding the management of their finances or by offering them products that encourage their good financial behaviour.

SANODELUCAS SANTANDER

A pioneering programme in the Chilean banking industry that substantiates Santander's commitment to the financial education of all people, through concrete actions that promote the financial knowledge of the whole society, seeking to improve decision-making, the use of banking products and the management of personal finances.

The digital platform offers financial literacy information in its various sections, both for entrepreneurs and for natural persons. During 2019, the programme benefited 425,329 people.

*

Goal

To provide financial tools and knowledge to individuals and SMEs.

425,329

people reached

SANTANDER LIFE: COMMERCIAL PROPOSAL THAT ENCOURAGES GOOD FINANCIAL BEHAVIOUR

Santander Life is a value proposition for the mass income segment focused on responsible and progressive banking, transactionality and financial education, promoting the good financial behaviour of customers. It operates through Meritolife, a merit-based programme that rewards timely response to bank commitments with access to tangible benefits such as timely payment deferral, reduction of interest rates, payment dates changes, discounts and other incentives. It also stimulates the behaviour of customers as digital users who can access the Meritolife platform from the app or computer.

The programme was enhanced with new features, products and sources of recognition, to incorporate the financial education dimension and help customers make better decisions, in line with the Bank's goal of contributing to the progress of people. Santander Life impacted a total of 77,197 customers during 2019.

CUENTA LIFE (LIFE ACCOUNT)

Launched in 2019, Plan Cuenta Life is a 100% digitally contracted account, with a focus on savings and several attributes that allow low-income families and more vulnerable groups to access essential financial services.

As an example, no fees are charged for transactions or money orders at national ATMs, and the one-time monthly fee is UF 0.08. Also, the account does not allow overdrafts, which helps individuals avoid over-indebtedness.

Cuenta Life also participates in the Meritolife programme of Santander Life, rewarding the overall banking performance of customers with tangible benefits and incentives within this area. Additionally, through this programme, customers have access to the first savings tool with targets where you can select and set a savings and investment plan with a specific goal.

Through Cuenta Life, Santander not only is supporting the inclusion and financial empowerment of people who are currently excluded from the banking system but it is doing so in a way that is consistent with their culture: a Simple, Personal and Fair.

Banco Santander awards scholarships for AIPEF's Diploma in Economic Journalism

By means of granting 30 scholarships, Santander became part of a key project of the Inter-American Association of Journalists of Economy and Finance (AIPEF). This is a Diploma in Economic Journalism taught by the School of Communications of the Pontificia Universidad Católica de Chile.

With this, the Bank intends to contribute to the country by granting financial education to journalists who will have the important task of communicating to society clear and reliable information about the events that occur in the economic field.

FINANCIAL EDUCATION PROGRAMME AT SCHOOL WITH THE PUBLIC POLICY CENTRE OF UNIVERSIDAD CATÓLICA

Banco Santander and the Public Policy Centre of Pontificia Universidad Católica have been developing this programme since 2016, to improve the financial capacities and knowledge of the country's educational communities through innovative and comprehensive methodologies.

In its fourth version, the programme included the following stages:

- Development of research concerning Financial Literacy and Financial Behaviour of Teachers in Chile, with the purpose of investigating the material within schools and the financial knowledge that teachers in the country have. A nationwide survey on financial education was carried out and was answered by 1,235 teachers. Among the main findings, it was found that in Chile, 7 out of 10 teachers do not feel sure teaching this knowledge to students in primary and secondary education.
- "Finance for Daily Life" is a course that trains parents and guardians of students from different schools, including those in vulnerable sectors regarding the responsible management of their personal finances and their entrepreneurship. In 2019, the course was implemented in seven establishments in five communes of the Metropolitan Region (Maipu, Puente Alto, Pudahuel, La Pintana and Renca), granting 335 scholarships for people to attend.
- "The future is saving" is a digital initiative directed at ninth-graders that seeks to facilitate the learning process of financial issues, through games on a web platform. In this way, we seek to make the internalization of concepts, economic processes and financial techniques more expeditious for students and help them develop skills that assist them in making better decisions regarding the use of money so that they become responsible and informed economic agents. This third stage of the programme is expected to be implemented by March 2020.

FINANCIAL EDUCATION OLYMPICS - ANP

This year Santander joined the XI Olimpiadas de Actualidad (News Olympics) 2.0, a competition endorsed by the National Press Association (ANP), which promotes the interest, analysis and comprehension of the national contingency of the students in the country, through the reading of local newspapers. Between May and November 2019, 1,458 students from 243 schools in different regions of the country had the opportunity to measure their knowledge of current events, and for the first time, of financial education as well. The four finalist teams, three from regions and one from Santiago, were awarded in an enjoyable ceremony held in December.

Goal

To promote the interest, analysis and comprehension of the national contingency for secondary school students in the country.

1,458
students participated

243
teachers

243
schools

18
courses

Support for entrepreneurship

Another way for Banco Santander to contribute to society and the local economy is by supporting entrepreneurship. To this end, it has designed several initiatives, among which stands out its alliance to the Association of Entrepreneurs of Chile, ASECH, which was renewed in 2019 for its third consecutive year. This year, meetings were held with entrepreneurs throughout the country, and training sessions were organized by Bank executives on financial matters and other relevant issues. Through this agreement, 5,308 people were benefitted during 2019.

This also has non-financial offers for SMEs, such as the Connect your SME programme, which creates a website at no cost for customers in this segment. The goal is to support them in their online sales, enabling an extensive catalogue of html5 designs for all types of business. The programme includes the necessary tools to update and manage developed websites. In 2019, 18,167 customers were enabled to use a free web platform.

IDEAS X

Understanding that entrepreneurship is an essential economic driver and that to encourage it in early stages is essential, Santander created an exclusive award for undergraduate students in order to train, accelerate, finance and accompany their innovative ideas. The best 10 students obtained a total of six million pesos each and a three-month follow-up to monitor the development of their business, which is added to the complete training students receive while participating in the process.

The call for entries was made through Santander X, an international digital platform that seeks to be the largest university entrepreneurship ecosystem in the world. 223 projects were received from 600 students, 50% of whom came from regions.

In the first stage, 60 top projects were selected, with members receiving training in entrepreneurship. In the second stage, the selection is narrowed down to 40 projects, which receive the support of mentors and experts on topics such as legal advice, business plan and business pitch. After a presentation in front of a jury, the best 20 projects were selected and received an initial capital of one million Pesos each to accelerate their respective entrepreneurship. Subsequently, in a grand finale, the 10 winning projects were chosen.

SANTANDER X

A global platform where young entrepreneurs can connect with each other and with the main actors of the entrepreneurship ecosystem: universities, companies, teachers, mentors and other entrepreneurs, in order to develop projects internationally. They also are given access to a network that informs on current events, application calls, news, and other relevant content.

In Chile, there are 18 higher education institutions affiliated to Santander X. In 2019, 10 of them developed university entrepreneurship initiatives within this platform, in partnership with Santander, receiving nearly 1,000 applications for innovative and high social impact initiatives.

BRAIN CHILE

It is a programme that seeks to promote the transfer of science and technology-based enterprises from the area of national and international higher education institutions to different sectors of industry, managing to add value to the country and society. It is an initiative of the Innovation Centre of UC Anacleto Angelini, the School of Engineering and the Management of Technology Transfer and Development of the Pontificia Universidad Católica de Chile, together with Banco Santander.

In 2019, besides holding the fifth version of the contest, BRAIN Chile achieved an essential step in the internationalization of the initiative, agreeing to the implementation of a pilot programme in Mexico.

278
participants

17%
more participants than in 2018

25%
of participation from other countries

40
million pesos to be distributed: 12 for the winner, 6 for the following 3 places, 2 million for the prize for the public, and for the first time 1 million was distributed among the 8 finalist teams.

WORK/CAFÉ PROGRAMME

Banco Santander's iconic branch model, Work/Café has become a pleasant space, not only for customer service but also to encourage entrepreneurship, collaborative work and community input through various initiatives developed for this purpose. With more than 50 offices open and with a presence in all regions of the country, Work/Café is expected to be a valuable ally to promote inclusive and sustainable growth.

- **Work/Café Solidarity**
  This initiative began in 2018 and seeks to support families living in encampments, as well as to promote the work and development of local SMEs, through the solidary sale of ceramic mugs. During 2019, the solidarity mugs were available at 21 Work/Café branches.

- **Work/Café in universities**
  During 2019, Banco Santander opened two Work/Café branches inside universities within the country. The first, in March, at the Lircay Campus of Universidad de Talca, and the second, in September, at the San Joaquin Campus of Pontificia Universidad Católica de Chile. Both branches have co-working spaces, meeting rooms, Wi-Fi, speciality cafeteria and a team of financial advisors from the Bank, creating a pleasant meeting point for students and academics, where we expect great ideas, innovations and entrepreneurship will arise.

- **Work/Café Lectures**
  This project seeks to raise awareness, strengthen and provide visibility to entrepreneurs' experiences to the community alongside the real cases of renown people in the entrepreneurship and innovation world.

  During 2019, there were 14 lectures attended by 1,143 people and 8,392 people participated via streaming.

- **Work/Café Radio**
  The radio programme, which began broadcasting on Radio Zero on August 1, 2018 and remained there until August 2019, when it moved frequency to Radio Infinite from September 30 of the same year, thereby multiplying its scope and achieving national coverage. The central themes of this radio space are entrepreneurship and innovation, in addition to offering a showcase for those who want to share ideas, experiences and tips for all entrepreneurs in Chile. The programme is led by presenter Soledad Onetto, and it is broadcasted from Monday to Friday, between 17:00 and 18:00, through the radio station's signal Infinita and the TV channel Mega Plus. On social networks, it can be heard through the Santander Chile profile on Facebook Live.

SANTANDER TECHNICAL STUDIES SCHOLARSHIPS

It is a training programme in technical studies, carried out by the Bank jointly with TECHO-Chile, in order to develop and strengthen labour skills of people belonging to the most vulnerable areas of the country, providing tools that promote self-employment and entrepreneurship.

During 2019, 250 scholarships were awarded for 10 courses in bakery and pastry made in Santiago, Concepción and Valparaiso. The initiative had the voluntary participation of six collaborators of the Bank, including economists from the Research team, who shared their knowledge of financial education about saving and responsible borrowing, among other topics.

*

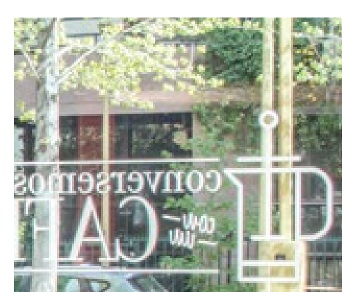
Goal

To develop and strengthen the labour skills of people in vulnerable areas of the country, providing tools that favour self-employment and entrepreneurship.

250
scholarships awarded / Beneficiaries

10
Bakery and pastry courses

6
Volunteers from Banco Santander



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Other initiatives of the Bank

- **Mujer Impacta National Award 2019**
  To raise awareness and promote women's empowerment, Banco Santander signed an alliance with the organization Mujer Impacta, in order to contribute to the Mujer Impacta Award, an initiative that for the seventh consecutive year awarded women who contribute to improving people's lives and to build a better country. The seven women awarded in 2019 are now part of RedImpacta, a community comprised of the 49 women who have received this distinction. This allows them to access mentoring, training courses and support workshops so that they can continue contributing to the country from their respective areas.

- **Volando en V (Flying in V)**
  During 2019, and thanks to the support of Banco Santander, Fundación Volando en V was able to develop a programme of school community coexistence in Colegio Ozanam of the San Vicente de Paul Foundation. The goal of this programme is to motivate students to be proactive and provide them with the tools to build a united, tolerant and collaborative student community.

  This initiative included training and assistance by the team of leaders in charge of the programme, awareness-raising sessions, training workshops for teachers and representatives, and a series of interventions to strengthen school coexistence: this positively impacted 976 students, 56 teachers and 279 families.

CORPORATE VOLUNTEERING

An important part of Santander's contribution to society is made by its own collaborators, who are encouraged by the Bank to embrace the mission of helping people and companies to thrive and transform this commitment into actions covering a wide range of topics.

2,411
volunteers

24
initiatives

11,554
people benefited

The following are the most relevant volunteer activities of the year, which are always aligned to the organization's mission, the situation and the needs of the community.

- **Environmental education volunteering**
  About 80 employees of Banco Santander visited four schools of Fundación Belén Educa to build and enable recycling points for use by these establishments and the surrounding communities. In this activity, the collaborators donated 624 hours of work for the benefit of 6,571 people.

- **Solidarity projects**
  A contest of solidarity projects that Banco Santander organizes every year to allow all of its collaborators throughout the country to develop and implement a project that is in tune with their own social motivation, along with contributing $1,000,000 for its implementation. The 15 winning initiatives of 2019, eight of them from regions, were selected from 70 projects received.

- **Volunteering in Financial Education**
  An initiative that began in 2019 to encourage the financial empowerment of people from vulnerable sectors of the country, while simultaneously encouraging the motivation and commitment of the Bank's volunteers to the mission of contributing to the progress of people.

  Collaborators in the commercial, financial and technological areas of the Bank gave lectures about saving and responsible indebtedness to approximately 50 people who are undertaking or developing a business idea.

  It is worth noting that the first beneficiaries of this volunteering were the students of the Santander Technical Studies Scholarships, a programme focused on developing skills and abilities for self-employment and entrepreneurship of people from vulnerable sectors.

Corporate volunteering in Santander 2019

	2018	2019
Iniciatives	30	24
Volunteers	1,282	2,411
Beneficiaries	7,525	11,554
Volunteer hours	10,789	4,917
Working hours	2,973	2,806.75
Non-working hours	7,816	2,110
Volunteer hours valuation	$ 57,328,543	$37,402,701

Social Investment

GRI [415-1]

INVESTMENT IN INFRASTRUCTURE AND PUBLIC SUPPORT SERVICES

GRI [203-1]

In 2019, Banco Santander funded the construction of six temporary housing units in the 21 de Mayo encampment in the commune of Colina, which had been destroyed in a fire. The cost of this investment was $6.5 million.

Type of contribution	Total 2019
Cash contributions	$ 4,163,463,068
Cost of hours per volunteer	$ 37,402,701
Donations of goods	$ 6,416,793,853
Project administration costs	$ 215,900,000
Total	**$ 10,833,559,622**

DONATIONS

The General Sustainability Policy provides guidelines for the contributions made by Banco Santander Chile in the area of social investment and donations. It should be noted that the Bank does not donate to political campaigns, but it does contribute to certain think-tanks as a way of encouraging critical thinking and the development of the country's human capital. It also contributes to various guilds for the same purpose, and these are: Libertad y Desarrollo, CEP, CIEPLAN, ABIF, CAMACOES, UC Public Policy Centre and Paz Ciudadana.

Category	2016	2017	2018	2019
Contributions to lobby institutions	0	0	0	0
Contributions to local, regional and national political campaigns	0	0	0	0
Contributions to trade unions, think tanks and/or other tax-exempt organizations	$430,620,962	$397,250,225	$580,990,000	$495,458,610
Annual contribution	$430,620,962	$397,250,225	$580,990,000	$495,458,610

Total percentage of costs attributed to donations/social investment

0.2%
Donations

36.4%
Social Investment

63.4%
Commercial Initiatives

Environmental dimension

The environment's protection represents a fundamental pillar for the Bank's sustainability management and its contribution to the sustainable growth of the communities in which it is present, both in terms of its internal operations and in the development of its banking and financial activities.

Thereby, its actions, principles and its commitments to this area are reflected in its General Sustainability Policy, Climate Change Policy and Environmental Management, Socio-environmental Policies and Culture Policy, which ensure responsible behaviour with the environment and encompass all of its stakeholders.

The following are the main areas of Environmental Management and the most relevant milestones of the year.

Sustainable Finance

- Green and sustainable loans (ESG)
- Green and Sustainable Bonds
- Project Finance with ESG impact

Environmental and social risk analysis

- Socio-Environmental Policies
- Financing of Sensitive Sectors Policies
- Equator Principles

Environmental Footprint

- Carbon footprint
- Compensations of Corporate Carbon Footrprint of Santander
- Operational eco-efficiency
- Clean production agreement

Sustainable finance

Santander is one of the world's leading banks in sustainable finance and the main driver of this activity in Latin America. With this, the Bank incorporates ESG (Environmental, Social, Governance) criteria in its line of business at the level of consulting and financing products, both for the Investment Banking segment and corporate clients, as for the Middle Market and Regional Companies. In this way the Bank introduces incentives that promote the sustainable behaviour of its customers, thus achieving a positive impact on the sustainable development of society and responding to the growing interest that exists between shareholders, investors and customers for this market.

Santander develops sustainable financing solutions through the Sustainable Finance area, recently formed in 2019, which has global and country-wide responsibility for all sustainable financing activity. It includes two major product areas: Green Financing, both in Loan and Bond formats and Sustainable Financing or linked to ESG variables, which are also under Loan and Bond formats. Here are the most important milestones of the year in this area:

GREEN AND SUSTAINABLE LOANS (ESG)

In a booming market, which recorded a global volume of US$ 165 billion in 2019 and a growth of 230% compared to the previous year, Santander is positioned as one of the global leaders, ranking second globally in sustainable loans.

Being supported by having already formalized nearly 60 loans globally under sustainable models, Santander also maintains leadership position at a regional level, where we have been in charge of several of the principal transactions registered in Latin America, that have been the first loans under this model in Chile, Mexico or Argentina.

In this area, two pioneer transactions stood out in Chile during 2019:

- In May, Banco Santander financed the first formalized credit in Chile linked to environmental, social and corporate governance criteria (ESG Linked Loan), being at the forefront of the market and leading sustainable financing in the country.

It is a multi-currency corporate credit line for US$ 30 million, structured in two tranches -dollars and Chilean pesos-in favour of the local subsidiary Acciona (Acciona Financiación Filiales Chile SpA; AFiFi), for corporate uses.

In this type of financing, the price to be paid for the credit line is linked to the behaviour of the debtor in the environmental, social and corporate governance variables. Each year, RobecoSAM, which will act as a rating agency, will evaluate the ESG rating achieved by Acciona, assigning a score that will condition the price to be paid by the debtor. This creates incentives for companies to be more responsible in matters that are increasingly relevant to the sustainable development of society.

- In October 2019 Banco Santander consolidated its leadership position in the sustainable financing market, with the structuring of the most relevant Green Syndicated Loan at the regional level, in favour of Acciona, to finance solar and wind energy investments in Chile. The instrument was structured in two facilities: A Syndicated Loan of US$ 150 million amortizing over five years, repayable, and a Revolving Credit Facilities (RCF) for US$ 50 million with a five year term. Banco Santander Chile was the only national entity in the transaction and acted as a structuring and financing agent.

GREEN AND SUSTAINABLE BONDS

It is a major global market, with a volume of US$320 billion, representing 5% of the total volume of emissions worldwide. Here, Santander also ranks among the market leaders, especially in Latin America, where it was responsible for the first transactions in the leading countries of the region:

- First Green Bond issued for a Chilean Corporate (CMPC, in 2017).
- First Green Bond in Argentina (Jujuy Province, in 2017).
- First Green Bond in Brazil (BRF, in 2015).
- First Transition Bond (Marfrig, in 2019).
- First Hybrid Bond (AES Gener in 2019).

*

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

1. CMPC's Local Bond for UF 2.5 million
2. Sonda's Local Bond for UF 1.5 million
3. Arauco's Bond for US$ 1 billion
4. AES Gener's Hybrid Bond for US$ 450 million

In 2020, Santander began the year with the Sovereign Bond loan to the State of Chile, which is structured in two sections, with the EUR tranche for a total of Eur 1.96 billion and the US$ tranche for a total of US$ 1.65 billion to implement an ambitious programme of reforms and investments, all with social and environmental impact.

PROJECT FINANCE WITH ESG IMPACT

This consists of financing under the structure of Project Finance, which funds investment projects, usually under a concession framework in infrastructure-type projects, or under a supply contract or PPP in the case of renewable energy generation projects, water treatment or other purposes. In these cases, Banco Santander carried out an exhaustive analysis process of environmental and social risks associated with each project before deciding the funding approval or rejection, which includes an evaluation using the Equator Principles, in a specific process verified under political risk and with specific application to the local and global level in the Bank. In this area, some relevant projects stand out, such as:

- **Spence desalination plant**
  Water desalination plant in Bahía de Mejillones that will provide water to a copper mine through a pipe of 150 kilometres. The plant will contribute to copper production, reducing water consumption and mitigating the consequences of the intensive use of this resource in mining within the region.

US$ 512
million invested

- **Cerro Dominador**
  Construction of two complementary renewable energy projects, through the use of pioneering technology in Latin America: a photovoltaic plant and a solar concentration plant. It should be noted that this type of project represents progress in the development of a renewable energy matrix for the country, as it allows the use of renewable energy sources for 24 hours.

US$ 880
million invested

- **Loa Route road concession**
  Improvement and double-track extension work of the current Route 25, which covers 111 km. Furthermore, the concession company will have to build 25 kilometres of new road located on the Eastern Ring Road in Calama, in the Antofagasta Region. The project will increase safety in a road primarily used by large mining companies, therefore reducing the number of accidents on the route. Furthermore, the improvement in the road infrastructure will allow greater development and competitiveness in the mining sector, which will encourage industrial and commercial activity in the area.

US$ 326
million invested

*

UN Financial Initiative conducts training in Sustainable Finance and ESG Risks together with Santander

More than 50 professionals from the Bank participated in the training session on Sustainable Finance and ESG Risks organized by the areas of Sustainability, Risks and Global Debt Finance.

The initiative, part of Santander's Responsible Banking commitment to contribute to sustainable growth and support the transition to a low carbon economy, was supported by the United Nations Environment Programme Finance Initiative (UNEP-FI) and experts on sustainability and ESG risk assessment, who together with the Executive Director of Global Debt Finance and the Manager of the Middle-Market-CIB Portfolio, presented the global situation, the opportunities and challenges of sustainable financing and the positioning of Santander Group in this area.

It should be noted that in addition to this initiative, Santander Chile has participated as a sponsor in numerous forums and conferences at the local and regional level, in Sustainable Finance panels and expert exhibitions, and has shared numerous success stories globally. This shows the support and momentum Santander provides to all matters related to Sustainable Financing and Responsible Banking in Chile and Latin America.

Environmental and social risk analysis

GRI [102-11][201-2]

In 2019, the Group created the area of Socio-environmental Risks within the Bank's Risk Division. In Santander Chile, this function is implemented from the Portfolio Manager Middle Market & CIB area, which operates in the same division at the local level.

Within the framework of sustainability policies, the process of environmental and social risk analysis includes an internal analysis of the client, the project if applicable, and the industry to which it belongs.

In the case of projects, processes are developed for technical, environmental, market, insurance, and financial model, due diligence. Along with this, the internal verification of compliance and risks, the evaluation of the Equator Principles if applicable and the evaluation or renewal of the Know Your Client (KYC) process for Corporate & Investment Banking clients are developed.

This last element of due diligence helps in getting to know each of the clients with whom the Bank works in this area and thus ensure that its activities are legitimate.

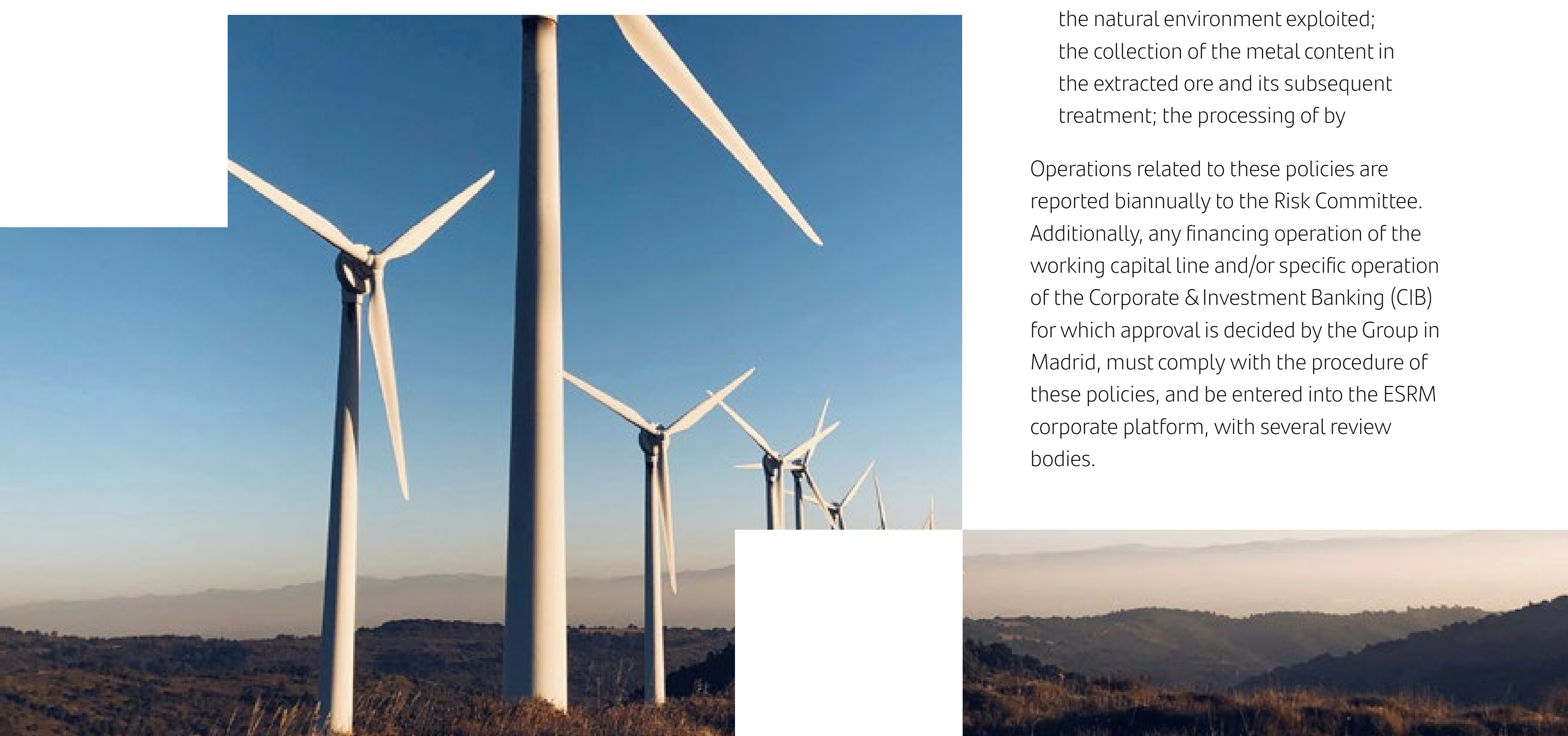
Santander also maintains a permanent dialogue with its clients regarding the risks and opportunities associated with ESG criteria, including information about new market trends, the Bank's positioning, the evolution of ESG variables in its industry, and the behaviour of its competitors. The Bank also provides them with solutions according to their characteristics and goals in order to improve their performance in ESG matters and to incorporate sustainable financing solutions into their corporate strategy.

SOCIO-ENVIRONMENTAL POLICIES

Banco Santander also has four Socio-Environmental Policies from which companies belonging to the corporate segment (CIB) are subject. These policies detail the provision of products and/or financial services and the criteria for the risk analysis, social and environmental of the customers belonging to sensitive sectors such as Energy, Soft Commodities, Defence, and Mining-Metallurgical, determining the restriction or prohibition of certain financing activities. In the case of prohibited financing activities, the restrictions apply to CIB customers and customers belonging to the company, and SME segments whose risk limit exceeds $ 400 million Pesos.

- Policy for the Defence sector and dual-use technologies.
- Policy for the Energy sector, for extraction activities, production and treatment of oil and gas; coal, nuclear and hydraulic power plants; other renewable energy generation facilities; bioenergy; and construction of power transmission and distribution lines.
- Policy for the Soft Commodities sector for activities with impact on forests, tropical savannahs and savannah biomass.
- Policy for the Mining and Metallurgy sector for the activities of the mining-metallurgical sector, particularly those related to mining opportunities and research; mining development and activities; restoration and recovery of the natural environment exploited; the collection of the metal content in the extracted ore and its subsequent treatment; the processing of by

Operations related to these policies are reported biannually to the Risk Committee. Additionally, any financing operation of the working capital line and/or specific operation of the Corporate & Investment Banking (CIB) for which approval is decided by the Group in Madrid, must comply with the procedure of these policies, and be entered into the ESRM corporate platform, with several review bodies.



FINANCING POLICIES FOR SENSITIVE SECTORS

Santander has Financing Policies for Sensitive Sectors, considered as such for their own corporate reason, political or cultural impact, which may involve a reputational risk for the Bank. The following activities are associated with sensitive sectors:

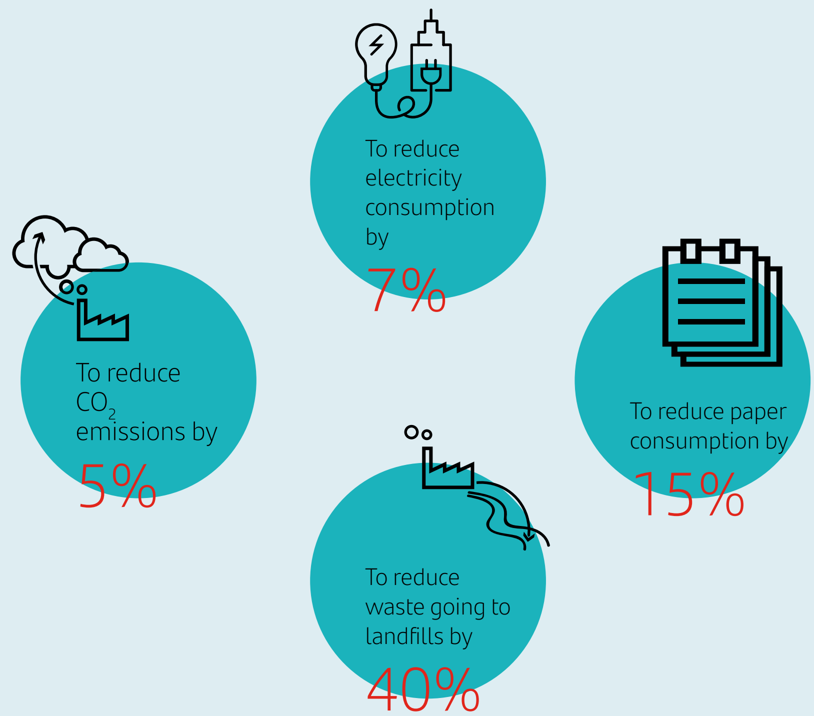
- Media
- Gambling
- Club and sports associations
- Religious institutions, congregations and orders
- Trade union, business and professional associations
- Non-Governmental Organizations (NGOs)
- Cannabis industry

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

EQUATOR PRINCIPLES

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

Banco Santander Chile quantifies the environmental impact of its operations and defines various measures and objectives to reduce its Environmental Footprint.



ENVIRONMENTAL MANAGEMENT

Santander has an Environmental Management System (EMS) certified for the seventh consecutive time in 2019 under the ISO 14001:2015 and whose validity extends until July 2022[1] .

The EMS governance is part of the Responsible Banking, Sustainability and Culture Committee, which is headed by the CEO and is composed of managers of the different divisions of the company. It allows the strategic implementation of the environmental management initiatives of the organization.

1. The Environmental Management System has a determined scope that includes Banco Santander Chile's three central buildings (Bandera 140, Bandera 150 and Bombero Ossa 1068). Approximately 29% of the labour force is concentrated in these buildings.

CARBON FOOTPRINT

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

An important part of the commitment to sustainable growth and the fight against climate change is realized through the measurement and management of the corporate carbon footprint, which is why in 2019 the Bank improved the methodology of calculation and estimation of its GHG emissions, being also reviewed by the audit company KPMG. Additionally, it increased the coverage of the scope 3 measurement and set the target of 5% reduction of its total GHG emissions by the year 2021.

	2016	2017	2018	2019
Direct GHG emissions Scope 1 (tCO_2eq)	197.2	230.3	225.0	627.0
Coverage Scope 1			79%	92%
Indirect GHG emissions Scope 2 (tCO_2eq)	14,992.9	14,277.0	13,776.0	12,090.0
Coverage Scope 2			88%	92%
Indirect GHG emissions Scope 3 (tCO_2eq)	-	-	4,376.2	3,431.0
Coverage Scope 3	-	-	-	92%
Total (tCO_2eq)			18,377.20	16,148.00

The reduction commitment will lead to a series of measures that seek operational eco-efficiency and thereby reductions in electrical consumption and the most used consumable goods such as paper. All the above will be accompanied by campaigns to further strengthen the promotion of a culture of less waste and more recycling within the organization, with the goal of reducing the waste going to landfills in 2020 by 40% from the three main corporate buildings.

SANTANDER'S CORPORATE CARBON FOOTPRINT COMPENSATION

In line with the commitments made and in support of the Group's goal of being Carbon Neutral, Banco Santander Chile compensated the greenhouse gas emissions of its 2019 operations, in scope 1, 2 and 3. This voluntary compensation was made through the purchase of Certified Emissions Reduction Credits (CERs) for a sustainable project in Chile, certified under the United Nations Standard (UNFCC) and meeting the requirements established by the Clean Development Mechanism (CDM).

Santander Footprint Programme: for the first time customers have the option of knowing and compensating their carbon footprint

In 2019, Santander became the first bank in the world to offer its customers to voluntarily compensate their carbon footprint related to the products and services they purchase with their credit or debit cards. This initiative seeks to add them to this sustainability challenge, considering the relevance that climate change has acquired today and that is part of the Group's commitment to be a carbon-neutral bank by 2020.

Those who decide to compensate their footprint can do it simply from the Bank's website, buying carbon bonds or by making direct contributions to Chilean environmental projects. The bonds come mainly from renewable energy projects and forest conservation and are found in countries with laws that ensure proper implementation and verification. In the case of environmental projects, the contribution is directed to different non-profit organizations that seek to conserve the ecosystems of Chilean protected areas and also to contribute to the maintenance of the surrounding communities.

The customers' footprint is calculated by estimating the impact on CO_2e generated by the products and services purchased with their Santander cards, based on indices and international experiences adjusted to the local context, and which was verified by an external entity.

OPERATIONAL ECO-EFFICIENCY

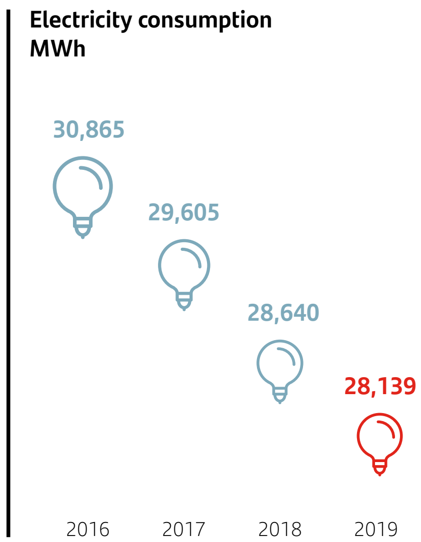
ENERGY

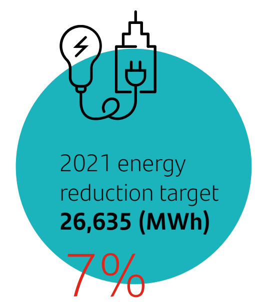
GRI [302-1][302-4]

Banco Santander has achieved a sustained decrease in the energy consumption of its facilities, a trend that continued during 2019, in which a 2% reduction in the annual electricity consumption was achieved compared to 2018. This figure is attributed to the implementation of initiatives such as the system of monitoring and control of energy consumption in offices and branches, which began in 2018 and which incorporated 44 new offices in 2019, making a total of 102 facilities that operate under the energy efficiency modality offered by the system.

Furthermore, there has been a 28% increase in electricity consumption from Non-Conventional Renewable Energy (NCRE) sources, this after the company carried out a contractual agreement with the company AES GENER for the supply of about 8 million kWh of 100% wind generation projects.

	2016	2017	2018	2019	Reduction 2018-2019
Electricity consumption (MWh)	30,865.0	29,605.0	28,640.0	28,139.0	2%
Energy intensity (KWh/m^2)			92	89	



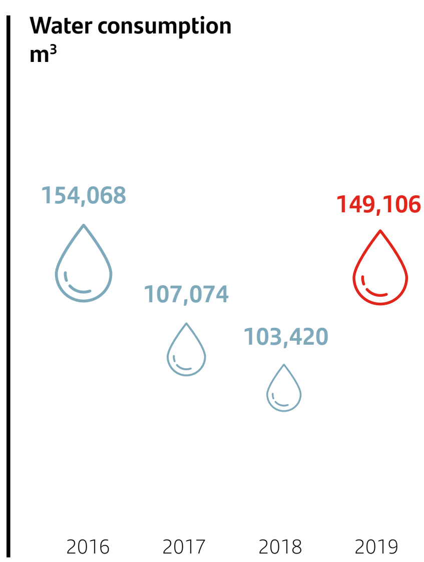


WATER

GRI [303-5]

All of Banco Santander's facilities have drinking water supplies from the public services of authorized water companies. Therefore, water consumption does not affect or involve protected areas or other sources.

In 2019, in addition to continuing with consumption reduction plans, efforts were focused on improving the accuracy of the organization's water consumption data and also its coverage, from 52% in the previous three years to 87% during the reporting year. This measure will make it possible to establish a more reliable basis for the analysis and management of water resources.



The commitment to reduce the environmental footprint brings a series of measures aimed at operational eco-efficiency of Santander Chile.

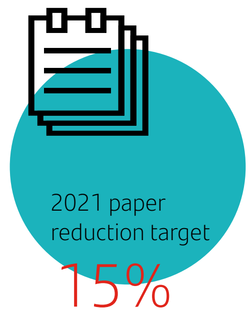
	2016	2017	2018	2019
Water consumption in all areas (m^3)	154,068	107,074	103,420	149,106
Data coverage	52%	52%	52%	87%

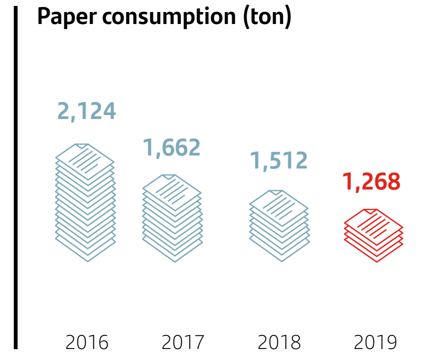
PAPER

GRI [301-1]

Paper is a relevant consumable good in the operation of Banco Santander, so in 2019 the Bank continued its efforts to reduce its use in the internal processes and communication to customers, thus achieving a 16% reduction in consumption compared to 2018, as indicated in the following table.

Non-renewable materials used	2016	2017	2018	2019	Reduction 2018-2019
Paper (ton)	2,124	1,662	1,512	1,268	16%
Data coverage	52%	52%	52%	87%	





Among the measures addressed to achieve the 16% reduction, the decrease in paper consumption related to the printing of documents by employees was reduced by 5% in 2019 thanks to the following initiatives:

- Renovation of the printer fleet with more energy-efficient equipment and network.
- Modernization of the distributed printing service and the implementation of the "Follow me print" mode which allows the release of printing material only with the employee's credential and on any printer on the network, thus ensuring higher levels of security and greater efficiency.
- Scanning of client folders, thus avoiding printing copies of them.

Adding to this, Retail Banking is including migration to an electronic account statement, which has already reached a coverage for 88% of customers. Furthermore, in 5 years, the number of paper sheets of individual plan contracts has decreased by 45%, and the SME plan contracts by 30%.

PLASTICS

Aware of how harmful single-use plastic is to the planet's ecosystems, particularly marine ecosystems, Banco Santander Chile, like nine other subsidiaries from the Santander Group, has committed to stop generating single-use plastic waste in its canteens, cafeterias and others by the end of 2021.

Likewise, starting in 2020, the removal of single-use plastic bottles was stipulated within the central buildings of Santander Chile. That is why, since August 2019, the Bank gradually stopped delivering soft drinks and juices in plastic packaging to the various units of the company, which in addition to favouring the environment, promotes a healthier lifestyle for employees.

In this same context and considering its customers, the Bank conducted a campaign to promote the use of reusable bags in 2018, and in March 2019 plastic bags were removed for shipments of credit and debit cards to customers.

Work/Café also contributed to the challenge of fewer plastics use by replacing coffee cups, napkins, straws and other consumable goods with compostable materials.

CLEAN PRODUCTION AGREEMENT

In March 2019, Banco Santander Chile joined the Clean Production Agreement (CPA) –Zero Waste for Disposal, signed between Acción Empresas and the Agency of Sustainability and Climate Change. This CPA is made up of 45 companies and Santander is the first financial organization to join.

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

The agreement covers the Bank's 3 corporate buildings and the goal set in December 2020 is to achieve a 40% reduction in waste going to landfills. To this end, among the most impactful initiatives implemented by the Bank is the design of the waste management plan Camino Basura Cero, which was launched in October 2019 and included a recycling and waste recovery operation in canteens, pilot floors and Work/Café Nueva Bandera. At the end of the year, the Bank managed to recover 4,000 kg of organic waste from corporate canteens for composting.

In addition to the above, there are other initiatives undertaken by Santander to respond to the objectives of the Cleaner Production Agreement, including

- The formal commitment of the Bank's Senior Management to the agreement to develop and implement a Zero Waste Disposal policy permanently.
- Quantitative information was collected on the types of waste generated to encourage an increase in the supply of solid waste management services.
- A reference guide was designed and spread to enable other companies to make progress in this area.
- The implementation of the distinction model of Zero Waste to Landfill Seal was supported. This process was led by the Ministry of the Environment.
- Monitoring and recording of the social, environmental and economic impacts of the CPA were carried out through key sustainability indicators.

Similarly, in 2019, Banco Santander's application to the Zero Waste to Landfill Seal was accepted, a process led by the Ministry of the Environment. The seal seeks to recognize companies that raise awareness, prevent and value their waste, encouraging its reduction.

REUSE AND RECYCLING

GRI [306-2]

Banco Santander promotes reuse and recycling to reduce waste generation and disposal to landfills, concentrating its reuse strategy on electronic waste, and recycling of paper and cardboard, which are separated and classified for this purpose.

Furthermore, during 2019 the company started the collection of organic waste from its composting facilities, which adds to the goal of zero waste after joining the Clean Production Agreement.

It should be noted that the substantial increase in the recycling of paper and cardboard shown in the table is due to the destruction of archival documentation, under SBIF Newsletter 3427, which indicates that once documentation reaches 6 years in custody its bank validity expires.

It is also important to mention that almost all of the paper and cardboard waste produced by the Bank is recycled, mainly from the central buildings and the largest branches in the Metropolitan Region.

Non-Hazardous Waste	2018	2019	Disposal
Total waste generated (ton)	**814.5**	**1,451.8**	
Total waste reused, recycled and sold (ton)	**682.0**	**1,295.5**	
Electronic waste (ton)	148.0	32.4	Reuse
Paper and cardboard for recycling (ton)	534.0	1,255.5	Recycling
Organic sent to composting (ton)	-	7.6	Composting
Total waste disposed of (ton)	**132.5**	**156.4**	**Landfill**
Data coverage	24%	29%	

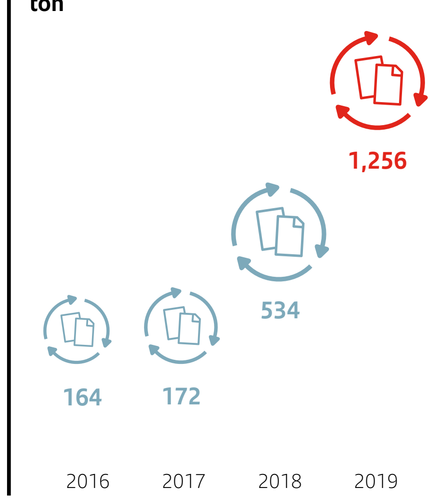
* Santander promotes reuse and recycling of waste

As part of Santander Week in June 2019, the Bank commemorated the International Environment Day by enabling clean points in the main corporate buildings, motivating employees to dispose of items, from their technological waste to everyday plastics. Thanks to the initiative, 33 kg of waste were recovered and then recycled.

Furthermore, a workshop on awareness and reuse of Tetrapak waste was held with the participation of 23 collaborators. During the workshop, held at the Bank's Training Centre, all participants developed their own Tetrapak wallets and tested their knowledge in an environmental trivia.

The workshop was complemented with information about the national and international context and environmental issues, recognizing reuse as an action that allows consumption reduction and savings in a productive system.

Paper and cardboard recycling
ton



5

Excellence in execution

Banco Santander ensures that all its endeavours have a seal of excellence in execution. In addition to the daily work of its employees, the Bank offers the permanent support of its suppliers and the transversal incorporation of the most advanced technology and innovation, all of which are fundamental to provide a customer experience adequate to today's demands.

Technology and innovation

$ 37,791 million

investment in technology and innovation

$ 3,916 million

investment in robotic automation processes

790

in BitSight's cybersecurity rating

98

technological incidents

-20%

compared to 2018

Technology and innovation are essential tools that enable Banco Santander to deliver 100% accessible, flexible and agile services. The implementation of higher levels of technology and innovation is optimizing the way the Bank interacts with its customers, through new products and services, and the way it works internally in terms of new processes and methodologies, all of which benefits customers, employees and shareholders.

Technology and innovation strategy

The Technology and Operations Division oversees the Bank's technology and innovation domain, guiding its activity in compliance with the company's Innovation Policy.

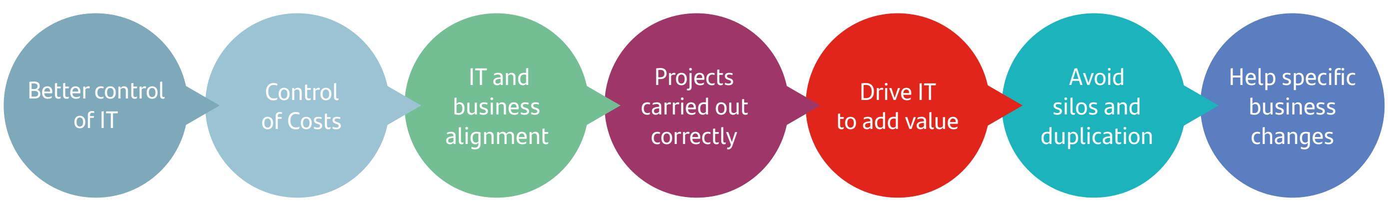
The strategy of this division is to be an enabler of the Bank's strategy. To accomplish this, it uses innovations and technological advances that uphold the different strategic pillars of the organization's objectives: clients, collaborators, shareholders, society and excellence in execution.

As a result of its Innovation management, in 2019 Santander was recognized among the most innovative companies in Chile in two innovation rankings: Best Place to Innovate and Creativity and Innovation C3 (for more information, see page 8).

Enterprise architecture in Santander

Enterprise architecture consists of a strategic practice that enables the capture of the complete vision of the company's system in all its complexity, as well as the connection between business initiatives and the technology that upholds them.

Santander Chile has adopted an enterprise architecture that follows a methodology of continuous improvement, based on a comprehensive vision that keeps the structure of organizational information updated. This aligns all processes, data, applications and technological infrastructure in regard to four dimensions: business, data/information, applications and technology.



In line with this definition, the IT Architecture team has created the Enterprise Architecture Unit, whose fundamental pillars are:

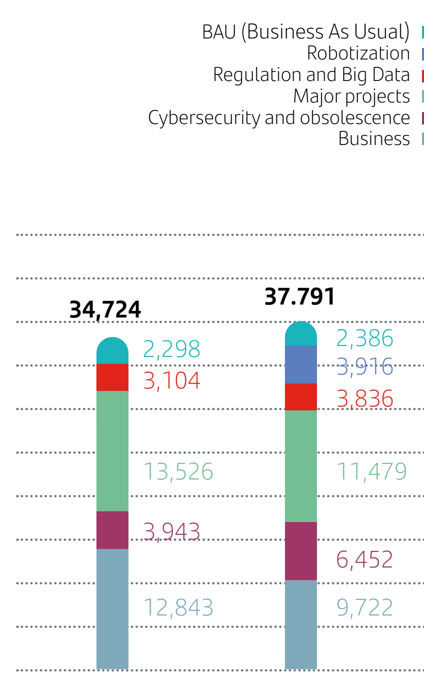
- Strategic Vision/High level
- Establishment of architectural pillars
- Establishment of technical/functional architectural guidelines and principles
- Participation in the business and Bank strategy, with a focus on innovation and critical projects
- Interaction with business and Santander Architecture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

Investment in technology and innovation

During 2019, Santander Chile powerfully drove technological advances in cybersecurity, doubling the investment compared to 2018. Another area of high relevance has been robotization, with an investment close to $ 4 billion for process automation projects, both for customers and for internal processes of collaborators.

Investment level by priority (Ch$, in millions)	2018	2019
Business	12,843	9,722
Cybersecurity and obsolescence	3,943	6,452
Major projects	13,526	11,479
Regulation and Big Data	3,104	3,836
Robotization	-	3,916
BAU	2,298	2,386
Total	35,714	37,791

Evolution of the Systems Plan Ch$, in millions



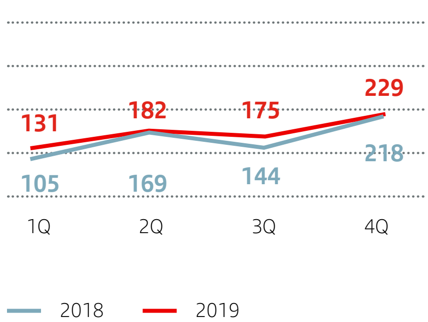
DEVELOPED PROJECTS

Overall compliance with the 2019 Development Plan reached 98%, with a growth of 13% over the 2018 Plan, measured in the number of annual deliverables.

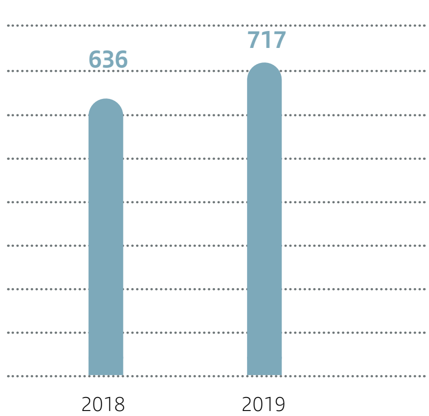
Compliance of the Development Plan

		2018	2019
Number of deliverables per quarter	1Q	105	131
	2Q	169	182
	3Q	144	175
	4Q	218	229
Total		**636**	**717**
Compliance		**98%**	**98%**

Completed in 2018 vs 2019



Total deliverables



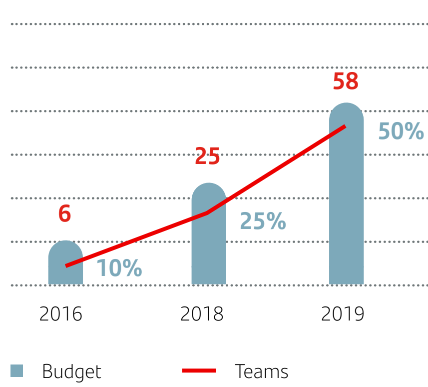
AGILE

The transformation towards the Agile working methodology enabled the Bank to advance in the adoption of DevOps. This software development methodology is essential for digital transformation and digital product generation. This allows the Bank to be more efficient with customers and more expeditious in terms of project delivery and work teams productivity, improving the pace in terms of cost, quality and methodology.

Adoption of Agile methodology in Santander Chile

	2017	2018	2019
% Agile Adoption	10%	25%	50%
Nº of Agile cells	6	25	58

Agile Transformation



Technological incidents

To deliver the best experience to its customers, Santander Chile proactively manages technological incidents by monitoring all its platforms, channels and services.

The evolution of technological incidents in the last 3 years shows a 50% decrease, falling from a rate of 0.57 per day in 2017 to 0.29 in 2019.

Incidents per day

0.57	0.33	0.29
2017	2018	2019

Days with incidents <=1

Year	Days < =1	Objetive
2017	86.58%	80%
2018	95.28%	85%
2019	96.41%	90%
Dias = 0		**Objetive**

2019 Highlights
Technology and innovation

INTEROPERABILITY

2019's main milestone in this area was to migrate the Santander card stock to the four-part model with a worldwide standard and to have built interoperability, with which Santander Chile became the first bank in the country to be productive with interoperability for Mastercard, Visa and American Express, both for credit and debit in the case of the first.

To accomplish this was a challenge for the Bank, which had been developing this project since 2018. With this achievement, the four-part model was installed, that is, acquirers no longer authorize or perform the exchange directly with card issuers, but with the card brands.

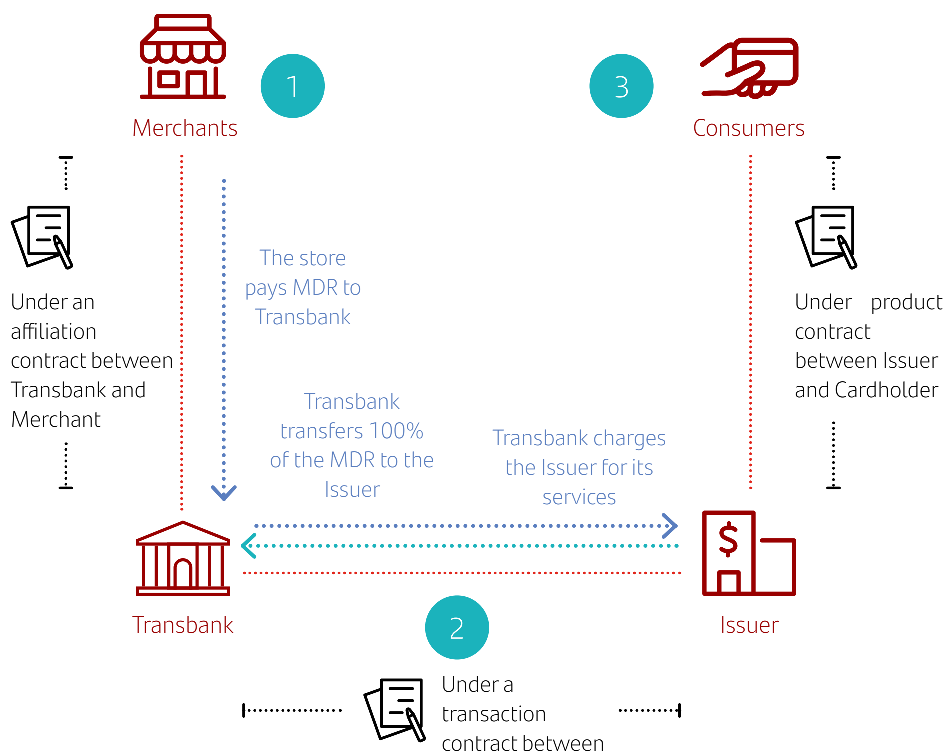
This implies a change in the settlement model, as acquirers no longer transfer the merchant discount to stores while paying brands an interchange fee that is forwarded to the issuers. Instead, acquirers are financed by the difference between the merchant discount and the interchange fee.

With the implementation of interoperability in credit and debit cards, Santander allows new acquirers to enter the market, generating a fairer and more competitive business environment for commerce, as well as a better service for consumers.

AUTOMATION AND PROCESS ROBOTIZATION

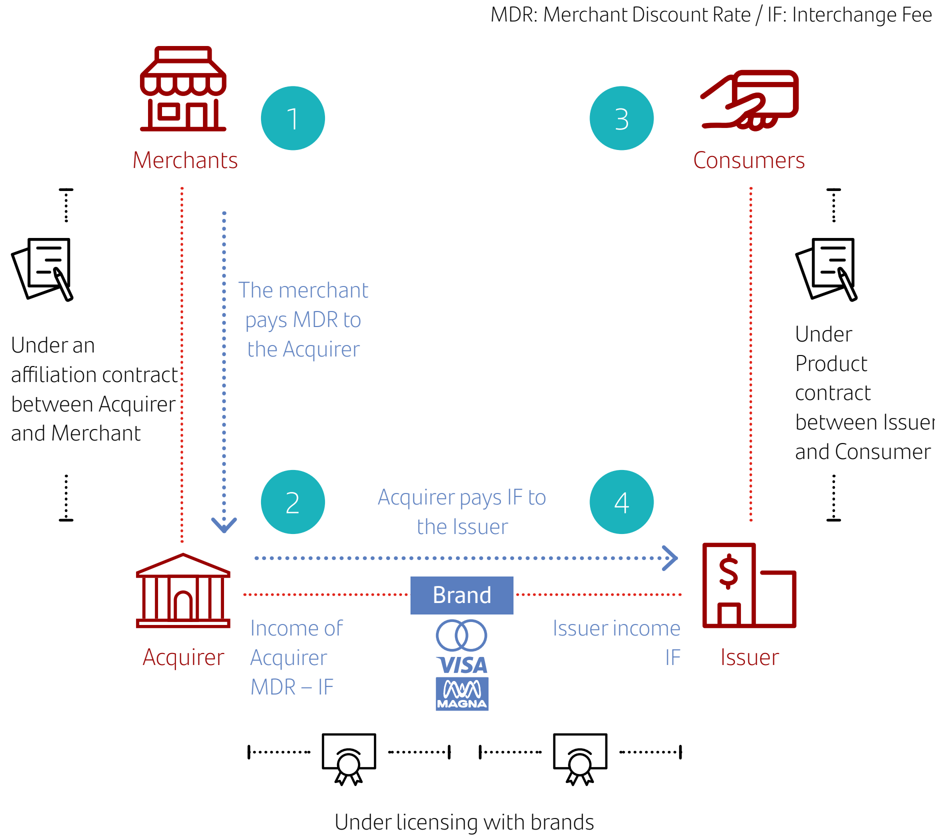
During 2019, the company gave a substantial boost to automation projects by creating the Robotic Process Automation (RPA) area. The establishment of this area together with the adoption of leading technology and endeavours in process reengineering, allowed many of the bank's transversal and multi-area projects to be addressed, focusing on strengthening business, providing greater security in operation and increasing efficiency indicators. At the end of the year, 52 processes were automated with this technology.

THREE-PART MODEL



FOUR-PART MODEL

MDR: Merchant Discount Rate / IF: Interchange Fee



CYBERSECURITY

The digital transformation, along with the increasing use of smart technologies, poses new risks, especially for the banking sector. This is why, one of the Bank's primary focus is cybersecurity, for which the company has taken a series of measures at different levels, in regards to both regulations, updating the policies that govern this area, and in attention to collaborators, suppliers and customers (for greater detail see page 38).

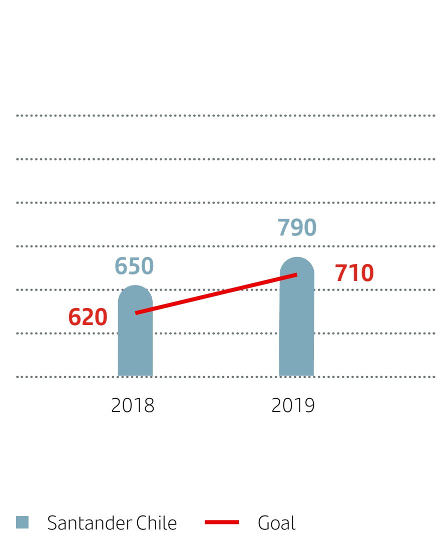
All this has earned the Bank a rating of 790 points in the BitSight's cybersecurity rating, a leading international organization in cybersecurity assessments that analyses companies, government agencies and educational institutions.

This score far exceeds the target set for 2019 and represents a significant leap from the 2018 rating, with which Santander Chile continues its progress towards increasing its cybersecurity levels.

Bitsight Indicator

Summary	2018	2019
Santander Chile	650	790
Goal	620	710

BitSight Portal



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Banco Santander Chile carries out the first Risk Tech Day

During this event organized by Santander Chile, managers and collaborators from different areas met with advanced technology suppliers to share knowledge, experiences and good practices concerning new technologies and their incorporation into daily work.

IBM Watson, Big Data Scoring, multinational FICO-Chile and the consulting firm Deloitte participated by addressing the implementation of artificial intelligence in different industries; the new global trends of fraud and possible control strategies; the incorporation of robotics in ways to approach cognitive integration; and the development of "fintech" companies with innovative applications for a digital ecosystem and how they impact daily life.

Likewise, different areas and managements of the Bank offered presentations about technology and innovation in relation to aspects of their management.

MIGRATION TO CLOUD

In 2019, leveraged by Grupo Santander's strategy, Santander Chile began its migration to the cloud, called Cloud First-Hybrid Multicloud. In this way, the project to implement Santander Private Cloud (OHE) has been initiated. Phase 1 is expected to be completed by June 2020.

The Bank also works with Microsoft since September 2019 to display projects in the public cloud, with three applications in test environments in Azure by the end of the year. The connection to AWS will be made in March 2020, which will enable two high-level platforms for Cloud services.

Likewise, the Bank has begun the transformation of processes by adopting the DevOps methodology to speed up the development of new systems, their production and maintenance. The goal is to have 95% of the operation in both private and public cloud environments in a three-year plan.

Suppliers

Banco Santander extends the requirement of excellence in execution to its suppliers, who as strategic partners support the daily operation of the organization with their services, to meet the needs of customers. Likewise, the Bank promotes the social and environmental commitment of its suppliers, asking of them the same high standards AS Santander, and adding them to the challenge of being responsible companies together.

4,108
total suppliers

85%
% strategic suppliers

4.3%
critical suppliers

97.8%
invoices paid in less than 30 days

8.5
Days on average to pay suppliers

Communication channels with suppliers

Homologation process (service monitoring)

Rewarding Suppliers

Corporate reporting channel

Service manager

Outsourcing and supplier management model

All agreements that Banco Santander Chile establishes with its suppliers, whether by purchasing goods, contracting services or outsourcing activities, are regulated under the provisions contained in four primary documents:

- Corporate framework for Outsourcing and Agreements with Third Parties
- Outsourcing and supplier management model
- Homologation Policy
- Strategic Outsourcing Policy

These regulations manage and safeguard compliance to this area's requirements, with emphasis on the prevention of risks related to the operation with third parties, considering the quality and method of delivery of the service or product.

Supply chain

GRI [102-9][204-1]

Banco Santander's supply chain includes six stages:

- Decision and planning
- Negotiation
- Homologation
- Recruitment
- Tracking
- Completion

Santander maintains an average annual volume of over 3,800 suppliers, equivalent to $ 490 billion. In regard to income, the Cost/Income indicator is 40.9%. Most purchases are linked to the categories of technology, real estate, operations, advertising and marketing.

About 90% of the suppliers are domestic, that is, based in Chile; the rest comes from countries such as Brazil, Mexico, the United States and Spain.

Number of suppliers	2018	2019
Total number of suppliers	3,575	4,108
Number of suppliers defined as critical	62	178
Number of Tier 1 supplier companies (out of total suppliers)	84	68
Number of local suppliers	3,494	4,018
Number of SME suppliers	3,392	3,902

Expenditure on suppliers	2018	2019
Total expenditure on suppliers	$438,543 Mn	$ 517,276 Mn
Expenditure on local suppliers	$ 401,448 Mn	$ 438,323 Mn
Percentage of expenditure on local suppliers	92%	85%
Spending on critical suppliers	$ 122,072 Mn	$ 144,715 Mn

Supplier Risk Management

The support of suppliers is essential for the service that Santander offers to its customers and, in this regard, the Bank must ensure that this support is of quality, thereby avoiding potential risks that may arise from working with external people and companies.

For this purpose, Santander counts with robust risk management that includes, in addition to the aforementioned frameworks, the implementation of a Homologation Policy since 2015, which has evolved according to services' inherent needs and risks. It establishes a rigorous process for suppliers, according to the type of service provided, which includes: a review of the security management and service continuity, elements related to cybersecurity, data protection management and security of the physical infrastructure, among other aspects.

During 2019, efforts focused on identifying relevant suppliers, for which an internal questionnaire was given to the Bank's service managers, who answered 14 qualitative questions regarding suppliers. Among the topics addressed were cybersecurity, data protection, physical security, physical infrastructure and business continuity, determining the existence of 180 suppliers relevant to the Bank, which were categorized by the relevance of the type of risk they may suppose: Critical, High, Medium and Low.

Non-relevant suppliers were segmented according to their annual billing. They were divided into three categories: Tier 1, with a billing of more than $ 800 million, Tier 2: between $ 800 million and $120 million, and Tier 3 with less than $ 120 million.

The analysis of expenditure on suppliers is based on the number of relevant services, the level of risk (Critical, High, Medium and Low) and the result obtained in the homologation process (Suitable, Suitable with incidents and Unsuitable).

ESG risk assessment of suppliers

GRI [407-1][308-2][412-2][412-3][414-1][414-2]

In line with Santander's sustainability and responsible banking commitments, the Bank placed greater emphasis on these issues in terms of its suppliers during 2019. The Bank applied three evaluation processes to continuously measure the environmental and social performance of suppliers in order to work with related companies and motivate those with gaps to join in:

- Biannual review of the commercial and social security debts of workers of supplier companies.
- Nineteenth assessment related to the awarding of suppliers.
- A questionnaire included in the annual homologation process, with questions for the supplier pertaining ISO certification, adherence to the United Nations Global Compact or pertaining the existence of their own ethical, social and environmental principles, such as Code of Conduct, prevention against money laundering and terrorism financing; internal frameworks, policies, procedures, and management systems; environmental and social performance indicators, initiatives, awareness campaigns, etc.

The questionnaire also examines whether the company complies with the certification of Chilean Standard 3267 which conduces to the "Chile Inclusive Seal" recognition, along the Law No. 21,015, which promotes the recruitment of individuals with disabilities.

Payment commitment to suppliers

The simple, personal and fair (SPF) culture extends to Santander's suppliers, by promoting a fair commitment to make payments no more than 30 days late, as stipulated within the Bank's payment policy.

As a result of these good practices, for the eighth consecutive year Banco Santander has been certified with the "Pro-SMEs Seal", an initiative of the Ministry of Economy and Development that encourages the payment of at least 95% of the invoices issued by smaller supplier companies, within 30 consecutive days from the date of receipt of the document. During 2019, Banco Santander achieved 97.68%.

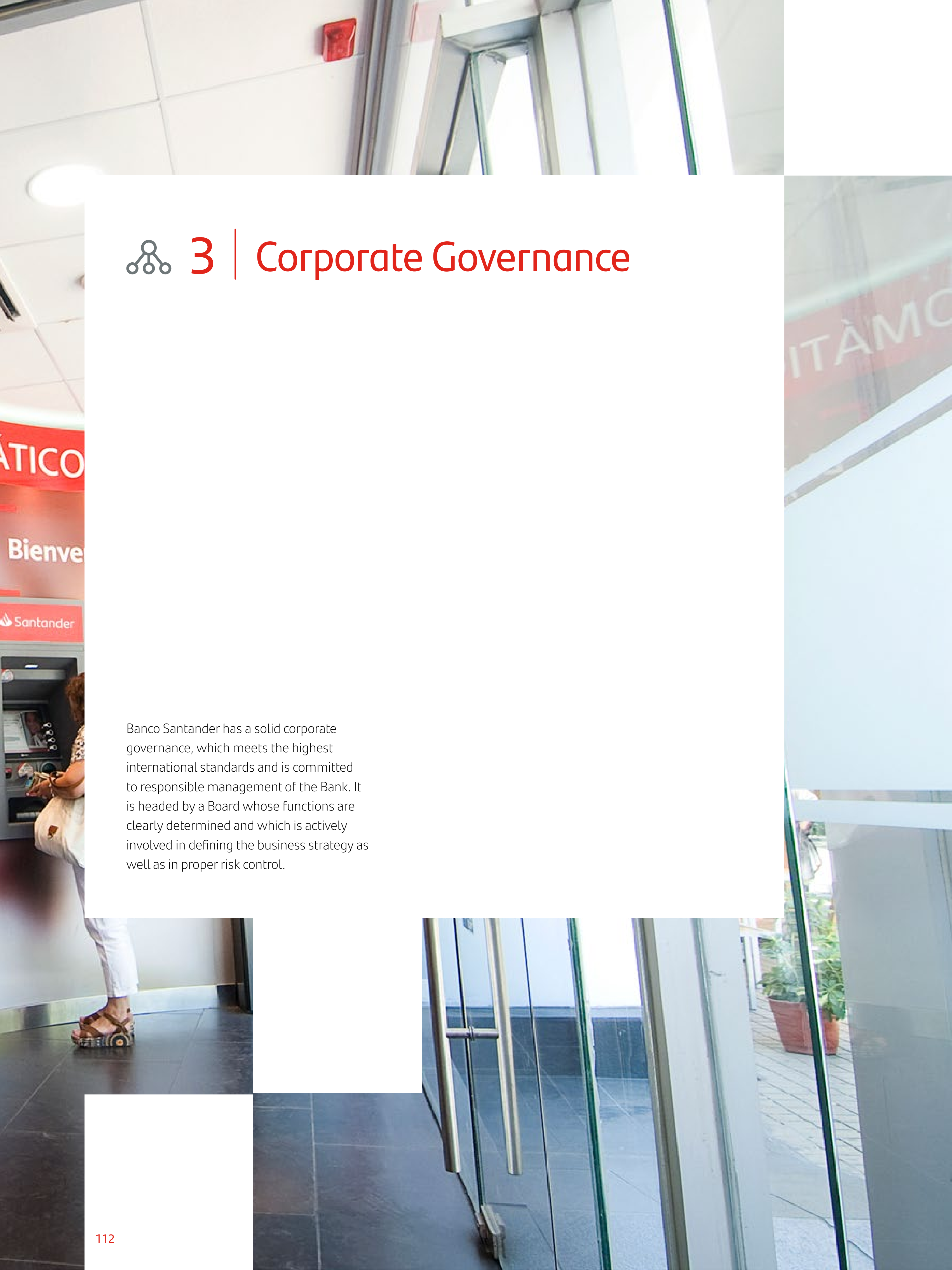
8.5 days

is the average the Bank takes to pay suppliers

Supplier Awards

As a way to encourage its suppliers and to keep building lasting relationships of mutual benefit, in 2019 Banco Santander again celebrated the Supplier Awards, an event the company has been performing for 19 consecutive years.

On this occasion, the event was held at the Work/Café in Escuela Militar, where 21 suppliers were distinguished: 8 as the best of the year in its categories and 13 as outstanding suppliers. For the first time since this initiative was carried out, Santander applied an informative sustainability survey to the 21 winners.



3 | Corporate Governance

Banco Santander has a solid corporate governance, which meets the highest international standards and is committed to responsible management of the Bank. It is headed by a Board whose functions are clearly determined and which is actively involved in defining the business strategy as well as in proper risk control.

GRI [102-22] [102-23][405-1]

Board members

Claudio
Melandri Hinojosa
President

Rodrigo
Vergara Montes
First Vice President

Orlando
Poblete Iturrate
Second Vice President

Félix
de Vicente Mingo
Director

Alfonso
Gómez Morales
Director

Ana
Dorrego de Carlos
Director

Rodrigo
Echenique Gordillo
Directo

Lucía
Santa Cruz Sutil
Director

Juan Pedro
Santa María Pérez
Director

Blanca
Bustamante Bravo
Alternate Director

Óscar
von Chrismar Carvajal
Alternate Director

27%
are
women

45%
are independent
members

12
regular
sessions

98%
average of
Board attendance

5 years
average
seniority

8
Directive
Committees

CLAUDIO MELANDRI HINOJOSA
President

He is the President of the Board of Directors of Banco Santander Chile. With more than 30 years of experience in the financial industry, he was Chief Executive Officer of Banco Santander Chile from January 2010 to March 2018. His professional career began at Banco Concepcion and in 1990 he joined Santander Group, where he has held various leadership positions, including that of Regional Director, Branch Network Director, Human Resources Director and Commercial Banking Director. He was also Executive Vice President of Banco Santander in Venezuela, where he worked for three years and oversaw the formation of the commercial area of the entity in this country.

He is an accountant auditor and commercial engineer. He also holds an MBA at Universidad Adolfo Ibáñez.

Member of the Board since February 27, 2018.

Other current positions:

- Country Head of the Santander Group in Chile.
- President of Santander Chile Holding.
- President of Universia Chile.

RODRIGO VERGARA MONTES
First Vice President

He graduated with a business degree from the Pontificia Universidad Católica de Chile in 1985. He obtained a PhD in Economy at Harvard University in 1991.

He was president of the Chilean Central Bank between 2011 and 2016 and a member of its Board between 2009 and 2011. His professional career began at the Chilean Central Bank, becoming chief economist in 1992. Between 1995 and 2003 he worked at the Public Studies Centre and between 2003 and 2009 at the Economics Institute of Universidad Católica de Chile. He has been the economic adviser to Central Banks and governments of various countries in Latin America, Eastern Europe, Asia and Africa, and external consultant for the World Bank, the International Monetary Fund, the Inter-American Development Bank and the United Nations. Also, he has been a member of, among others, the Presidential Advisory Council for Labour and Equity, the US-Chile Free Trade Agreement Advisory Council, the National Savings Commission and the Economic Conicyt Group. He has authored numerous articles published in specialized professional journals and has edited several books.

Member of the Board since July 12, 2018.

Other current positions:

- Researcher at the Public Studies Centre.
- Associate researcher of the Mossavar-Rahmani centre for Business and Government, of John F. Kennedy School of Government, Harvard University.
- Professor of economy at Universidad Católica de Chile.
- Economic consultant and member of the directive board of several companies.

ORLANDO POBLETE ITURRATE
Second Vice President

Lawyer from the Universidad de Chile with a master's degree in law from the same university. He also graduated from the Senior Management Business Program PADE, of ESE Business School at Universidad de Los Andes.

Between 1979 and 1991, he worked as a teacher of Procedural Law at Universidad de Chile and then he held the same position at the Universidad de Los Andes. Between 1997 and 2004 he was Dean to the Faculty of Law of that university and from then until 2014 he served as rector, year in which he became a member, to date, of the Management Board of that University.

He has been a Board member since April 22, 2014.

Other current positions:

- Partner of the law firm Orlando Poblete and Company.
- Member of the Arbitration and Mediation Centre of the Chamber of Commerce of Santiago.

FÉLIX DE VICENTE MINGO
Director

He has a business degree with a specialization in Economics from the Universidad de Chile. He started as a fruit exporter in the O'Higgins region and as the Administration and Finance Director of Telemercados Europa, and then served as president and partner of several companies, both in Chile and abroad. Between 2013 and 2014 he was the Minister of Economy, Development and Tourism, having previously worked as the director of Promotion of Exports (ProChile), an organization belonging to the Ministry of Foreign Affairs.

In 1999 he was nominated as Businessman of the Year, in the youth category of Universidad del Desarrollo. He has also been distinguished with the following awards: Public Man of the Year in the Wine Industry (2011), Outstanding Character in the Salmon Industry (2012), Member of Universidad de Chile's Circle of Honour (2013), Man of the Year of Software Companies Association (2013), Public Character of Engineering Consulting Firms (2013).

Member of the Board since March 27, 2018.

ALFONSO GÓMEZ MORALES
Director

He is a civil engineer from the Pontificia Universidad Católica de Chile, Master of Design and Doctor of Philosophy at Royal College of Art of London.

His professional career began as an academic at the Industrial and Systems Engineering Department of Universidad Católica de Chile. He became a founding member of Apple Chile, Unlimited and Virtualia, the first social network developed in Latin America. He has served as director of numerous organizations, including Derco, the National Council for the Arts and Culture, Digital Country Foundation and the National Innovation Council. He worked as a dean at the Engineering Faculty and, later, at the Business School of Universidad Adolfo Ibáñez. He launched the Innovation Centre UC, in his role as executive president.

Other current positions:

- Director of the Innovation Centre UC Anacleto Angelini.
- Director of SONDA Ltd.

ANA DORREGO DE CARLOS

Director

She has a degree in Business Administration from Universidad Pontificia de Comillas ICAII-CADE. She also holds an International MBA in Business Administration from Universidad Pontificia de Comillas ICAII-CADE.

She was the Commercial Director of Transactional Banking at Bankinter. In 2000 she joined Santander Group, where she held various positions, including Director of E-Business Development and in recent years she has served in the Corporate Strategy and Development area at Santander Group.

Member of the board since March 15, 2015.

Other current positions:

- Director of Caceis and Caceis Bank (France).
- Director of Caceis Spain.

LUCÍA SANTA CRUZ SUTIL

Director

She has a Bachelor of Arts in History at King's College, University of London, and an MPhil in History at the University of Oxford. She obtained a Doctor Honoris Causa in Social Sciences at King's College, University of London.

She has been a Board member since August 19, 2003.

Other current positions:

- She is a member of the Directive Board of Universidad Adolfo Ibáñez.
- Director of insurance companies Chilena Consolidada Seguros Generales and Chilena Consolidada Seguros de Vida.
- Member of the Chilean Academy of Social, Political and Moral Sciences.

BLANCA BUSTAMANTE BRAVO

Alternate Director

She has a business degree with a specialization in Economics at Universidad Católica de Chile.

Her professional experience includes a place as an economic analyst in the Chilean Central Bank, and as a research analyst at Oppenheimer & Co. New York and in IM Trust. In 1998 she joined Viña Concha y Toro as the Head of Investor Relations, where she worked until 2010. In 2001 she became the Assistant Director of Corporate Communications.

Other current positions:

- Head of Investor Relations at Viña Concha y Toro.
- Member of the Directive Council of the Concha y Toro Centre of Research and Innovation.

RODRIGO ECHENIQUE GORDILLO

Director Titular

He has a degree in Law from the Universidad Complutense de Madrid and state attorney.

In 1976 he joined the Banco Exterior de España as deputy general manager and head of Legal Services. He was subsequently appointed as deputy general director and member of the Executive Committee and served as executive director of Banco Santander from 1988 to 1994. He served as a board member of various industrial and financial companies, including Ebro Azúcares y Alcoholes and Industrias Agrícolas and chaired the advisory council of Accenture. He was also non-executive chairman of NH Hotels Group, Vocento, Vallehermoso and Merlin Properties SOCIMI.

Member of the Board since March 26, 2019.

Other current positions:

- Vice-chairman and executive director of Banco Santander Spain.
- Member of the board of Santander Mexico.

JUAN PEDRO SANTA MARÍA PÉREZ

Director

He is a lawyer from the Pontificia Universidad Católica de Chile.

He has been the Legal Corporate Director of the Santander Group in Chile and prosecutor for Banco Santander Chile, Banco O' Higgins and Banco Santiago. He has worked as President of the Legal Committee of the Banking and Financial Institutions Association (ABIF) for more than 20 years and as the President Pro Tempore at the Financial Law Committee of the Latin-American Banking Federation (FELABAN).

Member of the Board since July 24, 2012.

Other current positions:

- Member of the Arbitration and Mediation Centre of the Chamber of Commerce of Santiago.

ÓSCAR VON CHRISMAR CARVAJAL

Alternate Director

He is a civil engineer from Universidad de Santiago with specialized studies abroad, in the United States and Europe.

He worked as the Director of the Financial Division at Morgan Bank and as Director of the Financial Area at ING Bank, and then joined Banco Santander in 1990 as General Assistant Manager in the Financial Division. Between 1995 and 1996 he was the General Manager of Banco Santander Perú. In 1997 he became general manager of Santander Chile, after which he joined the Board of Directors.

Other current positions:

- Director of the Santiago Stock Exchange.
- Director of Sinacofi.

GRI [102-25]

Performance parameters

To support the management of its corporate governance, Banco Santander has delimited several parameters based on the principles established by the Basel Committee, including:

- Close supervision from the Board and senior management.
- Simple and clear organizational structure.
- A robust internal control system.
- Permanent determination and monitoring of risks.
- Independent internal and external audit.
- Subsidiary supervision.
- Executive compensation design with long term plans.

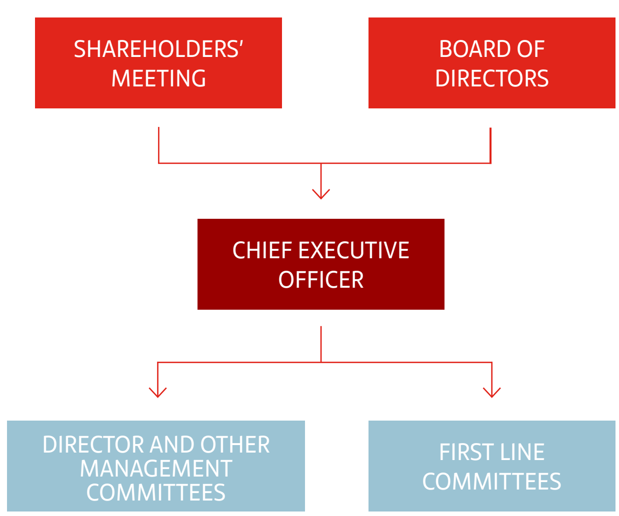
Compliance with these parameters is based on the following standards:

- Independence of directors: five of the Board members are independent.
- Participation: directors are active members of the Board's supporting committees as part of the administration management.
- Ethics: all staff subscribe to Banco Santander's Code of Ethics. Employees directly related to stock markets sign an additional code of conduct specially designed for this area.
- Separation of functions: commercial and support areas are separated to effectively manage risks. Non-commercial teams oversee risk management, and most credit decisions are taken by committees.
- Independent audit: there is an autonomous area within the Bank in charge of monitoring activities.
- Compliance: a compliance area oversees the application of the Bank's ethics codes, Chile's Corporate Governance regulations and the United States Sarbanes-Oxley Law, as well as the corresponding Basel criteria.
- Supervision: The Bank is monitored by the Financial Markets Commission (FMC) and by the U.S. Securities and Exchange Commission (SEC).

GRI [102-18]

Governance structure

Corporate Governance at Banco Santander Chile is organised in 3 levels:



GRI [102-18]

Board of Directors

The highest corporate governance body in Santander Chile is the Board of Directors, composed of nine directors and two alternate directors. All of them have been individually elected by the respective Shareholders' Meeting for a three year period, with the possibility of being re-elected indefinitely for periods of equal duration. Currently, two of the directors are directors of the Group and five are independent per Art. 50 of Law 18.046 of Sociedades Anónimas (Chilean Securities Market Law). The President of the Board is not an executive of the organization.

On March 26, 2019, Andreu Plaza López resigned from the Board of Directors of Santander Chile, and in his place, Rodrigo Echenique Gordillo was appointed.

Currently, about half of the board consists of independent directors; a significant step in line with the best international practices.

Board designation and selection processes

GRI [102-24]

The members of the Board of Directors of Banco Santander Chile are appointed and selected under the guidelines provided by the Group and the regulation outlined in the Chilean Securities Market Law and the General Banking Law.

It is a highly qualified group that collectively displays ample knowledge on retail, private, wholesale and investment banking; management of assets, finance and accounting, operations and risk; insurance; legal, regulatory and public policy matters; marketing, sales and communications; human resources, compliance and auditing; and corporate planning and development. In addition, they have extensive national and international experience, both in the financial sector and in other areas related to the banking business that are relevant to the Bank's administration.

Functions and activities of the Board

GRI [102-26] [102-20] [102-22] [102-29] [102-30] [102-31] [102-25] [102-33]

The Board of Directors is responsible for the administration of Banco Santander Chile, as well as representing it at a judicial and extrajudicial level. Its main roles include the following:

- Establishing and approving policies, general strategic guidelines, corporate values, and lines of responsibility with their respective reporting channels, in addition to monitoring their implementation.
- Defining and approving the strategic plan, promoting medium-and long-term capital management in line with the defined risk profiles.
- Protecting the interests of shareholders and the general public, together with the adoption of information and communication policies with shareholders, markets and public opinion.
- Approving the individual and consolidated Financial Statements of the Bank and its subsidiaries and presenting it to the Shareholders' Meeting.
- Summoning the Shareholders' Meeting, preparing the discussion agenda and proposing agreements.
- Monitoring, controlling, and evaluating the effectiveness of the Corporate Governance system, as well as establishing reporting channels.
- Setting appropriate mechanisms to comply with domestic legislation, regulation and policies.
- Approving transactions carried out with related companies.
- The approval and periodic review of the risk appetite framework of the Bank and its subsidiaries.

The Board of Directors gathers in ordinary meetings held at least once a month, and in extraordinary meetings convened by the president or at the request of three or more directors if the president approves the need for such meeting. Directors must attend at least 75% of the annual meetings held by the Board.

The regular sessions are scheduled annually at the president's proposition, and they deal with matters previously agreed by the Board of Directors concerning the bank's business, income statements, regulatory compliance, internal government, reports, risks, and others. Agreements are adopted by an absolute majority of the voting directors. In the event of a tie, the vote of the person presiding over the meeting shall resolve the outcome.

In 2019, the Board held 12 regular sessions and no extraordinary sessions. The average attendance of directors at annual meetings was 98%.

GRI [102-18] [102-22]

Board Committees

Banco Santander Chile has eight committees supporting the Board, composed of different Board members with the aim of strengthening business development, value creation and corporate compliance.

The committees are created and modified by the Board as deemed necessary. They meet regularly, with a pre-established frequency, subrogation schemes, statutes and formal minutes, and monitoring bodies, reporting their activity to the Board.

DIRECTORS AND AUDIT COMMITTEE

To oversee the financial statements elaboration process of the Bank as well as the corresponding management of internal and external auditors, in order to provide adequate and accurate information for shareholders, investors and the general public.

President: Orlando Poblete

Members: Félix de Vicente, Rodrigo Vergara y Juan Pedro Santa María (secretario)

Frequency: Monthly
12 ordinary / 2 extraordinary

ALCO (ASSET AND LIABILITIES COMMITTEE)

To have knowledge and approve, depending the on the case, the risks and positions adopted and managed by the Financial Management Area of the Bank and its subsidiaries in Chile.

President: Rodrigo Vergara

Members: Claudio Melandri, Óscar von Chrismar, Félix de Vicente y Alfonso Gómez

Frequency: Monthly
12 ordinary

RISK COMMITTEE

To propose the risk framework and the general policies necessary for the definition of the Bank's risk appetite, and to supervise the correct identification, measurement and control of all risks faced by the company.

President: Alfonso Gómez

Members: Óscar von Chrismar, Félix de Vicente, Blanca Bustamante y Juan Pedro Santa María

Frequency: Biweekly
23 ordinary / Only once in February

STRATEGY COMMITTEE

To assess and outline the main goals and guidelines of Santander's Strategic Plan elaboration. To approve the plan defined by the senior management for the Santander Group as a whole and for the different business units, in addition to regularly monitoring their progress.

President: Claudio Melandri

Members: Rodrigo Vergara, Félix de Vicente, Alfonso Gómez, Lucía Santa Cruz, Blanca Bustamante y Óscar von Chrismar.

Frecuency: Quarterly
4 meetings

MARKET COMMITTEE

To oversee the results of the trading investment portfolios; to make estimates of both the national and international situation that can be used for taking positions; to review with the business managers the Bank's risk appetite and to approve the risk limits established on an annual basis.

President: Óscar von Chrismar

Members: Rodrigo Vergara, Lucía Santa Cruz, Claudio Melandri y Alfonso Gómez

Frecuency: Monthly
12 meetings

ANALYSIS AND RESOLUTION COMMITTEE

To outline and control the compliance to the general and specific policies, rules and objectives concerning the prevention of money laundering and the funding of terrorism under local laws and regulations, as well as those of the Santander Group.

President: Juan Pedro Santa María

Members: Óscar von Chrismar y Lucía Santa Cruz

Frecuency: Monthly
12 meetings

APPOINTMENT COMMITTEE

Constant review and implementation of policies and processes for the appointment of positions defined as "key positions", along with the revision and with regard to other members of the organization.

President: Félix de Vicente

Members: Blanca Bustamante y Óscar von Chrismar.

Frecuency: Quarterly
4 meetings

REMUNERATION COMMITTEE

Constant review of the policy documentation regarding the evaluation and remuneration of positions defined as "key positions", as well as other members of the organization.

President: Orlando Poblete

Members: Alfonso Gómez y Claudio Melandri.

Frecuency: Quarterly
4 meetings

Furthermore, the Bank has 13 frontline committees, some of which report to senior management, the Board of Directors and/or other committees. These are:

- Management Committee
- Global Compliance Committee
- Customer and Quality Committee
- Risk Control Committee
- Risk Management Committee
- Executive Risk Committee
- Donations Committee
- Disclosures Committee
- Responsible Banking, Sustainability and Culture Committee
- Technology and Operations Committee
- Executive Credit Committee
- Local Marketing Committee
- Regulatory Archives Committee

Within the Legal Division of Banco Santander Chile, there is an area of Internal Governance that is in charge, among other matters, of providing advice and following the different committees already mentioned, and is in constant coordination with the Group to achieve its objectives and guidelines, in compliance with the highest European and international standards on the subject.

Directors and Audit Committee

Background

Law 18,046 of the Chilean Securities Market Law (Ley de Sociedades Anónimas) requires companies to have a Directors Committee whose functions are determined under Article 50.

Chapter 1-15 of the Updated Compilation of Norms (RAN) of the former Superintendency of Banks and Financial Institutions, now the Financial Market Commission (FMC), requires that banks must have an Audit Committee, which reports to the Board of Directors, the functions of which are specified under these same norms.

Additionally, the Sarbanes-Oxley Act of the United States of America requires that companies registered in that country, such as is the case of Banco Santander de Chile, have an Audit Committee.

In turn, the former Superintendency of Banks and Financial Institutions, now FMC, allowed banks to have both Directors and Audit committees to function as a single entity, an option Banco Santander de Chile decided to adhere to, under the agreement of its Board. Accordingly, the Statutes of the Directors and Audit Committee approved by the Board of Directors, specify the functions of this body, the tasks that Law 18,046 requires, the regulation of the former Superintendency aforementioned and the provisions the Sarbanes-Oxley Act postulates concerning audit committees.

Composition

According to the Directors and Audit Committee's Statutes, the committee is composed of (3) three directors who count with the necessary condition of independence. At the beginning of the 2019 fiscal year, the members of the Committee were: Mr Orlando Poblete Iturrate, President, Mr Rodrigo Vergara Montes and Mr Félix de Vicente Mingo. Director Juan Pedro Santa María Pérez has been the secretary.

The Committee meets monthly, and accordingly, in 2019 they held 14 meetings, 12 ordinary meetings and 2 extraordinary meetings in March and November respectively. These sessions usually last three hours on average and are held before the Board meeting, in which a review of the session is reported. An annual report is submitted in January of each year summarising the issues addressed in the Committee during the previous year.

Issues covered during 2019

INTERNAL AUDIT

The Bank's Internal Audit unit reports to the Committee and, within this framework, the work agenda for the year was proposed in December 2018, with work planned at each session being monitored. It should be noted that by the end of the year the programme was fully completed.

At each ordinary meeting, the director of the unit explains in detail each and every one of the audit reports issued, summarising the conclusions reached and usually qualifying the unit or the process being audited with its corresponding rating. It also reports on the status of compliance of the Committee's recommendations and oversees their progress.

It should be noted that for personal reasons, the Director of Internal Audit of the Bank returned to Spain, so the appointment of a new Director of Internal Audit was proposed. Mr Oscar Gómez Llorente was chosen by the Bank's Board of Directors, being nominated in December's meeting and beginning his duties in January 2020.

EXTERNAL AUDITORS

The Committee is also responsible for advising the Board in the designation of external auditors each year. In turn, the Board of Directors formulates a proposal to the Ordinary Shareholders' Meeting, the body that ultimately appoints them. For the 2019 financial statements, the committee recommended the firm PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, which had worked as an audit firm during 2018. The audit firm gives its opinion on the financial statements of the Bank and its subsidiaries and reports on the state of internal control. The observations the audit firm makes in its final report are strictly followed up and monitored by the Committee every month. By the end of the year, all of them have been implemented.

FINANCIAL STATEMENTS AND INTERNAL CONTROL

One of the most critical functions of the Committee is to know, analyse and provide its opinion regarding the Bank's financial statements, the state of internal control and, in particular, the sufficiency of provisions. This includes both the interim and the annual financial statements issued at the end of the period. Considering that the Bank is registered in the United States, it must also issue a 20-F report to be presented to the authorities of that country, as it contains the Bank's financial information by the end of the year. For this effect, the Bank must issue the Financial Report Internal Control certification. All of this is also reviewed by the Committee. Regarding Internal Control, during the year the Committee received from the responsible management information on the progress of the different processes that conclude in the methodologically supported statement that the internal control in the Bank is satisfactory.

AUDIT FOLLOW-UP

The Committee continuously monitors the progress and timely implementation of all recommendations left by the various audit authorities as a result of their annual visits. During 2019 the Committee received a monthly report from the management in charge of coordinating the different responsible areas, regarding the Audits made to the Bank by the former Superintendence of Banks and Financial Institutions (2017 - 2018), and the audit made by the Financial Market Commission (ex-SVS) to Santander Corredores de Bolsa Ltda throughout 2018 and the one carried out during 2019 to Santander Corredora de Seguros Ltda. Finally, the Committee receives a monthly report on the audit of the Bank carried out by the auditing firm PricewaterhouseCoopers Consultants, Auditors and Limited Company. In case that in their opinion, the implementation of an observation is not advancing adequately, it is presented to the administration so that progress can be made.

OPERATIONS WITH RELATED PARTIES

Law 18,046 of the Chilean Securities Market Law (Ley Sociedades Anónimas) demands the Audit Committee to provide information concerning the operations conducted by the Bank with other companies or individuals that are related by property or management, in the terms defined by the law. The goal of this analysis is that those transactions are carried out at market conditions, that is, that agreed-upon terms are fair. The Committee devoted considerable time to analyse these operations, particularly in technological service contracts for the Bank, which Santander Group provides through specialised professional entities, thereby achieving a technology that is not only homogeneous but also at an international level while providing the best possible security. For each operation submitted, the Committee requires a reasoned and professional explanation to back it and, in particular, asks for objective background information regarding the fees to be paid for the service requested. Moreover, the Technology Division must inform periodically about technology budgets, their compliance and results, explaining eventual differences if any.

The Committee's Chairman leaves a formal record of the contracts reviewed and approved before their presentation to the Board so that, if the latter deems, they are approved.

COMPLIANCE AND PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

During the year, the Committee has received information from the Compliance Department and has analysed the main aspects that have been subject to the Global Compliance Committee, which oversees the adequate management of compliance risks to which the Bank is exposed. Subject to analysis are the assessment and resolution of the following risks: Normative Compliance, Behaviour, Reputational, and Money Laundering and Financing of Terrorism. Concerning the latter, the Compliance Department has reported to the Audit Committee the information and analysis conducted on the functioning of the money laundering prevention system, which is based on a high-level informational tool called NORKOM.

Related to Compliance issues, the Committee has been monitoring the normative aspects that affect United States rules: FATCA and Volcker Rule. These issues affecting most of the banks in commercial and financial relations with that nation have forced the development of complex control systems and the training of operators to comply with said regulations.

DIRECTORS AND AUDIT COMMITTEE CONFIDENTIAL MAILBOX

The Committee has enabled for the Bank's employees and its suppliers a communication system that is confidential, managed by an external supplier that is a leader in these matters at an international level and through which they can address the Committee directly to report irregular, conflicting or potentially dangerous situations. Although the Committee regularly receives many communications that are the subject of research and receive different solutions, a diffusion plan was implemented during July for the entire organisation to cast more visibility to it, which included a news item and banner on the Intranet, plus a graphic in the elevators; and subsequently a presentation to the Board of Directors. Finally, in November, a survey was published for all of the Bank's employees for them to test their knowledge about the complaints channel and to collect the aspects of improvement that could be implemented. Its results have been vital in meeting new challenges in its administration and promotion.

REMUNERATION SYSTEM AND COMPENSATION PLAN FOR DIRECTORS

The Human Resources Management informed The Committee about different aspects concerning the compensations received by the Bank's directors, and about the Remuneration Policy. The Committee is also informed of each of the main targets and types of remuneration, whether fixed or variable, the system of collective deferral of variable remuneration, differentiating between the different levels, the trends in remuneration by industry with demographic indicators in the Bank, and the turnover, promotion, absenteeism and training coverage of the Bank's staff.

LEGAL PROCEEDINGS THAT MAY AFFECT THE BANK

Every three months, the Committee is thoroughly informed about the status of the judicial processes that affect the Bank. The Judicial Defence area of the Bank's Prosecutor's Office presents those issues that may be riskier for the Bank as well as the eventual provisions that should be made to face an adverse outcome. Because of the importance of reputational risk every day, this area has divided each lawsuit presentation by amount and reputational risk. This information includes all issues, in Santiago and in regions, with their respective procedural status.

Initiatives related to the Board of Directors

In line with international best practices in corporate governance, two amendments were made to the Board regulations:

- Adjust the minimum attendance requirement of directors at annual sessions, either face-to-face or remotely, to 75%.
- Inclusion of a clear reference to the search for diversity in the composition of the Board and its succession plans through gender criteria, professional experience, skills and competences, among others.

GRI [102-29] [102-34]

Relevant topics

Among the most important topics reviewed during the sessions of the Board were:

- **Acquiring business:** Banco Santander Chile decided to enter into the acquiring business, and in this way operate cards of all issuers, both banking and non-banking in nature. This requires the creation of a company to support the banking business, a subsidiary of Banco Santander Chile, which holds most of the shares of that company. In October 2019, the management of the Bank presented this initiative to the Board, which unanimously approved the creation of this company, with a single banking business that will be the operation of payment cards, exercising the role of operating company or operator, as established in the regulations of the Central Bank of Chile.
- **Cybersecurity:** to analyse the situation of the Chilean financial system and the Bank's safeguards for monitoring and preventing events that could compromise its technological security. During 2019, the Board approved various policies that regulate cybersecurity issues, which have been duly implemented.
- **Change of the General Banking Law:** in January 2019 the Law 21.130 was enforced, modernizing banking legislation, introducing important amendments to the General Banking Law, the Law 21.000 that created the Commission for the Financial Market, the Organic Law of the Banco de Estado de Chile and the Tributary Code. This is one of the most significant changes for the banking sector and a challenge for its members. The Board has been informed of these changes, and as the regulator dictates guidelines, Banco Santander has been adapting to the new legislation.
- **Responsible Banking and Sustainability:** in line with the work that Grupo Santander develops as one of the founding members of the Responsible Banking initiative of UNEP-FI, during 2019 the Board approved the General Sustainability Policy and the climate change and environmental management policy. It also created the Responsible Banking, Sustainability and Culture Committee, which is responsible for these matters.
- **Acquisition of 51% of Santander Consumer Chile:** At the Board's proposal in an Extraordinary Shareholders' Meeting of Banco Santander Chile held on August 27th, 2019, the acquisition of 51% of the shares issued by Santander Consumer Chile S. A was approved, a transaction which was approved by the Financial Market Commission (FMC) in November of the same year. The Bank completed the purchase on November 27, 2019, with which Santander Consumer S. A. became a subsidiary of the Bank and a support company for the banking business.
- **Cancellation of Securities Agency registration:** in 2018 Banco Santander Chile decided to cancel the registration of Santander Securities Agent by submitting the corresponding application to the Financial Market Commission. It also requested authorization to set up a financial advisory company as a subsidiary using the agency's legal vehicle. Thus, at the October 2018 session, the Board of Directors agreed to amend the by-laws once the regulator's authorization has been obtained. This authorization was granted in April 2019 and in November the cancellation in the registry, for which reason the company name and objective of Santander Agencia de Valores Limitada was modified on December 18, 2019, and renamed Santander Asesorías Financieras Limitada.

GRI [102-27]

Induction and training of the Board

To make the incorporation of new members into the Board of Santander Chile more expeditious and efficient, the Bank has an induction procedure for new directors. It includes the delivery of documentation of interest for the proper performance of their duties and a series of meetings with divisional managers of each area to internalize the roles and responsibilities of these units within the organization.

Moreover, directors are trained by experts in contingent matters or of interest to the Bank to strengthen decision-making and governance. During 2019, the Board received annual training on the following topics:

Board training topics in 2019

1

RESPONSIBLE BANKING AND SUSTAINABILITY

Presentation of Climate Change Policy and Environmental Management. Instruction of Santander Chile criteria regarding environmental protection initiatives, mitigation of the effects of climate change and the impacts generated by the activities of the institution.

Duration: 45 minutes

2

COMPLIANCE

Deepening of compliance functions, covering the risks of money laundering prevention, product governance and consumer protection, regulatory risk and reputational risk.

Duration: 30 minutes

3

DIGITAL TRANSFORMATION

Topic raised to directors as a priority and under ongoing review. The training addresses how the Bank carries out investment in digital transformation, according to budget commitments and shareholder expectations. It explains the creation of committees and working groups to address issues of digital transformation, in addition to the Bank's strategic planning process that prioritizes the initiatives to be financed according to their strategic relevance and criticality.

Duration: 30 minutes

4

BENCHMARK WITH MAJOR RETAIL BANKS IN THE COUNTRY AS OF OCTOBER 2019

Training at the request of directors, for a better understanding of strategic initiatives, loans, volumes, profit for the year, number of employees, branches, current accounts, main balance sheet items, and others.

Duration: 30 minutes

5

CYBERSECURITY TRAINING

During the year, the Board was trained on various topics, including incidents and vulnerabilities in cybersecurity, their impacts, and improvements to be implemented in management and prevention, among others.

Duration: 150 minutes

GRI [102-28]

Self-assessment of the Board

The board must conduct an annual self-assessment process, in compliance with the rules issued by the Chilean banking authority. This process can be done internally or commissioned by a third party. The 2019 self-assessment was carried out internally through a questionnaire prepared by Alfredo Enrione for the ESE Bussines School of the Universidad de Los Andes. In the session held in December, the results of this process were presented, which evaluated the internal climate, the training and induction processes, the work agenda, the quality of information for the Board and its relation with the strategy, stakeholders, and risks. The directors agreed that the topics to be worked on will be reviewed by the Strategy Committee.

GRI [102-35] [102-36]

Board Fees

The remuneration of Board members is decided annually by the Shareholders' Meeting. In 2019 fees were agreed at an Ordinary Shareholders' Meeting held on April 26, 2017 and ratified since then. The monthly fee of each director for attendance is UF 250, which is doubled in the case of the president of the Board and increases by 50% in the case of the vice-president. Similarly, directors receive remuneration for one or more committees –except for the Directors and Audit Committee and the Comprehensive Risk Committee– amounting to UF 30 for each session of the respective committee they attend.

The members of the Risk Committee, whose frequency is two sessions per month, receive a remuneration of UF 15 for each session they attend, while the president of this committee receives twice this amount for each attendance.

According to Article 50 bis of the Chilean Securities Market Law, the members of the Directors and Audit Committee must receive an additional remuneration not less than one-third of the fee they receive as directors. In compliance with the law, the fee of the president of this committee amounts to 230 UF, while the other directors receive 115 UF for attendance at each session.

Directors who serve as executives of the Bank in Spain are not paid for their participation as members of the committees they attend.

Directors who serve as executives of the Bank in Spain are not paid for their participation as members of the committees they attend.

Board Fees during 2019

Board members	Monthly stipend (in UF)	Additional monthly stipend for integration of committees (in UF)
Claudio Melandri Hinojosa (President)	500	0*
Rodrigo Vergara Montes (First vice-chairman)	375	60 UF ALCO Comitte (monthly) 115 UF Directors and Audit Committee (monthly) 30 UF Market Committee(monthly) 30 UF Strategy Committe (quarterly)
Félix de Vicente Mingo	250	30 UF ALCO Committee (monthly) 115 UF Directors and Audit Committee (monthly) 30 UF Directors and Audit Committee (quarterly) 60 UF Appointment Committe (quarterly) 15 UF Risk Committee (quarterly)
Lucía Santa Cruz Sutil	250	30 UF Strategy Committee (quarterly) 30 UF Analysis and Resolution Committee (monthly) 30 UF Market Committee (monthly)
Alfonso Gómez Morales	250	30 UF ALCO Committee (monthly) 30 UF Risk Committee (fortnightly) 30 UF Strategy Committee (quarterly) 30 UF Market Committee (monthly) 30 UF Remuneration Committee (quarterly)
Juan Pedro Santa Maria Pérez	250	60 UF Analysis and Resolution Committee (monthly) 15 UF Risk Committee(fortnightly)
Ana Dorrego De Carlos	0**	0**
Rodrigo Echenique Gordillo	250	0***
Blanca Bustamante Bravo (alternate)	250	15 UF Risk Committee (fortnightly) 30 UF Strategy Committee(quarterly) 30 UF Appointment Committee (quarterly)
Óscar Von Chrismar Carvajal (alternate)	250	15 UF Risk Committee (fortnightly) 60 UF Market Committee(mensual) 30 UF ALCO Committee (monthly) 30 UF Strategy Committee (quarterly) 30 UF Appointment Committe (quarterly) 30 UF Analysis and Resolution Committee (monthly)

* Claudio Melandri voluntarily resigned from receiving his remuneration for attendance at Board support committees.

** Ana Dorrego de Carlos does not receive compensation as she is a director of Banco Santander, SA (Spain).

*** Rodrigo Echenique does not belong to any Board Committee.

GRI [102-19]

Delegation of authority process

The Board delegates part of its powers concerning the administration of Banco Santander Chile to the senior management, which includes economic, environmental and social issues. Senior management is an executive body composed of the general manager and the managers of each division. The Board has the power to appoint the CEO and to take cognizance of the appointment of key positions, in addition to evaluating the performance of senior management.

Senior Management

4
Miguel
Mata Huerta
Chief Executive Officer

5
Matías
Sánchez García
Director of Retail Banking

1
José Manuel
Manzano Tagle
Director of Middle-Market Banking

3
Fred
Meller Sunkel
Director of Santander Corporate & Investment Banking

6
Emiliano
Muratore
Chief Financial Officer (CFO)

7
Franco
Rizza
Director of Risk

2
Guillermo
Sabater Maroto
Financial Controller

14
Carlos
Volante Neira
Manager of Clients and Service Quality

9
María Eugenia
de la Fuente Núñez
Director of Human Resources and Communications

10
Ricardo
Bartel Jeffery
Director of Technology and Operations

11
Cristián
Florence Kauer
General Counsel

12
Ricardo
Martínez Sánchez
Director of Internal Audit

8
Sergio
Ávila Salas
Director of Administration and Costs

13
Cristián
Peirano Novoa
Director of Corporate Products

Compliance

The Bank manages the growing challenges of probity and integrity, in addition to Santander's adherence to standards, supervisory requirements and principles and values of ethical conduct, by establishing standards that guide its action in the interests of shareholders, customers, employees and society in general. In this context, the Compliance and Conduct Management is responsible for overseeing the implementation and compliance of laws, international regulations and internal manuals; the approval and monitoring of products; the prevention of money laundering; and reputational risk.

Aligned with the corporate strategy and business model, the following four risks are managed:

Regulatory compliance risk: The risk of non-compliance on the Bank's behalf, of the regulatory policy and expectations which could lead to legal or regulatory sanctions.

Conduct Risk: The risk that actions from either employees or the Bank might be reflected in negative results for clients or for the markets in which it operates.

Prevention of money laundering and funding of terrorism risk: Consists of preventing the institution from being used as a vehicle for money laundering or financing of terrorist groups.

Reputational risk: The risk of a negative economic impact, current or potential, due to an impairment in the perception of the bank by its employees, customers, shareholders, investors and society in general.

Compliance manages these risks through a transversal area in charge of coordination, governance, planning and consolidation through processes, information systems and reports.

Governance and organizational

Compliance reports directly to the Legal Department and functionally to the Board, and to the Executive, Audit, Comprehensive Risk and Global Compliance Committees.

Likewise, it participates in the following committees:

1. Analysis and Resolution Committee (ARC) and Pre-ARC Committee
2. Local Marketing Committee
3. Non-Financial Risk Committee
4. Loan Portfolios Committee
5. Regulatory Follow-up Committee
6. Suppliers Committee
7. Cybersecurity Committee
8. Donations Committee
9. Responsible Banking, Sustainability and Culture Committee
10. Complaints Committee
11. Editorial Newsletter Committee

The Global Compliance, Local Marketing and Regulatory Follow-up Committees are organized directly by the Compliance Management, where this area has a voice, vote and power to manage proposals and improvements.

In addition, Compliance is invited as a permanent guest to the Directors and Audit Committee, the Analysis and Resolution Committee (ARC), the Pre-ARC Committee and the Risk Committee.

In this way, the first line of control, made up of the business and support areas, periodically reports to the Compliance Management on incidents that have occurred, and the latter in turn informs the senior management to manage and implement the corrective and mitigation measures that are necessary.

Compliance is audited by the Internal Audit Management, the third line of defence that periodically evaluates that the policies, methods and procedures applied by the compliance area are adequate and effective. It also carries out the necessary tests and reviews to verify that the appropriate controls and monitoring elements are in place and that the rules and procedures defined by the Bank are complied with.

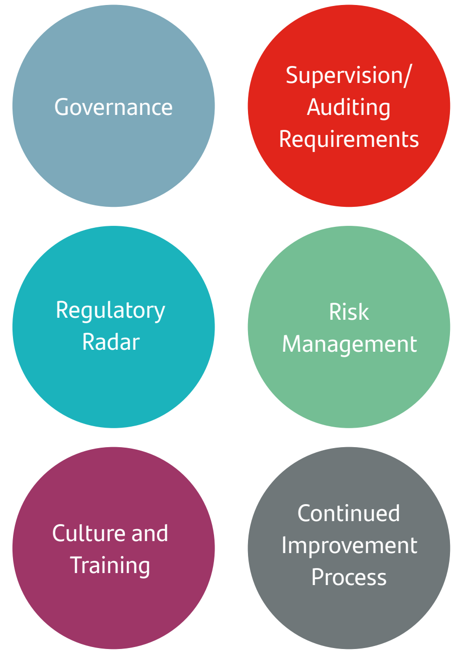
GRI [205-1]

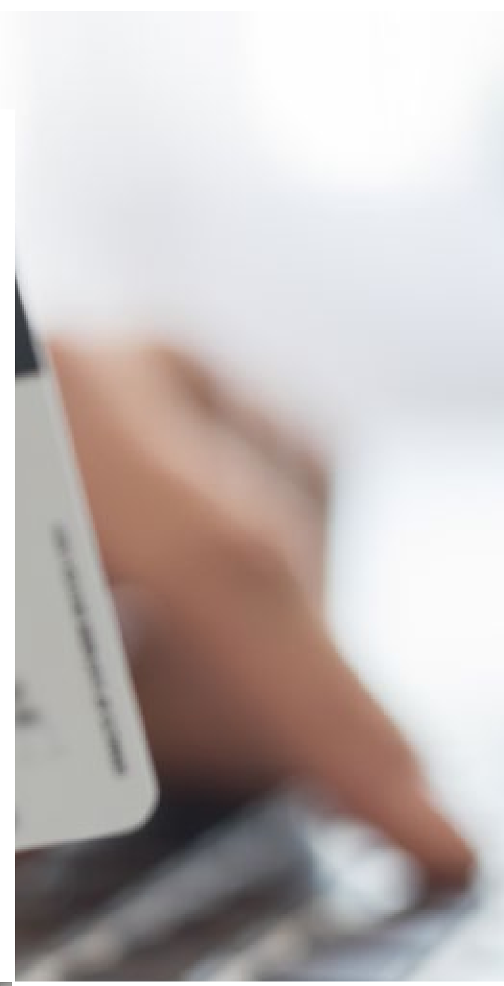
Annual compliance program

During 2018, the implementation of the Target Operating Model (TOM) was completed, a compliance function transformation program that strengthened the role of this management as a second line of defence, along with the best financial industry standards worldwide.

Once the transformation took place, an annual Compliance Program was established, in line with the Corporate Compliance and Behavior Framework, and in compliance with the requirements of the European Central Bank (ECB), considering the size and complexity of the country.

This program's objective is to reflect the implementation of TOM in the role of compliance and conduct, detailing the activities in Business as Usual (BAU) mode and the priorities to be addressed during the year, and thus safeguard and mitigate any behaviors against the Bank's values. The program contains planned activities that cover the risk management of the compliance and conduct function, based on greater coordination between control functions and reporting to Management. In summary, the annual program considers the following concepts:





GRI [102-17]

Ethical training

All Bank employees are required to conduct mandatory e-learning training courses on the General Code of Conduct and the Manual for the Prevention of Money Laundering and Funding of Terrorism. The course of the General Code of Conduct is valid for two years, after which a refresher course must be taken.

Also, to safeguard internal compliance with regulatory policies and measures, the Bank applies a results contest for the Branch Network and the Contact Centre that involves the payment of incentives to its employees. At the training level, the payment of incentives is associated with the following:

- Successful completion of the e-learning courses "General Code of Conduct and Corporate Defence" and "Prevention of Money Laundering and Funding of Terrorism".
- Signing the following manuals: General Code of Conduct, Corruption Prevention Policy, Money Laundering Prevention Manual, Manual of Conduct in the use of ICT, Crime Prevention Policy.

Regulatory Changes

En 2019 se registraron una serie de modificaciones normativas en distintos ámbitos que son relevantes en materia de cumplimiento y prevención.

National Regulations:

Law 21.130 modernizing banking legislation: published on January 12, 2019, this law amends the decree of Law No. 3 of 1997, which establishes the consolidated text of the General Banking Law. The main objective is to incorporate the new capital and reserve requirements, under the rules established by the Basel Committee. Furthermore, it updates the concept of corporate governance and modifies the structure and some powers of the banking regulator. It provides for salvaging and intervention mechanisms in case banks incur solvency problems.

The law consists of three main guidelines:

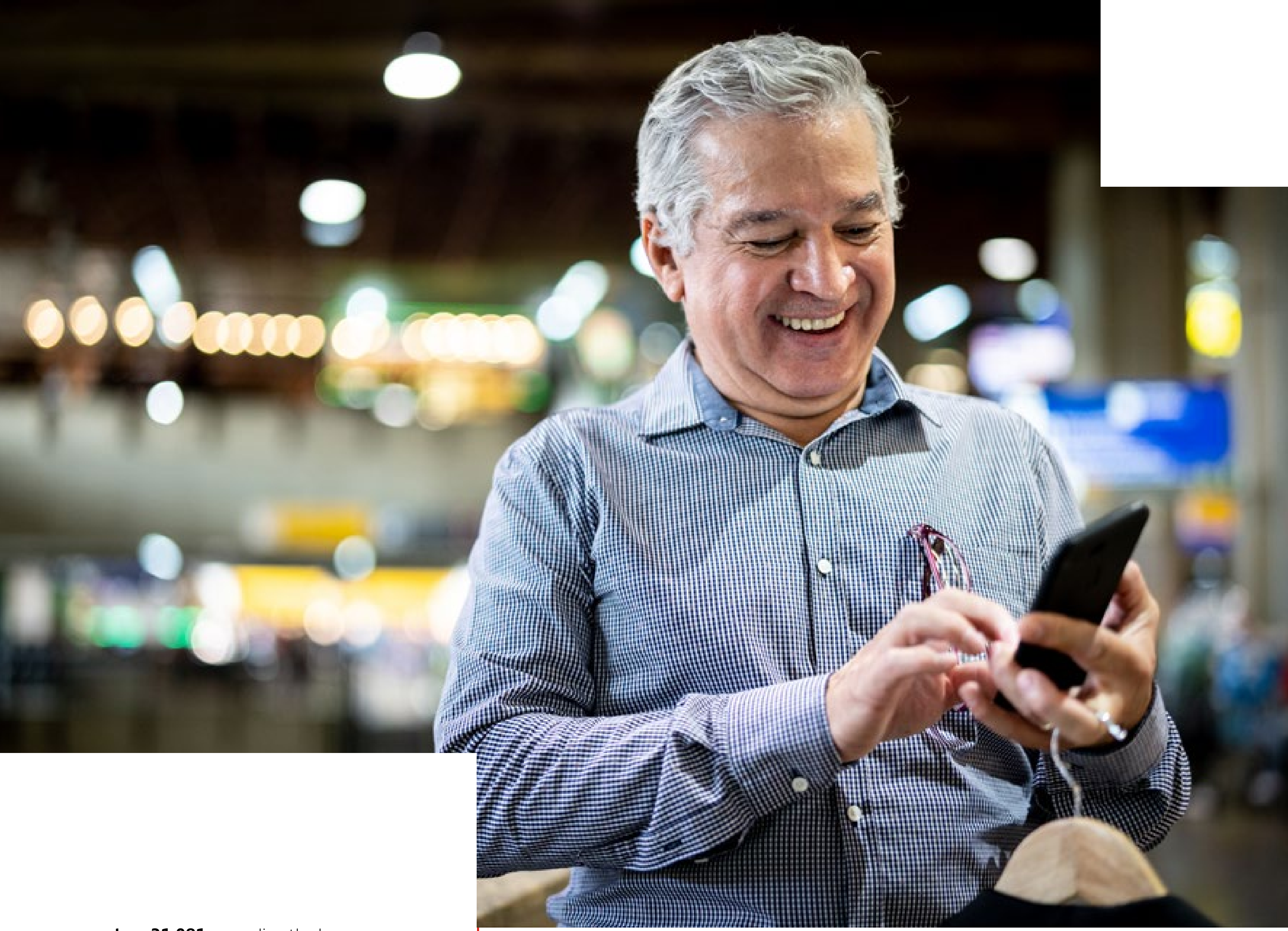
1. The handover of responsibilities from the Superintendence of Banks and Financial Institutions (SBIF) to the Financial Market Commission (FMC). The integration between the SBIF and the FMC took place on June 1, 2019.
2. New capital requirements, including:
    - New minimum capital requirements
    - Role of the regulator in the weighting of assets for the determination of the required capital
    - Recognition of institutions of systemic importance
    - Distribution of dividends
3. Early intervention mechanisms for banks in case of insolvency and crisis management, highlighting the following:
    - Incorporation of an early regularization plan
    - Capitalization by the financial system and preventive capitalization
    - Appointment of a delegated inspector or interim administrator
    - Elimination of the creditor agreement

The law that modernizes banking legislation is one of the most important changes in the banking business over the past 30 years. Banco Santander and the Chilean banking industry in general face the challenge of meeting the requirements of modern banking legislation coupled with the new functional structure of the regulator, which will contribute to strengthening the Chilean financial system.

Law 21.167 regulating the forms of payment of overdrafts of bank Current Accounts: published on July 18, 2019, it comes into force on January 2, 2020. It is a single article law that seeks to allow banks to automatically pay a customer's line of credit once enough funds have been deposited into the current account. It provides that the customer may change the payment method of the credit line at any time, which will become effective in the calendar month following its instruction.

Law 21.163 amending Article 38 of Law 19.913: published on July 13, 2019. A single article act amending Article 38 of Act No. 19,913, establishing the Financial Analysis Unit (UAF) and the offence of money laundering. The aim of this law is to update the legislation on money laundering to the new UN standards in the areas of financing terrorism, weapons of mass destruction and money laundering. The resolutions containing the new standards are ratified by the National Congress and consist primarily of:

- To extend the power to freeze assets of persons and entities designated by resolutions concerning the prevention and fight against the financing of terrorism and the proliferation of weapons of mass destruction.
- Prohibition of operating with FATF-listed countries.
- Specify the flow through which money is spent that seeks to finance activities associated with money laundering and the financing of terrorism and regulate it with greater certainty.



Law 21.081 amending the Law on Consumer Rights, which entered into force on March 14, 2019. It mainly strengthens consumer protection, improving various processes and providing the Sernac with the power to control.

Agreement no 2270-02-191212 of the Central Bank adopted by the Central Bank's Council at its ordinary session no 2.270, held on December 12, 2019. Under this agreement, published on December 16, 2019 in the Official Journal, an amendment was made to Chapter III.D. 2 of its Compendium of Financial Standards, on the recognition and regulation of framework agreements for the procurement of derivatives.

The goal of the agreement is to update the Central Bank's regulation on derivatives, incorporating a new articulation and structure within the framework of the management of situations associated with banks with solvency problems and regulating the effects of the closeout netting clauses in the case of counterparties that are banking companies.

Transparency and consumer rights

The approval and modification circuit of products and services marketed by the Bank has remained unchanged from the previous year. The post-launch review of the marketing of new products and services has been relevant, allowing adjustments needed for improvement.

Concerning Consumer Rights, in March 2019 the amendments to the Consumer Rights Protection Act came into force, where Compliance Management has worked in conjunction with the Procedural Defence and Customer Service teams to address the new requirements to be implemented over the course of the year.

Other relevant aspects during the year related to the risk of conduct in the marketing of products and services have been the progress of monitoring the training of sales teams, including both new revenues and the usual production. Additionally, Compliance participated in the review of the variable remuneration of sales teams to incorporate ethical practices in these processes and ensure the mitigation of the associated risk.

2019 Highlights

1

Update of the Prevention of Corruption Policy

GRI [205-2][205-3]

The content of the following preventive elements aimed at mitigating and preventing the risk of corruption and bribery in Banco Santander were modified:

1. Specific controls:

- Guidelines regarding gifts and invitations to civil servants.
- Guidelines regarding gifts and invitations to Santander's employees.
- Guidelines for the actions of agents, intermediaries, consultants and business partners.

Here, it should be noted that Banco Santander Chile did not make contributions to political campaigns, political organizations, lobby organizations, lobbyists, and/or other tax-exempt groups with political influence during 2019.

2. Complaints channel

It is the instrument through which employees can confidentially inform Compliance of any act that is allegedly illegal or that is contrary to the provisions of the Corruption Prevention Policy, of which they have knowledge in the field of their professional functions.

The policy states the confidentiality of communications made through this channel and the prohibition of retaliation. It also provides that the processing of any complaint shall be carried out by the Directors and Audit Committee, which shall keep a register of all complaints received, in compliance with the requirements of data protection regulations. The complaints' management will fall under the external company Ethics Point.

3. Training

Mandatory in nature, all employees are required to complete specific training in corruption prevention and money laundering matters, which includes the primary warnings and criteria to avoid behavior that is not appropriate for the employees of the Group. Furthermore, all contributors must subscribe to the Corruption Prevention Policy contained in their respective virtual folders.

4. Crime prevention model

Added to the risk of the crime of corruption, risks are threatening the company for crimes committed by third parties external to the bank or by persons within the same institution. Also, there are criminal risks inherent to the company. Those offences are those established in Law 20.393 as a result of the regime of criminal liability of legal persons.

Banco Santander, with the firm desire to expand its culture of ethical responsibility, has a Crime Prevention Model that allows minimizing the probability and impact of those criminal risks that could be considered associated with their ordinary activity. This model is certified by ICR Clasificadora de Riesgo Ltda.

It should be noted that Banco Santander Chile does not register corruption causes or incidents during 2019.

2

Personal Data Protection Policy Update

Understanding the need to modernize how personal data are currently managed, concepts and general principles have been integrated both the General Data Protection Regulation (GDPR) and Law 19.628 on protection of privacy, aligning with corporate guidelines and serving as the basis for the model of protection of personal data to be implemented in Banco Santander Chile.

3

Improvements in the management of ethical conduct in the stock markets

During 2019, useful corporate tools for managing the risk of market abuse were implemented:

- **APAMA** is a global tool for monitoring treasury operations and financial management in the securities markets. The alerts management done via Apama emerges thanks to the global regulatory framework, to ensure the integrity of the financial markets and prevent the use of inside information to obtain benefits, as well as the manipulation of prices. Since September 2019 all the control scenarios belonging to the tool had been implemented, allowing the Trade Surveillance team of Compliance Management to cover the revision of fixed income orders that are operated in the Treasury of Banco Santander Chile.

- **MarCo,** a tool developed to process the procedures related to the Code of Conduct in the Securities Markets (CCMV), concerning the control of personal operations and sensitive information. MarCo is designed to provide greater transparency and improve the interaction between people subject to the CCMV.

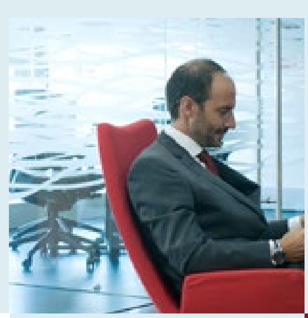
Furthermore, during 2019, the control of internal or external communications between Banco Santander Chile's staff who carry out an activity close to the financial markets, with each other and with third parties, was strengthened. This robustness was made possible by the consolidation of controls and the hiring of Bloomberg Vault, which allows Trade Surveillance analysts to control communications through this renowned service.

Finally, it should be noted that during 2019 improvements were implemented in access policies to restricted areas that handle inside information and communication policies within the physical treasury area were strengthened, enabling the compliance officer to impose direct sanctions in case of non-compliance.

4

Sanctions policy

During 2019, this policy was updated, which is essential to ensure full compliance with the sanctions regulations and serves as a guide to all business areas, branches and subsidiaries of the Group. In the implementation of measures and procedures for the control of persons or entities subject to restrictions, prohibited countries and restricted operations were incorporated, and the online review in the lists of negativities for the registration of customers, interveners, counterparties and all types of operations.



5

Country Risk Policy

The updated policy incorporates a zero-risk appetite for sanctioned countries and the implementation of enhanced due diligence measures, as indicated in the Newsletter #59 from the Financial Analysis Unit (UAF) on risk countries and jurisdictions under the follow-up process of the International Financial Action Task Force (FATF). Operations with restricted countries are reported monthly to the Analysis and Resolution Committee.

6

UAF's Newsletter #49

It introduces amendments to Newsletter #49 in three relevant points: due diligence and knowledge of clients, electronic funds transfers, and countries in risk jurisdiction. Although it is referential, the Bank, in due diligence, implemented processes for customer risk and simplified and strengthened customer knowledge.

7

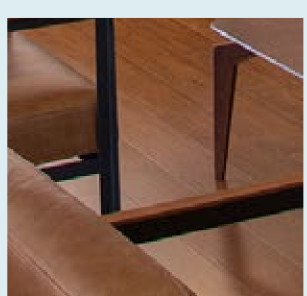
Anti-Money Laundering (AML) model

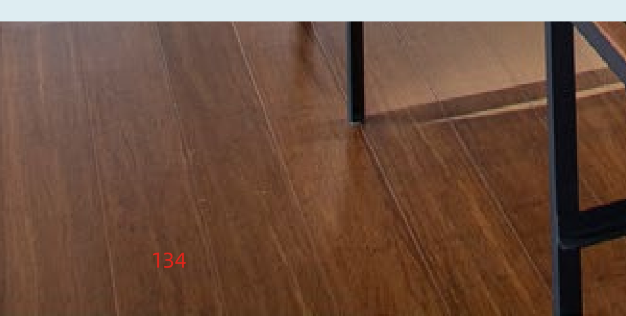
The objective of the model is to develop a statistical technique that will effectively detect the likelihood that a client will be able to use Banco Santander's services to hide, manage or transfer funds from illicit activities.

8

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Within the regulatory framework for the automatic exchange of tax information between states (FATCA and CRS), in 2019, the compliance of all units with the reporting obligation to their corresponding authorities was highlighted by its relevance.





9

Free Competition

GRI [206-1]

Banco Santander is in the final stage of implementation of the Model of Free Competition, which seeks to strengthen the regulations and guidelines set forth in the Law 20.945 that perfects the system of defence of free competition and as amended by Law Decree 211, granting new powers to the National Economic Prosecutor (Fiscalía Nacional Económica) and hardening the penalties associated with crimes against the competition.

It is important to mention that Banco Santander has a competition policy that applies to all its subsidiaries and considers a training program for all its employees.

During 2019, 8,948 workers were trained through the e-learning platform, and it is expected to continue along this path, which is aligned with the Bank's priority interest in complying with antitrust regulations.

In legal matters, during 2019 Banco Santander Chile held two pending legal actions related to unfair competition and violations of the legislation dealing with monopolistic practices and against free competition.

4 | Economic and financial performance

Despite a year marked by the trade war and the social unrest, the Bank achieved a good performance of operating income, becoming the leader in account openings and maintaining the best efficiency in the market.

During the year, Santander managed to grow the loan book by 8.1%, incorporating Santander Consumer Chile to the numbers from November 2019. It was a record year for account openings, thanks to new initiatives such as Life and Superdigital. This also drove an increase in demand deposits during the year.

Economic Environment

Global Economy

Globally, 2019 was marked by the commercial dispute between China and the United States, which, after reaching its peak towards May, lessened towards the year's end when the two countries reached an agreement. This conflict, coupled with the contraction of global trade since 2018, worse financial conditions and domestic political problems in several countries, caused the global economy to expand by around 2.9% during the year, its lowest growth since 2009.

The slowdown in the Chinese economy, which decreased its growth by 6.1%, caused a fall in the price of raw materials, affecting the pace of activity in emerging countries and particularly in Latin America, a region that was also affected by internal tensions.

Given the international context, the central banks implemented expansionary policies by sharply lowering long-term interest rates during the first half of the year, while global stock markets performed well and recovered the losses observed during 2018.

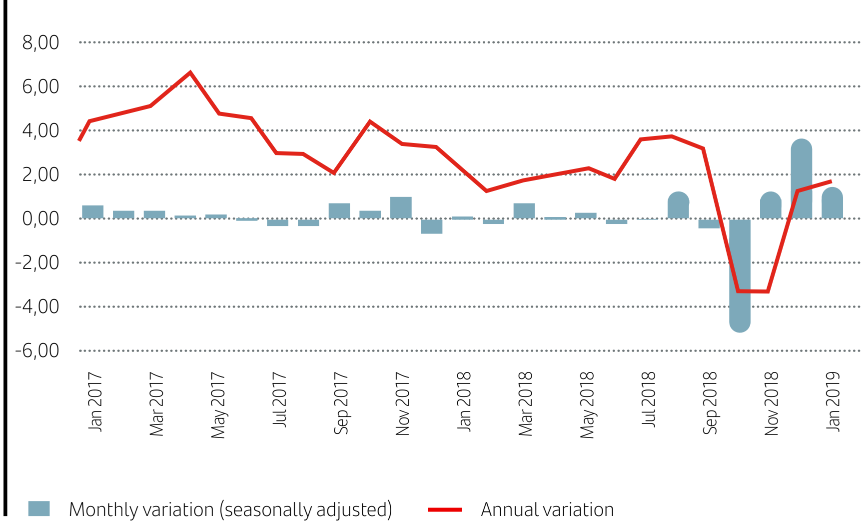
Local Context

The Chilean economy began 2019 with a slow performance, affected by the external scenario and a relatively weak labour market. Over the months, growth prospects were reviewed downwards as the world decelerated. Although consumption remained contained, investment rebounded in hand with large investment projects in mining, energy and infrastructure, alongside the dynamism of the real estate sector.

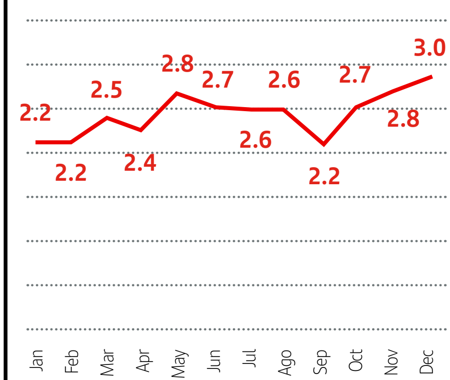
The last quarter of the year was marked by the social unrest triggered on October 18th, which generated a sharp contraction in the local economy and a substantial loss of value of local assets, along with increases in risk premiums. In November, the Chilean economy again displayed a negative growth, a trend that was reversed only in the last month of the year. Therefore, the local economy closed 2019 with growth of 1.1% that, although positive, is well below the 3.5% projected at the beginning of the year, and well below the 2.4% expected before the outbreak of the social conflict. Added to this is the increase in the public deficit by 2.8% of the GDP, due to lower income and higher expenditure growth.

In turn, inflation remained low during the year, though it kept gradually rising along with the exchange rate increase and concluded the year at the target of 3%, after several years below it. Lower inflation, the uncertainty of the external scenario and the progressive weakening of activity led to a shift in local monetary policy. Thus, the Central Bank went from announcing a trajectory of increments in its rate in early 2019, to successively cutting the Monetary Policy Rate (MPR), from 3% in June to 1.75% in October.

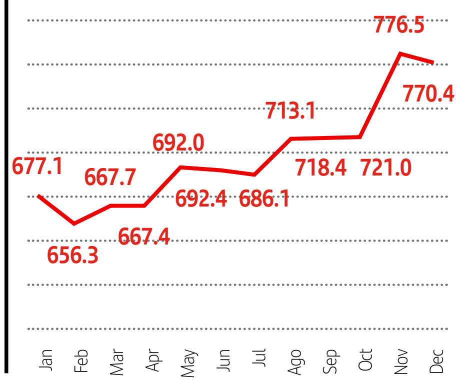
Imacec
%



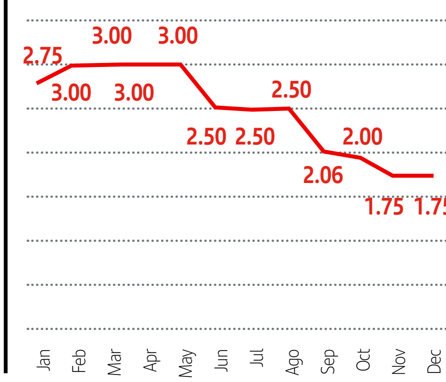
Annual CPI Var.
%



USD exchange rate 2019



Monetary policy rate 2019
%



Source: Central Bank of Chile

New Banking Law

A new version of the General Banking Law (GBL) was published in January 2019. Among the most relevant changes is the indication to adopt the capital levels established in the Basel III standards by Chilean banks and the integration of the banking regulator (formerly the Superintendency of Banks and Financial Institutions) to the Financial Market Commission (FMC).

In this way, the FMC becomes an integrated regulator, having under its supervision insurance companies, security issuers, credit unions and credit and prepaid cards issuers in addition to banks. This committee is composed of a council of five members -leaving behind the previous structure of sole supervisors- whose chairman is appointed by the President of the Republic. In contrast, the other four, although appointed by the President, are previously ratified by the Senate.

The commission's responsibilities include the regulation and definition of general supervisory policies, as well as sanctioning powers. For the latter's purpose, the commission has an official known as the prosecutor, who oversees an area known as the Investigation Unit and who is in charge of investigating disciplinary proceedings.

According to the new version of the law, the minimum capital requirements rise in terms of quantity and quality. Total regulatory capital remains at 8% of risk-weighted assets, including credit, market and operational risk. The minimum Tier 1 capital increased from 4.5% to 6% of risk-weighted assets, from which up to 1.5% could be Additional Tier 1 (AT1), either in the form of preferred shares or perpetual bonds, which may be convertible to common equity. The FMC also establishes the conditions and requirements for the issuance of perpetual bonds and preferred stock. Tier 2 capital is now set at 2% of risk-weighted assets.

Additional capital demands are incorporated through a conservation buffer of 2.5% of risk-weighted assets. The Central Bank may establish an additional counter-cyclical financial buffer of up to 2.5% of risk-weighted assets, in accordance with the FMC. Both buffers must be composed of core capital.

The FMC, in agreement with the Central Bank, may impose additional capital requirements for Systemically Important Banks (SIB) ranging from 1% to 3.5% of risk-weighted assets. In particular, the Central Bank may require the addition of up to 2% of a bank's core capital to total asset ratio; a reduction in the activated technical reserve requirement from 2.5 times the regulatory capital to 1.5 times the regulatory capital; and/or a reduction in the interbank loan limit to 20% of the regulatory capital of any SIB.

The FMC shall have until December 1, 2020, to establish weightings. Until then, banks must maintain a regulatory capital of at least 8% of risk-weighted assets, net of the estimate and deductions of required credit losses and paid capital, and reserves ("core capital") of at least 3% of total assets, net of required loan loss allowances. Banco Santander must maintain a minimum regulatory capital ratio to risk-weighted assets of 11%.

The FMC has already begun publishing drafts for consultation. On August 12, 2019, the first draft for the identification and core

capital charge for banks considered as SIB was published. To reach a market share after this, the following four factors are weighted:

1. Size (weighted at 30%): it includes total consolidated assets in the domestic market.

2. National interconnection (weighted at 30%): it includes assets and liabilities with financial institutions (banking and non-banking) and assets in circulation in the Chilean financial market (variable and fixed income).

3. National substitution (weighted at 20%): it includes participation in local payments, assets in custody, deposits and loans.

4. Complexity (weighted at 20%): it includes factors that could lead to more significant difficulties concerning costs and/or time for the orderly resolution of the Bank. These include the notional amount of OTC derivatives, inter-jurisdictional assets and liabilities, and available for sale assets.

The minimum amount of the sum of the systemic factors to be considered is 1,000 bps, equivalent to a weighted share of 10% of the four factors. The additional core capital charge depends on the size of the total factor, as set out in the table below:

Systemic level	Range (bps)	Additional core capital charge (%RWA)
I	1000-1300	1.0%-1.25%
II	1300-1800	1.25%-1.75%
III	1800-2000	1.75%-2.5%
IV	>=2000	2.5%-3.5%

Given the size and market share of Santander Chile, it is likely that the Bank will be classified as SIB according to the regulation proposed by the FMC in this area.

On September 13, 2019, the FMC published the risk weights for operational risk. Two factors are considered in the estimation of the operating risk coefficient:

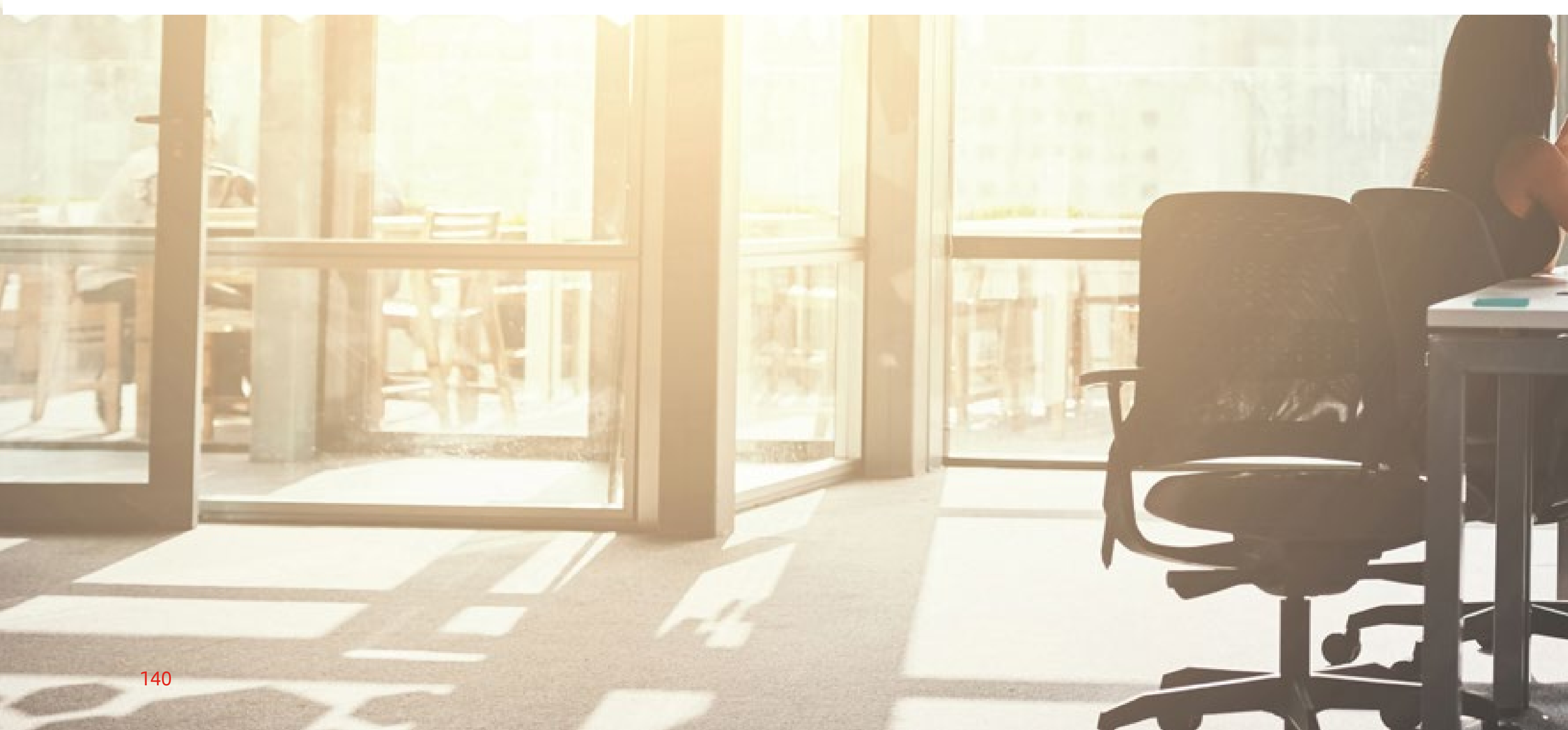
1. Business indicator component (BIC): it considers interest income, interest-generating assets, dividend income, financial transactions, fees, and other operating income and expenses. These are multiplied by a marginal coefficient.
2. Internal loss multiplier (ILM): it is a component based on 10 years of historical operating losses, or at least five years in some special cases.

On January 27, 2019, the FMC published for consultation the risk weight model for credit risk. The Basel Committee on Banking Supervision (BCBS) defines it as the risk that a debtor or a bank counterparty will not meet its obligations under the agreed terms and is the most relevant risk in the Chilean banking industry.

The current mechanism estimates the credit risk-weighted assets (CRWA) using a methodology based on the Basel I Standard. The standard approach proposed under Basel III is more advanced, as it has categories that depend on the type of counterparty and the different risk factors. These categories are not based on accounting criteria, but rather on the underlying risk, so all exposures that have mortgage guarantees, such as home mortgage loans, are treated differently from those exposures not secured by a mortgage. Furthermore, in the case of mortgage-backed exposures, there are different types of treatment depending on the type of real estate and whether the obligations are paid with the income generated by the property itself. The new framework also allows the use of internal methodologies, subject to compliance with minimum requirements. The standard in consultation includes the possibility of reducing the CRWA when the credit risk mitigating factors are considered, such as compensation agreements, guarantees and others.

The new General Banking Law also incorporates the capital requirements of Pilar II, intending to ensure proper risk management. The FMC, counting with at least four of its Board's votes, will have the power to impose additional regulatory capital demands of up to 4% of risk-weighted assets, either at Level I or Level II, if it is determined that the above-described level of capital and buffers is not sufficient for a particular financial institution. The FMC shall be responsible for establishing weightings of the risk-weighted assets as a separate regulation, based on the implementation of standard models, subject to agreement with the Central Bank.

The following table provides a comparison between regulatory capital demands under the previous law and those under the new General Banking Law:



CAPITAL REQUIREMENTS: PREVIOUS VS. NEW REQUIREMENTS

(% of risk-weighted assets)

Capital categories	Previous law	New General Banking Law
(1) Total Capital Tier 1 (2+3)	4.5	6
(2) Equity	4.5	4.5
(3) Additional Capital Tier 1 (AT1)	-	1.5
(4) Capital Tier 2	3.5	2
(5) Total regulatory capital (1+4)	8	8
(6) Conservation buffer	2% above regulatory capital to be classified as Category A of Solvency	2.5
(7) Total capital requirement (5+6)	8	10.5
(8) Counter-cyclical buffer	-	Up to 25
(9) SIB requirement*	Up to 6% in the event of a merger	Between 1 – 3.5

* Systemically Important Banks

Financial System

By the end of 2019, the total loans in the system (excluding foreign banking investments) grew by 10.4% when compared to the same period last year.

This subsidiaries was driven by the increase in mortgage and commercial loans, which rose by 11.2% and 10.1% respectively. The strong growth in mortgage loans answered to the decline in long-term interest rates, which boosted demand for new investments and a high level of refinancing of mortgage loans.

The growth in commercial loans was caused by an increase in loans to medium and large companies primarily, and to the higher depreciation of the Peso in the year, which increased the loan balance in dollars.

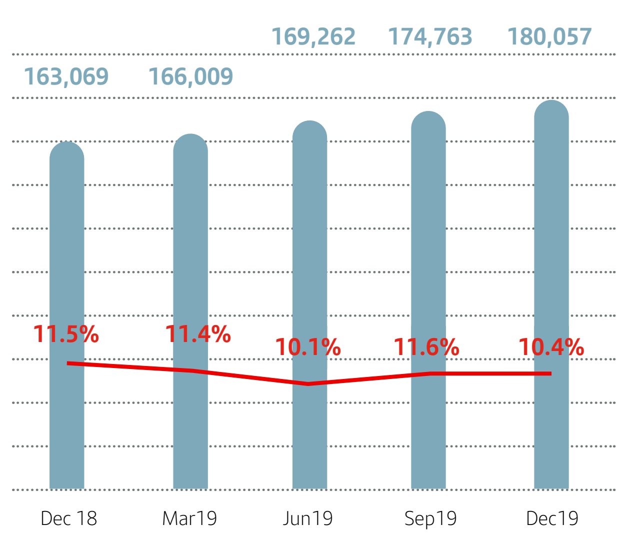
Consumer loans display a 7.2% growth during 2019, which contrasts the increase of over 20% in 2018. This deceleration was mainly caused by several banks acquiring consumer portfolios from non-bank institutions during 2018, inflating the level of growth.

Meanwhile, within the context of the incidents of social unrest that occurred during the last months of 2019, both the non-performing loans on total credits, as well as the expected loss, increased slightly in comparison to 2018. The non-performing loans (NPLs) as a percentage of the total portfolio increased from 1.9% at the end of 2018 to 2.1% at the end of 2019. In response to these events, the banking system increased its stock of provisions as a percentage of the non-performing portfolio and concluded 2019 with a coverage of 144%.

In terms of profitability, despite the diminished economic growth, the drop in inflation and the flattening of the interest rate curve, the banking system achieved a solid return reflected in a ROE of 12.1% and a ROA of 1.0%. The Chilean banking also continues to stand out due to an excellent efficiency level of 47% and a solid ratio of effective equity to risk-weighted assets of 12.8%.

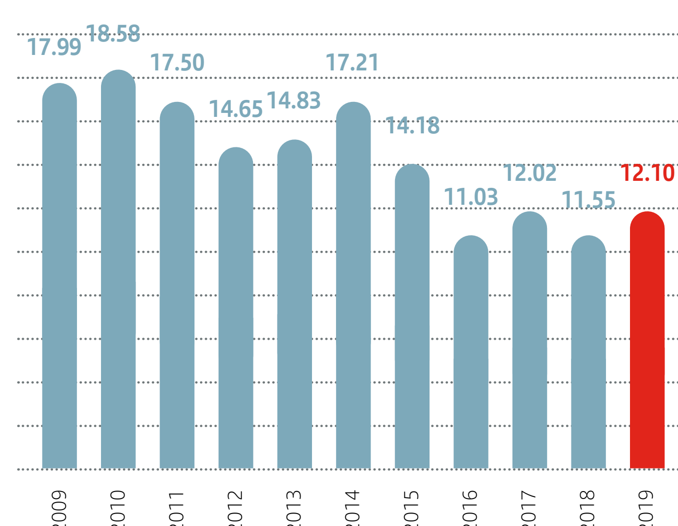
At December 2019	Ch$Bn	US$Bn
Assets	290,500	388.7
Loans	196,454	262.9
Deposits	152,221	203.7
Equity	21,834	29.2
Income	2,639	3.5
MIN	4.0%	
Cost of credit	1.3%	
NPL Ratio	1.9%	
Coverage Ratio	143.5%	
Efficiency Ratio	47.0%	
Return over average assets (ROAA)	1.0%	
ROAE	12.2%	
Core capital	10.3%	
BIS ratio	12.8%	

Total loans $Bn, annual var. % YoY



Source: FMC

ROE System %



Financial results

Summary of Results

Net income attributable to equity holders reached $552,093 million ($2.93 per share and US$ 1.57 per ADR) by the end of 2019, decreasing by 6.7% over the previous year. The Bank's total operating income increased 4.6%, encouraged by 5.4% growth of the operating income generated by the Bank's business segments.

This positive increase in revenues was primarily offset by two factors: (i) a smaller non-client margin due to lower inflation and long-term interest rates and (ii) an increase in provisions caused by the regulatory change which mainly affected SMEs, and additional provisions taken in light of the social context during the last quarter of the year.

Santander continues to be the most efficient bank among the largest banks in Chile, with an efficiency ratio of around 40% and a moderate increase in support costs of 3.9% during 2019. Santander Chile continued to invest in new initiatives, and greater digitalization and cyber security.

Additionally, the ROAE decreased by 2.5 percentage points, from 19.2% in 2018 to 16.7% in 2019, while the ROAA decreased by 0.28 percentage points, falling from 1.58% to 1.30%. Excluding the model change and the additional provisions recognised in 2019, the adjusted ROE would have reached 17.8% and the ROAA 1.3% during 2019.

The Bank's loan portfolio increased by 8.1% in 2019 compared to 2018, mainly due to an increase in mortgage and business loans. The addition of Santander Consumer Chile to the numbers starting November 2019 also added $450 billion to the Bank's consumer portfolio.

The Bank's total deposits grew 7.7% in 2019, with a 17.8% increase in demand deposits driven by the growth in current accounts and the strength of the organisation in the transactional banking business with companies.

SUMMARY OF RESULTS (Ch$, in millions)

	2019	2018	2017	var % 19/18	var% 18/17
Net interest income from business segments	1,356,989	1,319,398	1,335,803	2.8	(1.2)
Non-client net interest income[1]	59,862	94,970	(9,112)	(37.0)	-
Total net interest income	**1,416,851**	**1,414,368**	**1,326,691**	**0.2**	**6.6**
Net fee and commission income	287,086	290,885	279,063	(1.3)	4.2
Results of financial transactions	207,019	105,082	129,752	97.0	(19.0)
Other operating income	24.,598	39,526	87,163	(37.8)	(54.7)
Operating profit	**1,935,554**	**1,849,861**	**1,822,669**	**4.6**	**1.5**
Provisions	(420,447)	(325,085)	(299,205)	29.3	8.6
Net operating profit	**1,515,107**	**1,524,776**	**1,523,464**	**(0.6)**	**0.1**
Operating expenses	(749,861	(721,933)	(704,893)	3.9	2.4
Other operational costs[2]	(63,747)	(45,779)	(101,658)	39.2	(55.0)
Operating profit	**701,499**	**757,064**	**716,913**	**(7.3)**	**5.6**
Net profit (post tax)	554,176	596,262	577,263	(7.1)	3.3
Minority Interest	2,083	4,360	12,448	(52.2)	(65.0)
Net income attributable to equity holders	552,093	591,902	564,815	(6.7)	4.8
Net income per share	2.93	3.14	3.00	(6.7)	4.7
Profit per ADR (US$)[3]	1.57	1.80	1.94	(12.9)	(7.4)
Loans and clients receivable accounts[4]	32,716,883	30.266,929	27,563,229	8.1	9.8
Interbank loans	14,852	15,093	162,684	(1.6)	(90.7)
Total loans	32,731,735	30,282,022	27,725,913	8.1	9.2
Total deposits[5]	23,490,249	21,809,236	19,682,111	7.7	10.8
Equity	3,470,317	3,285,709	3,108,063	5.6	5.7
Net Interest margin[6]	4.1%	4.4%	4.4%	-32 bps	+2 bps
Efficiency[7]	40.0%	40.0%	40.8%	-1 bps	-81 bps
ROAE[8]	16.7%	19.2%	19.2%	-244 bps	-7 bps
ROAA[9]	1.3%	1.6%	1.6%	-32 bps	+2 bps
Non-performing loans / total loans	2.10%	2.09%	2.28%	-3 bps	-20 bps
Coverage of non-performing loans[10]	133.0%	126.1%	128.8%	+693 bps	-267 bps
Core Capital[11]	10.1%	10.6%	11.0%	-46 bps	-40 bps
Basel Ratio[12]	12.9%	13.4%	13.9%	-55 bps	-50 bps
Branches	377	380	385	(0.8)	(1.3)

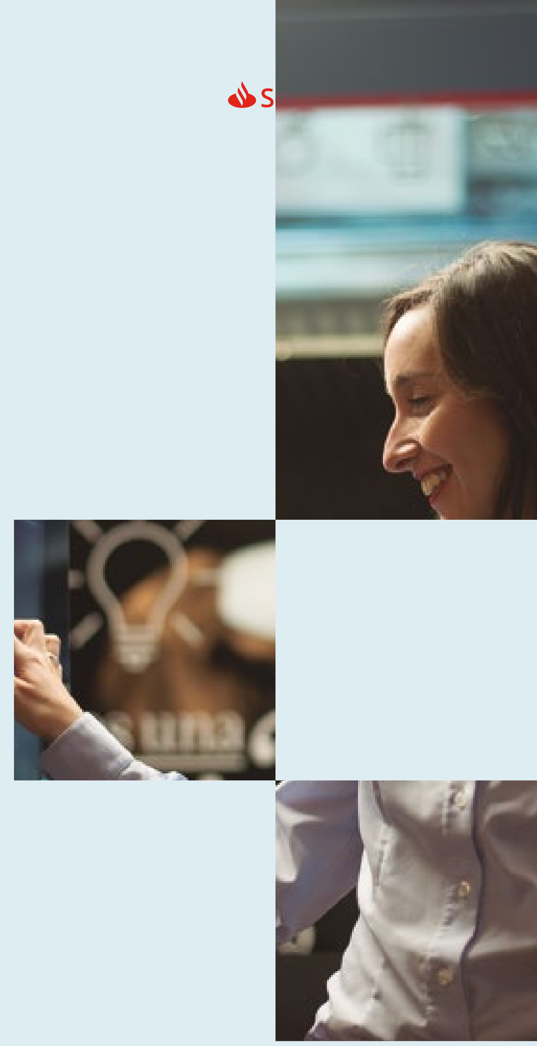
1. Corresponds to net interest income and adjustments to corporate activities (other) / 2. Includes impairment losses. / 3. Change in net income per ADR may differ with the change in net income per share due to exchange rates. / 4. Gross provisions. / 5. Includes demand deposits and term deposits. / 6. Net interest margin is net interest income for the year divided by average interest-bearing assets. / 7. Efficiency Ratio: operating costs excluding impairment and other operational expenses divided by operational income. Operational income = net interest income, commissions, results of net financial operations and other operating income minus other operating expenses. / 8. Net income attributable to equity holders over average equity. / 9. Net income attributable to equity holders over average total assets. / 10. Loan loss allowances divided by non-performing portfolio. / 11. Equity attributable to equity holders of the bank divided by risk-weighted assets as defined by the FMC BIS I. /12. Regulatory capital divided by risk-weighted assets.

Loans

Total loans increased by 8.1% during 2019 in respect to 2018, a variation headed by the loans to retail banking, which grew 10.3%. Loans to individuals were the fastest-growing segment, increasing by 11.3%. The expansion of this portfolio was focused on high-income clients, which increased by 15.7%. Banco Santander Chile's Life Program also contributed to the record opening of current accounts during the year, and provided $43 billion in consumer loans to the portfolio, increasing by 68.1% in comparison to the previous year. On the other hand, mortgage loans increased by 11.0% driven by lower long-term interest rates. This higher growth was achieved by maintaining the loan to value ratio below 80%.

Consumer loans increased 13.6%, driven by the incorporation of Santander Consumer Chile S.A. in November 2019, following the final approval by the Extraordinary Shareholders' Meeting and the Financial Market Commission (FMC). This contributed $451 billion in consumer credit as of December 2019, which represented 8% of the total consumer credit.

In the SME segment, the year-on-year growth was of 5.7%. In this segment, the Bank maintained a conservative approach, focusing on companies that were bigger and less risky, those of which can also create a revenue through other value-added services provided by the Bank. The Middle Market segment (BEI) grew by 5.2% during the year, in line with the country's economic growth. Santander Corporate Investment Banking (SCIB) had a slight decrease of 0.6% as the Bank continued with its profitability strategy, focusing on the transactional and treasury services that the Bank offers these companies.



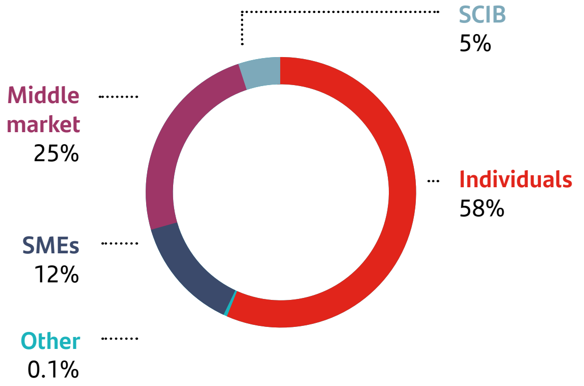
LOANS BY SEGMENT (Ch$, in millions)

	2019	2018	2017	var % 19/18	var% 18/17
Individuals	18,833,518	16,921,496	15,408,301	11.3	9.8
SMEs	4,085,049	3,865,141	3,824,868	5.7	1.1
Individuals and SMEs	22,918,568	20,786,637	19,233,169	10.3	8.1
Middle-Market	8,093,496	7,690,380	6,775,734	5.2	13.5
Corporate banking (SCIB)	1,671,662	1,681,697	1,633,796	(0.6)	2.9
Other	48,009	123,309	83,215	(61.1)	48.2
Total loans	32,731,735	30,282,023	27,725,914	8.1	9.2

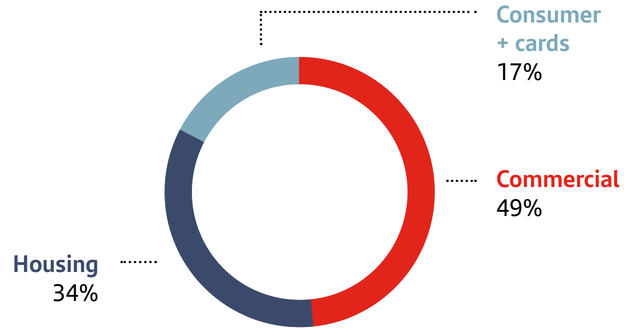
LOANS BY PRODUCT (Ch$, in millions)

	2019	2018	2017	var % 19/18	var% 18/17
Commercial	15,914,831	15,239,659	13,908,642	4.4	9.6
Housing	11,262,995	10,150,981	9,096,895	11.0	11.6
Consumer + cards	5,539,057	4,876,289	4,557,692	13.6	7.0
Consumer	4,161,347	3,459,137	3,192,712	20.3	8.3
Cards	1,377,710	1,417,152	1,364,980	(2.8)	3.8
Loans and accounts receivable from customers	32,716,883	30,266,929	27,563,229	8.1	9.8
Interbank	14,852	15,094	162,684	(1.6)	(90.7)
Total loans	32,731,735	30,282,024	27,725,913	8.1	9.2

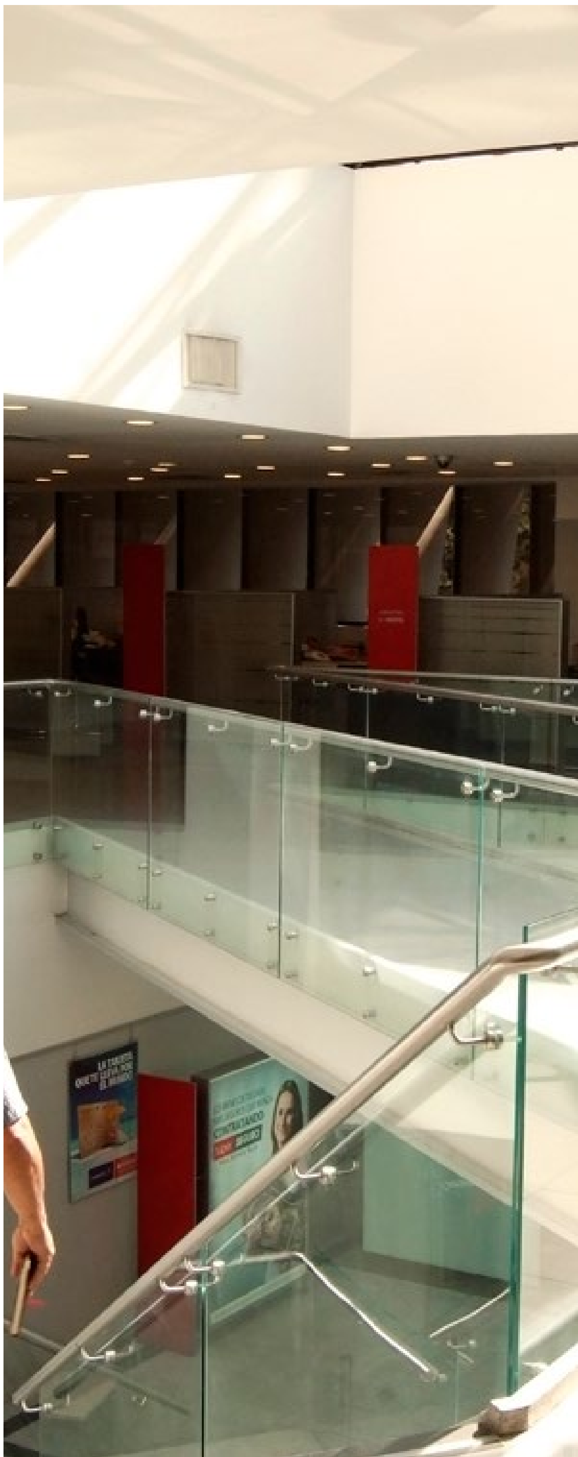
Loans by segment



Loans by product



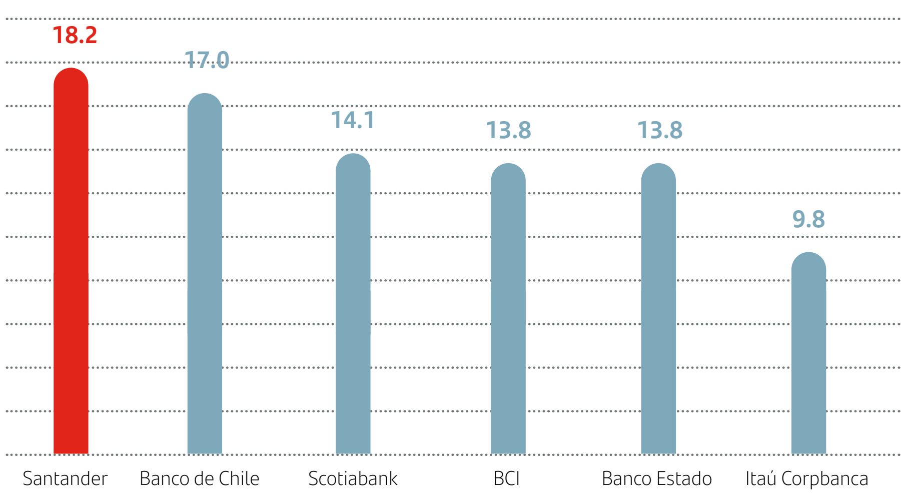
The Bank upheld a strong position as a leader in Chile, reaching a market share in total loans of 18.2%.



TOTAL MARKET SHARE AND MARKET SHARE BY PRODUCT (%)

	Santander	Banco de Chile	Scotiabank	BCI	Banco Estado	Itaú Corpbanca
Total loans	18.2%	17.0%	14.1%	13.8%	13.8%	9.8%
Individuals	21.0%	17.2%	15.7%	13.1%	15.5%	7.7%
Consumer	20.8%	17.0%	13.0%	14.6%	8.4%	7.2%
Housing	21.1%	17.2%	17.0%	12.4%	19.1%	7.9%
Commercial	16.0%	16.4%	12.9%	14.4%	12.5%	11.6%

Market Share of Total Loans
%

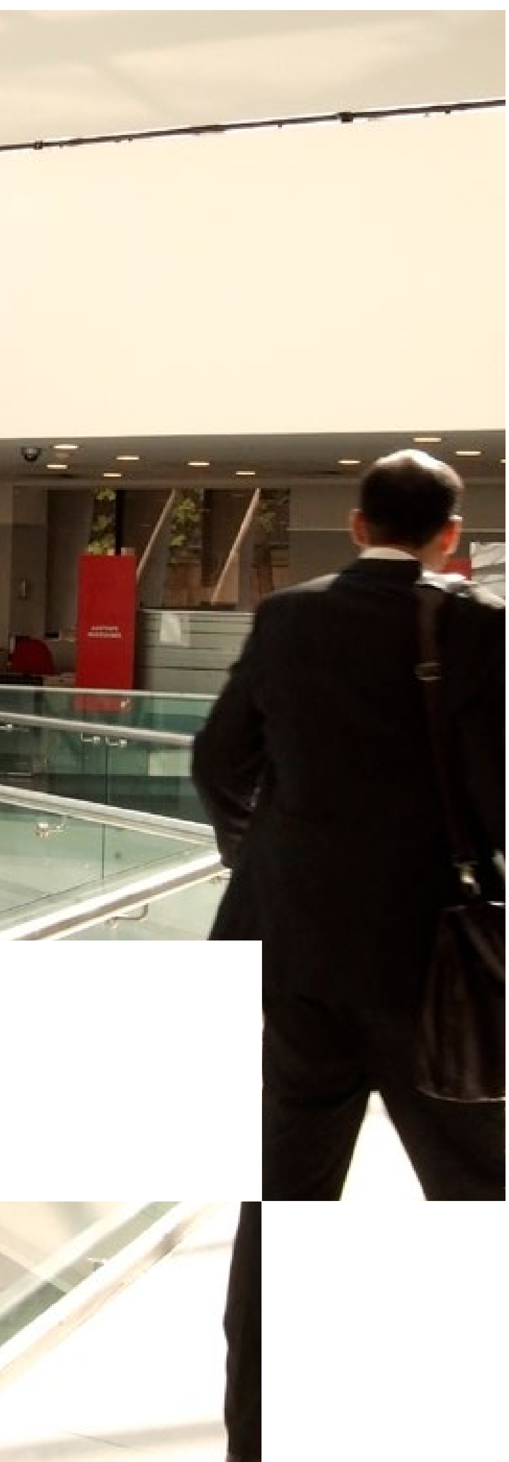


Source: FMC

Client funds

SOURCES OF FUNDS (Ch$, in millions)

	2019	2018	2017	var % 19/18	var% 18/17
Demand deposits	10,297,432	8,741,417	7,768,166	17.8	12.5
Time deposits	13,192,817	13,067,819	11,913,945	1.0	9.7
Total deposits	23,490,249	21,809,236	19,682,111	7.7	10.8
Mutual funds	6,524,098	5,576,243	5,056,892	17.0	10.3
Total client funds	30,014,347	27,385,479	24,739,003	9.6	10.7
Issued debt instruments	9,500,723	8,115,233	7,093,653	17.1	14.4
Adjusted loans / deposits	95.1%	98.0%	100.7%	-290bps	-270bps



MARKET SHARE PARTICIPATION IN DEPOSITS (%)

	Santander	Banco de Chile	Scotiabank	BCI	Banco Estado	Itaú Corpbanca
Total deposits	17.4%	16.5%	11.9%	12.7%	18.2%	9.0%
Demand deposits	20.8%	22.9%	9.8%	13.0%	21.0%	5.1%
Term deposits	15.4%	12.7%	13.0%	12.5%	16.5%	11.2%

Chilean market excludes subsidiaries and branches abroad of Banco Estado, BCI, and Itaú Corpbanca.

Banco Santander's main funding source consists of customer deposits (demand deposits and term deposits), which represent 49.9% of the Bank's total liabilities. In 2019, total deposits increased by 7.7%, reaching a market share of 17.4%.

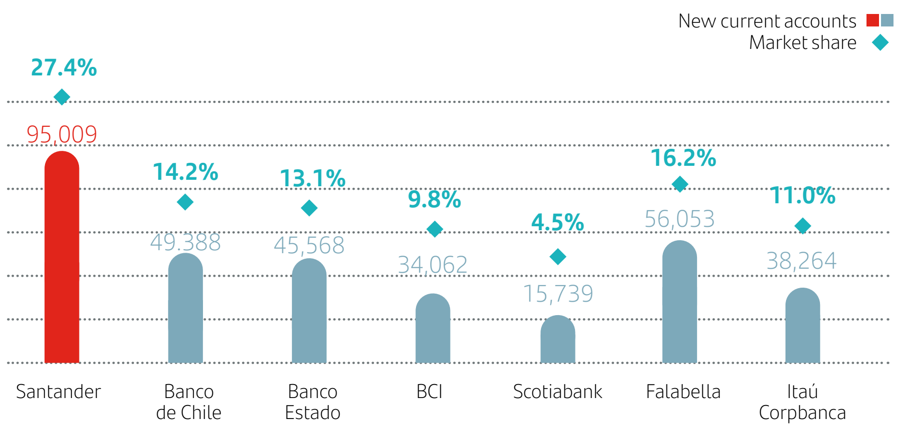
During 2019, deposit growth was led by demand deposits, which grew by 17.8% due to the increase in retail current accounts, the continued strength of the Bank's transactional banking services for business, and the seasonal growth in demand deposits in the last quarter of the year, as customers sought greater liquidity during the social unrest. As for the creation of current accounts, it was a record year for the Bank. During 2019, Santander obtained a market share of 27.4% in terms of new net accounts, thus increasing the share of total current accounts from 21.3% in December 2018 to 21.7% in December 2019. With this, Banco Santander managed to strengthen the market share in demand deposits, reaching 20.8% by the end of 2019.

27.4%
market share in terms of new current accounts, net

21.7%
share of total current accounts

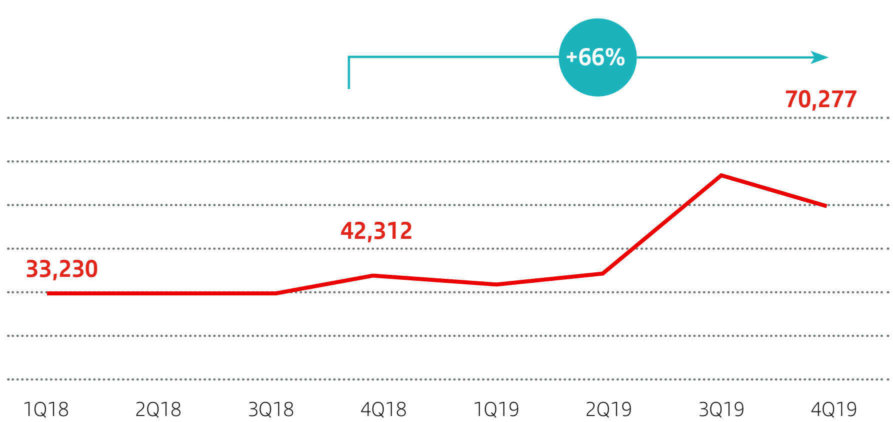
20.8%
market share in demand deposits

Market share of new current accounts, net



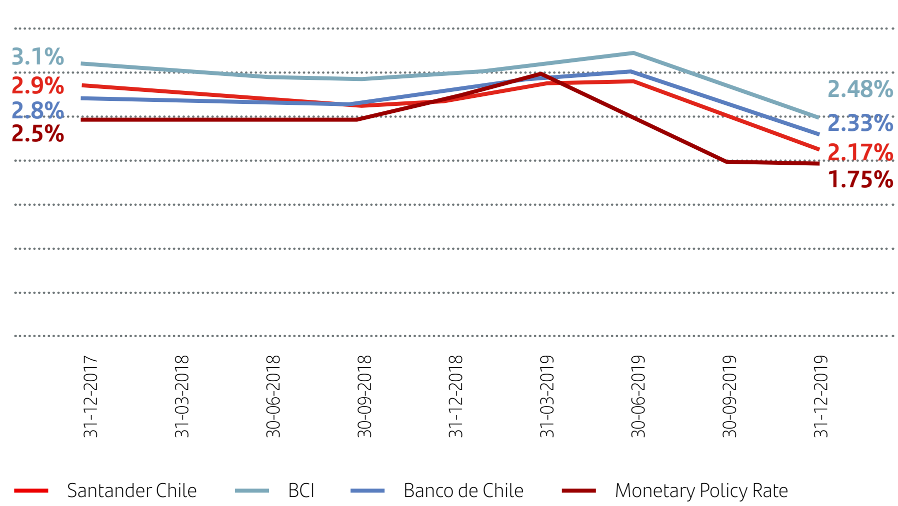
Source: FMC

New quarterly gross accounts[1]



1. Includes current accounts, Life, and Superdigital.

Deposit cost evolution in Pesos[2]



Source: based on information from the FMC.

In turn, time deposits had a moderate increase of 1.0% during 2019, which is explained by the reduction of the Monetary Policy Rate (MPR) applied by the Central Bank of Chile, causing this product to become less attractive. Aiming to protect the profit margin, the Bank focused on reducing its costs for this product.

The Finance Division is responsible for managing the Bank's other funding sources, mainly the issuance of bonds and bank lines. The growth of the Bank's mortgage portfolio reinforced the strategy of issuing long-term assets to match the terms of assets and liabilities. Also, given the low-rate context, the Bank took the opportunity to refinance some of its bonds in order to lower the funding cost. With this, the bond growth during the year was 17.1%.

The above-mentioned low-rate environment prompted a 17.0% increase in the mutual funds traded through the Bank, as customers sought higher-return investments.

2. Quarterly interest expenses paid for nominal deposits in Pesos over a quarterly average of the time deposits balance in nominal Pesos.

Equity

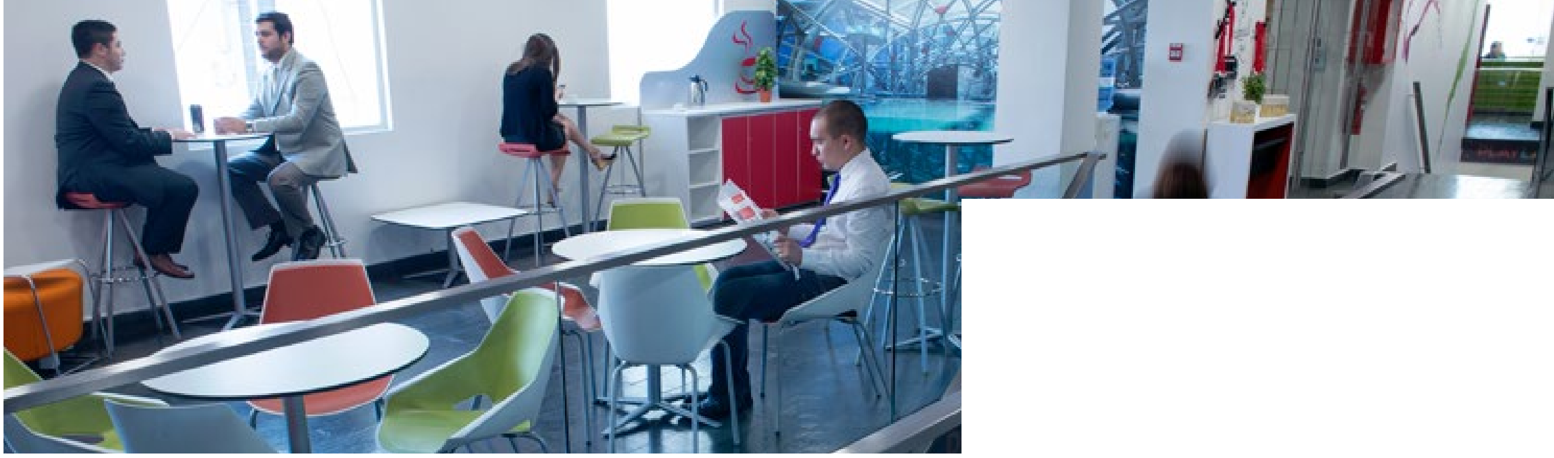
At the end of 2019, the equity attributable to the Bank's equity holders amounted to $3,390.823 billion. This figure is 4.7% higher than its 2018 record, thus achieving a core capital ratio (equity attributable to the Bank's equity holders on risk-weighted assets) of 10.1%, which is slightly inferior to the 10.6% recorded by the end of 2018. Likewise, the Basel Ratio (regulatory capital divided by risk-weighted assets) stood at 12.9% by the end of 2019, a figure lower than the 13.4% recorded by 2018's conclusion. For both capital adequacy measures, it should be considered that risk-weighted assets increased by 9.4% during 2019 when compared to 2018. The decline in ratios was also affected by the depreciation of the exchange rate, which reached 7.1% during the year. This resulted, in turn, in a higher growth of the Bank's dollar-denominated assets, inducing the increase of 9.4% of risk-weighted assets.

These Bank solvency indicators rank higher than what is currently required in Chile and reflect a strategy that involves the efficient use of capital by assigning it to operations with high profitability in terms of its consumption.

In this regard, it is essential to note that the Financial Market Commission (FMC) is in the process of publishing under consultation Basel III standard regulations which will be implemented in Chile. Regarding the current regulations being placed in consultation by the Central Bank, the transition to Basel III standards is expected to be neutral to positive for Banco Santander.

CAPITAL ADEQUACY (Ch$, in millions)

	2019	2018	2017	var % 19/18	var% 18/17
Core Capital	3,390,823	3,239,546	3,066,180	4.7	5.7
Tier II	913,578	862,119	815,072	6.0	5.8
Net effective equity	4,304,401	4,101,664	3,881,252	4.9	5.7
Risk-weighted assets	33,478,951	30,600,177	27,911,835	9.4	9.6
Basic capital/Total assets	6.70%	8.26%	8.56%	-156 bps	-30bps
Basic capital / Risk weighted assets (Tier I)	10.13%	10.59%	10.99%	-46bps	-40bps
Basel ratio	12.90%	13.40%	13.91%	-50bps	-50 bps



Business results

he net contribution by business segment decreased by 7.8% in 2019 when compared to the previous year. The net participation of individuals and SMEs had a year-on-year variation of -25.1%, while Middle Market reached 3.3%, and Corporate Investment Banking (SCIB) was 23.2%. In this regard, it is essential to consider that the Bank had to assume, during 2019, a single charge of $31 billion due to a regulatory change in the provision model for commercial loans analysed on a group basis. In addition, due to the social unrest during the last quarter of the year, the Bank established higher provisions, including additional requirements of $16 billion for consumer loans.

Excluding extraordinary effects, the net contribution of business segments would have decreased 1.1% instead of 7.8%, with the division of individuals and SMEs decreasing 12.1% instead of 25.1%.

RESULTS BY BUSINESS SEGMENT ANALYSIS (Ch$, in millions)

	Individuals and SMEs	Middle-market	SCIB	Total segments	Corporate activities (other)	Total
Interest income and net adjustments	960,248	298,587	98,154	1,356,989	59,862	1,416,851
Var. %	1.1	9.4	1.5	2.8	(37.0)	0.2
Net fee income	230,627	38,712	29,103	298,442	11.356	287,086
Var. %	4.6	5.4	(17.0)	2.1	679.4	(1,3)
Result of financial operations	30,097	17,178	94,761	142,036	64,983	207,019
Var. %	52.8	2.0	65.3	51.3	480.2	97.0
Operational income	**1,220,972**	**354,477**	**222,018**	**1,797,467**	**113,489**	**1,910,956**
Var. %	**2.6**	**8.6**	**17.4**	**5.4**	**8.4**	**5.6**
Net provisions	(374,642)	(42,812)	(758)	(418,212)	(2,235)	(420,447)
Var. %	36.1	62.7	(132.4)	39.7	91,3	29.3
Net operational result	**846,330**	**311,665**	**221,260**	**1,379,255**	**111,254**	**1,490,509**
Var. %	(7.5)	3.8	15.6	(1.9)	40.9	0.4
Operating expenses	(575,511)	(97,054)	(65,343)	(737,908)	(11,953)	(749,861)
Var. %	4.0	5.1	0.7	3.9	4.1	3.9
Net contribution	**270,819**	**214,611**	**155,917**	**641,347**	**99,301**	**740,648**
Var. %	**(25.1)**	**3.3**	**23.2**	**(7.8)**	**47.2**	**(3.0)**

Operational income

The Bank's net operating income rose by 5.6% during 2019, driven by an 8.4% increase in the operating income of corporate activities.

SUMMARY OF RESULTS (Ch$, in millions)

	2019	2018	2017	var % 19/18	var % 18/17
Net interest income from business segments[1]	1,356,989	1,319,398	1,335,803	2.8	(1.2)
Non-client net interest income[2]	59,862	94,970	(9,112)	(37.0)	--
Net interest income	1,416,851	1,414,368	1,326,691	0.2	6.6
Interest-earning asset yield[3]	6.8%	7.0%	6.9%	-30 bps	+ 19 bps
Cost of funds[4]	2.7%	2.7%	2.5%	-4bps	+ 20bps
Net interest margin (NIM)[5]	4.1%	4.4%	4.4%	-32 bps	+2 bps

1. Net interest income for business segments. Excludes Corporate and Financial Management activities (classified as "Other") / 2. Net interest income to Corporate and Financial Management activities (classified as "Other") / 3. Interest income divided by average interest-earning assets over the last 12 months. Interest-earning assets are the total gross loans, interbank loans, and assets available for sale / 4. Interest expense divided by average interest-bearing liabilities and demand deposits over the last 12 months. Interest-paying liabilities include repurchase agreements and securities loans, time deposits and other time liabilities, interbank borrowings, issued debt instruments, and other financial obligations / 5. Net interest margin is the annual net interest income divided by average interest-bearing assets.

Interest income, the Bank's primary revenue, increased by 0.2% during the year. Net interest margin (NIM) fell from 4.4% in 2018 to 4.1% in 2019. This decline is mainly explained by the decrease on interest-earning asset yield (interest income divided by interest-earning assets) from 7.0% in 2018 to 6.8% in 2019, primarily due to a lower inflation in the year. This led to a 37% fall in the non-client financial margin, which includes mostly the Bank's structural position in assets according to the variation of the inflation-linked UF.

Interest income coming from business segments, which does not include the effect of inflation, increased 2.8% during the year, encouraged by an 8.1% increase in loans. This high level of growth was offset by the negative effect on the margin of low long-term interest rates, which led to a record level of mortgage refinancing at lower rates. This was slightly balanced by the lower funding cost of the Bank, as a result of the high growth in demand deposits described above.

In turn, commissions fell by 1.3% during the year. This fall is mainly explained by the decrease in collection fees. Nevertheless, commissions by business segment rose by 2.1% thanks to larger commissions from current accounts, credit lines and insurance, as a consequence of the steady growth of customers during the year. Loyal clients (those that have more than four products and meet a minimum of usage and levels of profitability) also increased in the year, growing 6.9% in the highest segment, 4.3% in the middle segment and 5.3% in SMEs and the Middle Market. Life, the range of products for the mass segment that rewards good financial behaviour also expanded its offer, adding the option of a simple current account and the possibility of accumulating Latam miles through the credit card. Furthermore, the Bank has already relocated a large number of its cards to use the new four-part model in the acquiring field, which positively affected the commissions of this product, starting the second half of the year.

In terms of the result of financial operations, they increased by 97.0% in comparison to last year. This result mainly includes the Client Treasury business along with Non-client Treasury results, which in turn covers the results of Financial Management operations. The income increase linked to financial transactions in the Client Treasury (business segments) was 51.3% in 2019, representing 69% of total Treasury income. This, reflected customers demand to limit their exposure to volatile exchange rates and to the uncertain global markets. At the same time, the results of the Financial Management division, responsible for capital positioning, liquidity, funding, and inflation, increased by 480% primarily due to net profits from the sale of available investments in a context of sharp decreases in local and foreign rates. It should be noted that the financial instruments that constitute the portfolio of financial assets at amortised cost are mainly debt instruments issued by the Central Bank of Chile, The Republic of Chile and the Treasury of the United States.

Provisions

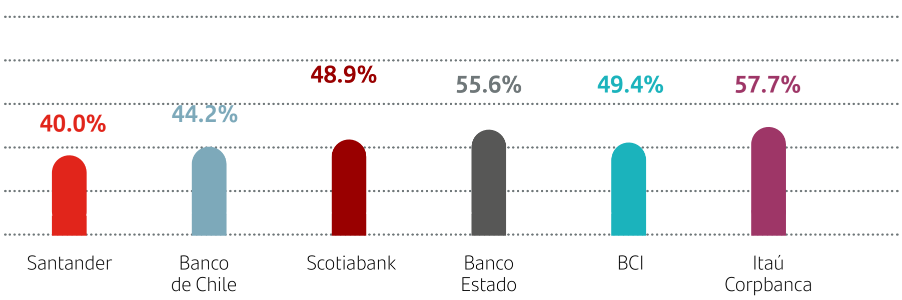
Provisions increased by 29.3% during 2019, resulting in an increase in the cost of credit (result from provisions over average loans) from 1.1% in 2018 to 1.3% in 2019. This increase in provisions was mainly due to (a) the change in the regulatory model of provisions for the portfolio analysed as a group in July 2019, which mainly affected SMEs, and meant the recognition of extraordinary provisions by $31 billion; and (b) $16 billion of additional provisions in the consumer portfolio related to the change in the social context of the last quarter of 2019, and to cover potential future changes in the model of provisions required by the Central Bank.

Despite this increase in provisions and the cost of credit, the leading indicators of credit risk remained stable in the year. The NPL ratio (non-performing portfolio over total loans) closed the year at 2.1%, the same figure as 2018. Impaired loans over total loans also remained stable at 5.9% in comparison to 2018, with an improvement in the consumer loan portfolio from 5.6% to 5.1%, offset by an increase in the impaired loans ratio in the commercial portfolio from 5.7% to 5.9% at the end of 2019. Finally, coverage, measured as loan loss allowances over non-performing loans, reached 133.0% at the end of 2019, compared to 126.1% in 2018.

Operating expenses

In 2019, the Bank continued with its investment program in digital products and technology accompanied by significant increases in productivity and efficiency. Total operating expenses grew by only 3.9% in 2019. Technology costs increased with investments in new digital customer services and back-office platforms, creating long-term efficiencies. The new initiatives included: (i) Superdigital, a transactional digital platform with prepaid debit and credit cards; (ii) Santander's Life, a range of products for the mass segment that rewards good financial behaviour; (iii) Klare, a digital platform that is being developed for the future sale of insurance products; (iv) other digital processes to back-office functions; and (v) the opening and transformation of branches with the format of Work/Café. As of December 31st, 2019, Banco Santander Chile had a total of 377 branches, of which 53 correspond to the Work/Café format. With these investments in technology, it was possible to maintain the efficiency ratio stable at 40.0%, once again consolidating the Bank's position as the most efficient among the major banks in Chile.

Efficiency ratio against competitors



Source: FMC

Other operating income and expenses

Other operating income during the year decreased by 37.8% due to a lower release of non-credit contingencies compared to 2018. This was partially offset by insurance compensations for damages some of the Bank's branches suffered during the social upheaval between October and December 2019. Conversely, other operating expenses increased by 39.2%, due to higher costs of insurances contracted for cybersecurity and fraud.

Taxes

GRI [207-1][207-2][207-3]

In 2019, tax expenditure amounted to $150,168 million, which involved a 9.5% decrease over the $165,897 million of the previous year. The tax rate remained stable at 27% in both periods, while the monetary correction was 47.8% lower. These elements, together with higher tax credits compared to 2018, led to a decrease in the effective tax rate of 50 basis points.

SUMMARY OF TAXES (Ch$, in millions)

	2019	2018	var% 19/18
Income before taxes	702,645	758,389	(7.4)
Price level restatement of capital[1]	(58,022)	(111,242)	(47.8)
Net income before tax adjusted for price level restatement	644,623	647,147	(0.4)
Statutory Tax rate	27%	27%	
Income tax expense at Statutory rate	(174,048)	(174,730)	(0.4)
Tax benefits[2]	23,880	8,833	170.3
Income tax	(150.168)	(165,897)	(9.5)
Effective tax rate	21.4%	21.9%	-50 bps

1. For tax purposes, capital is indexed to CPI inflation. The statutory tax rate is applied over net income before tax adjusted for price level restatement / 2. Mainly includes income tax credits from property taxes paid on leased assets as well as the impact from fluctuations in deferred tax assets and liabilities.

The Bank's tax management is framed within the Group's corporate guidelines, which demand the adoption of ethical practices to prevent and reduce both fiscal and reputational risks[1]. At a local level, Banco Santander Chile's Fiscal Policy is approved by the Board of Directors, and sets a system of tax risk management and control to ensure compliance.

The principles of the Bank's Fiscal Policy are to cooperate with the competent tax authority, which in Chile corresponds to the Servicio de Impuestos Internos (SII); to provide this body with the information required to fulfill its obligations; to ensure transparency by avoiding the use of structures of an opaque nature; to respect the rules on transfer prices and to provide customers with tax information regarding the products and services contracted as early as possible. It also dictates contributing to the trade unions to which the Bank is affiliated, as long as such participation does not involve a reputational risk, and to collaborate with the development and implementation of more equitable and efficient legislation, for the simultaneous benefit of general and business interests.

Likewise, the Board of Banco Santander Chile has defined a catalogue of transactions of special fiscal risk; those that can be included in any of the categories of Special Fiscal Risk should be referred to the Bank's tax advisory team, which is dependent of the Intervention and Control Management Division, which in turn refers them to Banco Santander's Corporate Tax Counsel. In case of the existence of a Special Fiscal Risk, the operation is submitted to the Board for its approval, through the Audit Committee.

3. The principles of action in tax matters are available in https://www.santander.com/es/nuestro-compromiso/politicas

Economic value generated and distributed

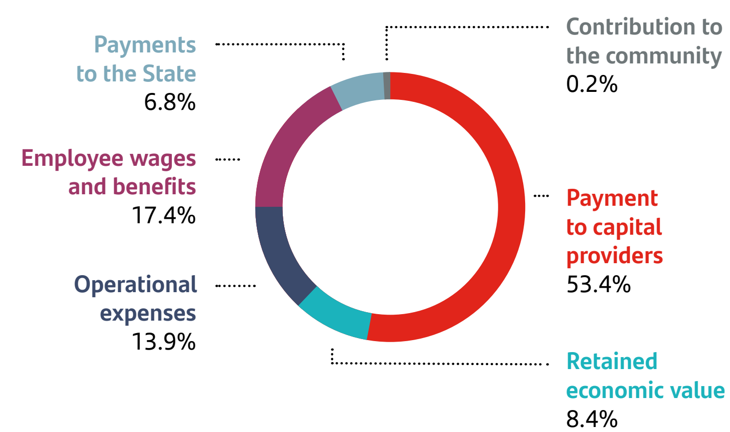
GRI [201-1]

The economic value generated during 2019 by Banco Santander Chile was $2,359.649 billion; 2% more than in the previous period; 53.4% of this amount is for the payment of capital providers, 17.4% for the payment of salaries and benefits of employees, 13.9% in operating expenses, 6.8% in payment of taxes to the State and 0.2% in contributions to the community.

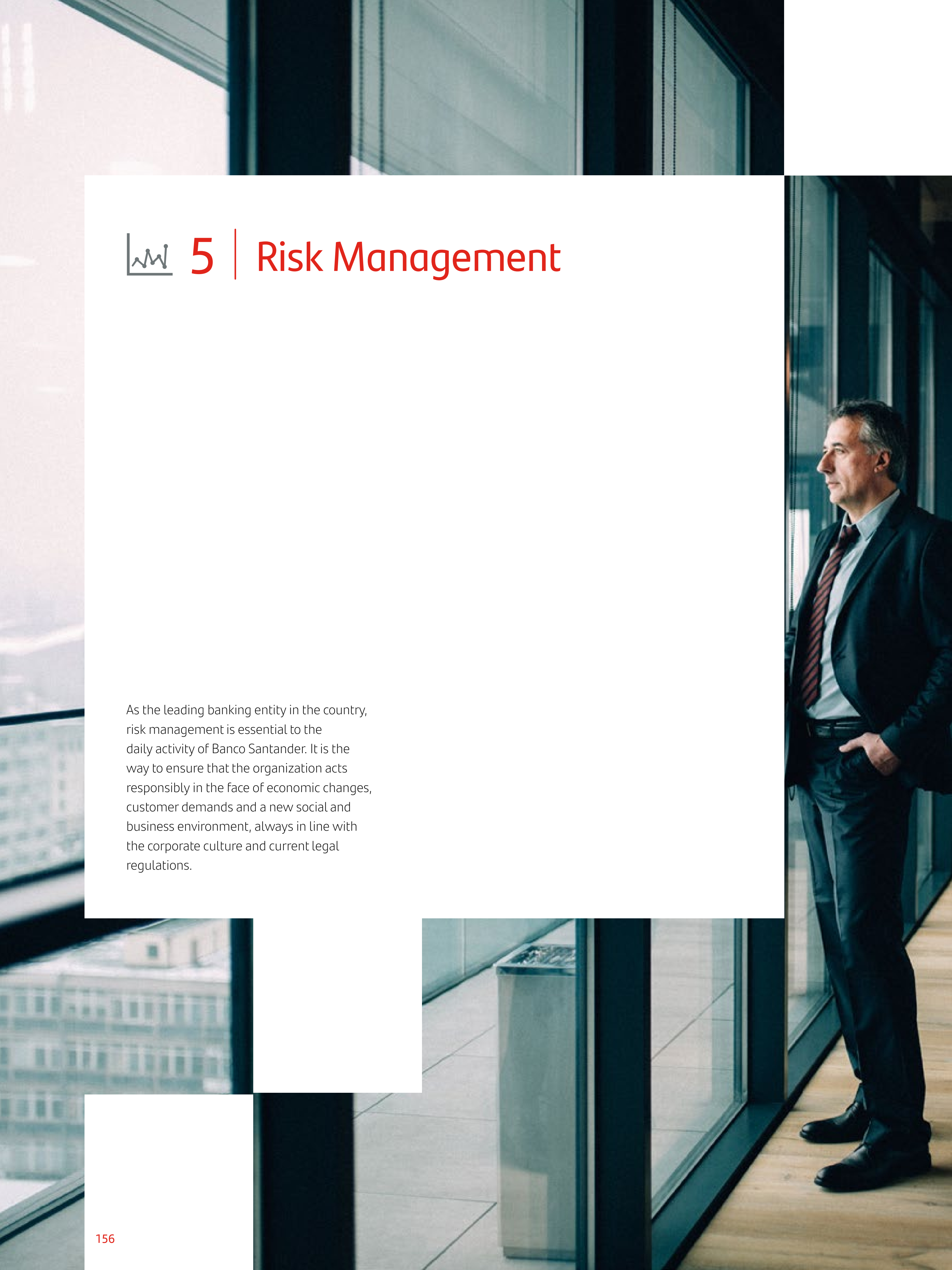
Economic value (Ch$, in millions)

	2019	2018	2017
Direct economic value generated	2,359,649	2,314,080	2,163,168
Retained economic value	197,336	172,651	246,618
Distributed economic value	2,162,313	2,141,429	1,916,550
Dividends	355,141	423,611	330,645
Suppliers and other administrative costs	1,231,837	1,140,991	1,032,888
Human resources expenses	409,904	397,564	396,967
Income taxes accounted for in the year	150,168	165,897	143,613
FMC contribution	11,043	10,274	10,005
Investment in CSR	4,220	3,092	2,432

Economic value 2019



In 2019, the Bank continued its investment program in digital products and technology accompanied by significant increases in productivity and efficiency.



5 | Risk Management

As the leading banking entity in the country, risk management is essential to the daily activity of Banco Santander. It is the way to ensure that the organization acts responsibly in the face of economic changes, customer demands and a new social and business environment, always in line with the corporate culture and current legal regulations.

Risk culture

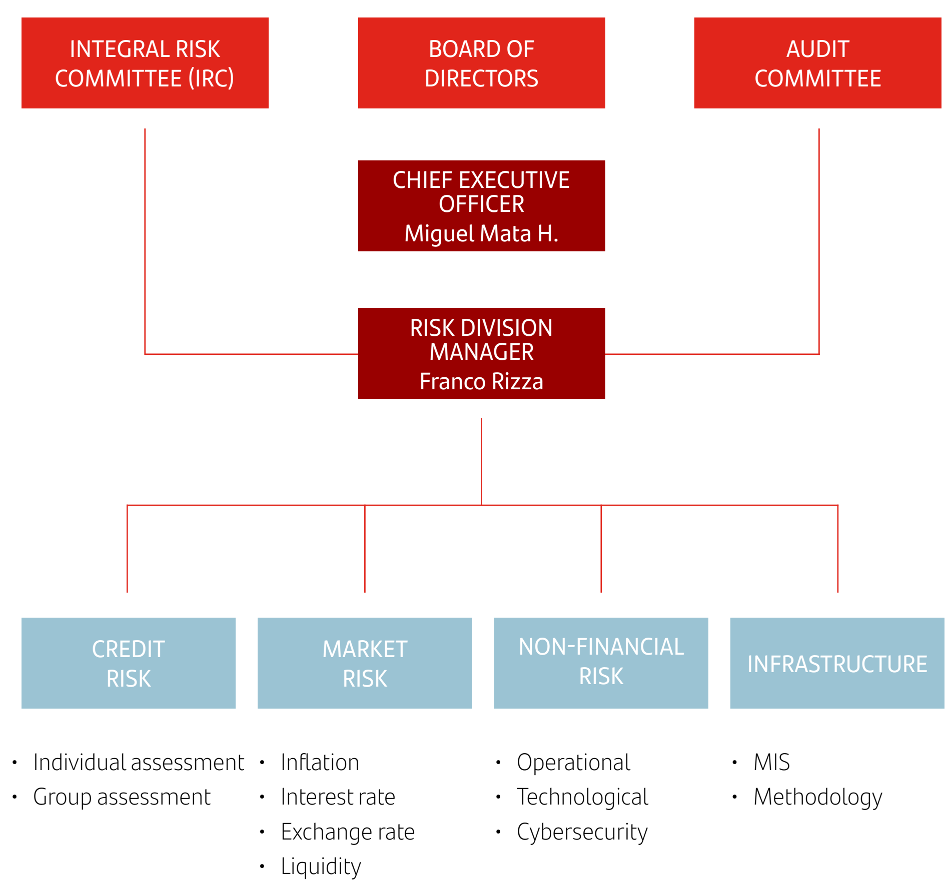
Risk culture is key to business development. In recent years, Banco Santander has been dedicated to building a risk culture within the organisation, sensitizing collaborators to the significant role that each of them plays in risk management, and which is necessary to answer to the need of the customers and shareholders to count with a responsible and, therefore, reliable bank.

Risk Governance

The Board is the body responsible for establishing and monitoring the Bank's risk management structure, counting with a corporate governance system in line with the local regulation and international best practices for this purpose.

The Board delegates to the Risk Division, an area that reports directly to the Chief Executive Officer, the identification, measurement and control of the various risks faced by the Bank. The areas of credit, market, non-financial and infrastructure risks depend on this division. On the other hand, the Integral Risk Committee is responsible for the review and monitoring of all risks that may affect the Bank, including reputational risk.

To support the work of the Risk Committee, the Board also has three committees that are key in this matter: The Assets and Liabilities Committee, the Market Committee and the Audit Committee, the latter of which has the mission to ensure the continuous improvement of the internal control system. Each of these committees is composed of directors and executive members of the Bank's Administration.



Credit risk

To manage this risk, the Bank has arranged a set of credit approval committees, in which teams from both the Risk Division and the commercial areas participate and verify jointly the quantitative and qualitative parameters of each credit applicant.

The Risk Division and the Risk Committee have the following roles:

- Cultivate a risk culture throughout the organization.
- Verify the compliance to the Group's strategic objectives, depending on the assumed and potential risks, and to alert management about them.
- To review the level of compliance with regulatory requirements and recommendations issued by local and external supervisors, ensuring their implementation on the stipulated dates.
- To review the adequate handling of risk by management areas, formulating, when applicable, any necessary mitigation actions under policies approved by the Board.
- The monitoring, analysis and control of the limits defined in the Risk Framework as well as the key credit risk indicators for each area, segment or product, identifying possible sources of concern.
- The formulation of risk policies, the compliance of guarantee requirements, the evaluation of credits, the rating of risks, the sending of reports, and the compliance with legal and internal regulatory requirements.
- To approve or reject credit applications, either individually or as a group, via credit scoring.
- To establish the structure for approval and review of credit applications.
- To determine the risk appetites of the Bank by client and sector, which includes limiting the concentration of exposure that counterparties may face in geographical areas or industries, as well as by issuer, credit rating and liquidity.
- To develop and maintain risk classifications and models to quantify the expected loss.

Mechanisms:

- Assignment of concentration limits to credit risk by a particular debtor, debtor group, industry segment and country. Approval levels are assigned by hierarchy and are continually being reviewed.
- Determination of credit risk provisions for probable loan losses, under the instructions issued by the Financial Market Commission (FMC) in the Compendium of Financial Standards, as well as the credit rating and risk assessment models approved by the board.

Estimation of provisions estimate:

The estimation of provisions is based on models of expected loss, in line with Chapter B1 of the FMC's Compendium of Financial Standards. The loan portfolio is divided into Group-analysed loans and loans analysed individually. Each of these has different models of provisions for consumer loans, mortgages, and commercial loans. In a simplified way, provisions for most loans are determined using the following formula for expected loss:

PROVISIONS = EXPOSURE x PROBABILITY OF NON-COMPLIANCE x SEVERITY

EXPOSURE: Value of the loan.

PROBABILITY OF NON-COMPLIANCE: Probability % of debtor falling into non-compliance. This probability is determined depending on what type of client they are and their historical behavior, among other variables.

SEVERITY: Loss incurred once the customer is already in default, determined with historical data.

Provisions for individual assessments

The Bank evaluates client portfolios on an individual basis for loans greater than $400 million. For this purpose, a risk category is assigned to each debtor and their respective loans, considering the related industry or sector, their partners, their administration, the financial situation and their payment capability and behaviour. All parameters used in internal models are continuously reviewed, including the probabilities of non-compliance and expected loss. Similarly, the status of the client is reviewed periodically.

Provisions for group assessments

Most loans to individuals or small businesses are approved through a standardized risk system. This system can be characterised as decentralized, automated, and is based on multiple parameters, including demographic information and specific credit behaviour, among other aspects. Through these variables, a logical regression is established, which considers payment performance with the Bank so far and behaviour with other banks, which delivers a certain level of risk assessment of the client in question. Then, transactions with similar credit characteristics that indicate the ability to pay the debt –with its capital and interest– are placed under a standard profile, and the actual historical loss that the Bank has had with that type of pattern is used to calculate the expected future loss.

The Bank's models are reviewed monthly in terms of predictability and stability, using indices that seek to capture the underlying trends of current loss behaviour. When a client has an amount of debt or has skipped payments, said client moves into a different segment with a more considerable expected loss, capturing current trends in each profile risk.

Credit quality of debtors

In terms of the different credit segments of Banco Santander (commercial, mortgage and consumer), assessed both individually and as a group, there are the following portfolio definitions:

Normal portfolio: It comprises debtors whose ability to pay allows them to meet their obligations and financial commitments. According to the assessment of their economic and financial situation, it is estimated that this condition will not change in the short term.

Substandard portfolio: It comprises all debtors with financial difficulties or significant deterioration of their payment capability and where there are reasonable doubts about the full repayment of capital and interest in the agreed contractual terms, showing a low level of slack in meeting their short-term financial obligations.

Default portfolio: It comprises debtors and their loans for which recovery is considered unlikely, as they show impaired or no payment capability. This portfolio also includes debtors who have ceased to pay their debts or with apparent signs that they will cease to pay, as well as those who require a forced rearrangement of debts, reducing the obligation or postponing the principal or interest term.

Behaviour of different credit segments

INDIVIDUAL COMMERCIAL PORTFOLIO

By the end of 2019, when compared to the same period last year, the balance of the commercial portfolio assessed individually grew by $407,181 million. The normal portfolio of this segment represented 88.37% of the total (a reduction of 1.03% compared to the proportion 2018), while the substandard portfolio represented 7.93% of the total (increasing by 1.23%). Finally, the non-compliance portfolio reached 3.7% of the total stock (a reduction of 0.2%).

GROUP COMMERCIAL PORTFOLIO

By the end of 2019, when compared to the same period last year, the balance of the group commercial portfolio grew by $252,897 million. The normal portfolio in this segment accounted for 89.7% of the total (rising by 0.2% from the 2018 share), while the non-compliance portfolio accounted for 10.3% of the total stock (decreasing by 0.2%).

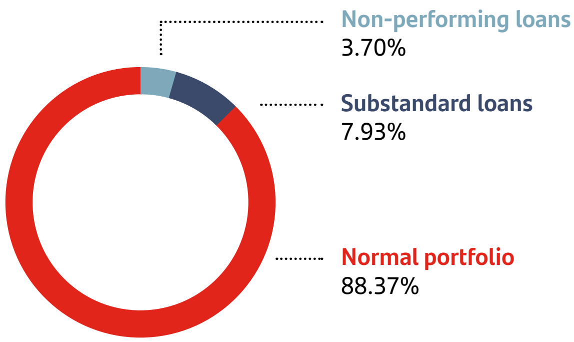
MORTGAGE PORTFOLIO

By the end of 2019, compared to the same period last year, the mortgage portfolio balance grew by $1,112.014 billion. The normal portfolio in this segment represented 95.3%, while the default portfolio represented 4.7% (for both portfolios, there are no changes from the previous year).

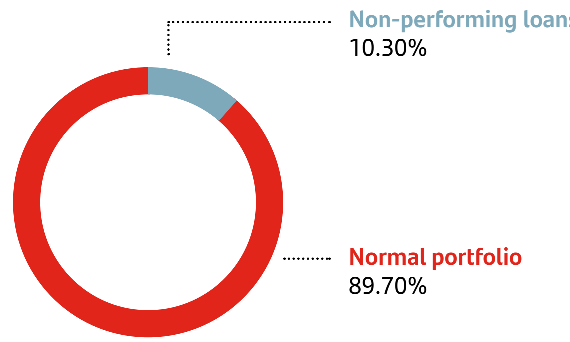
CONSUMER PORTFOLIO

By the end of 2019, when compared to the same period last year, the balance of the consumer portfolio grew by $662,768 million. The normal portfolio accounted for 94.93% of the total (increasing 0.53% from the 2018 ratio), while the default portfolio accounted for 5.07% (decreasing 0.53%).

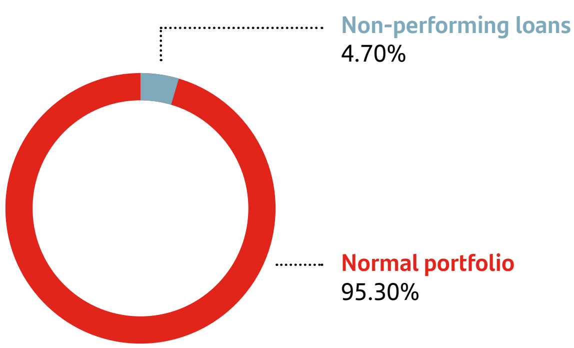
Individual commercial portfolio
$11,424.472 billion



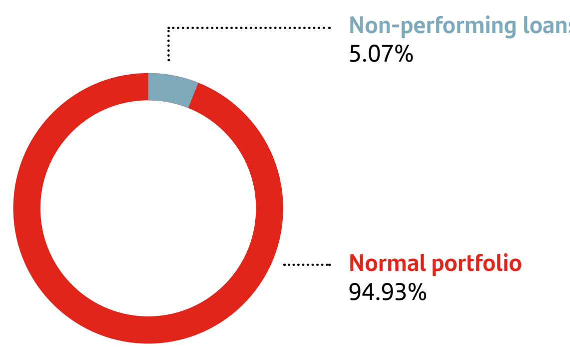
Grupal commercial portfolio
$4,490.359 billion



Mortgage portfolio
$11,262.995 billion



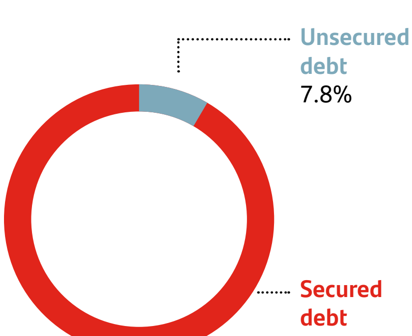
Consumer portfolio
$5,539.057 billion



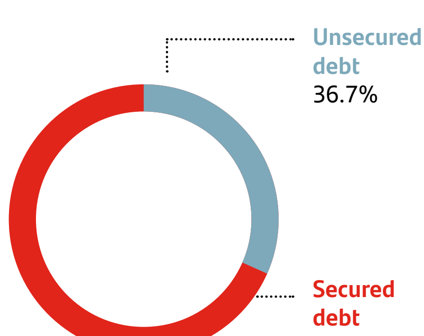
Proportion of over 90 days non-performing portfolio and impaired portfolio

The impaired portfolio is defined as the loans in default plus the portion of the substandard portfolio which is closest to entering into default.

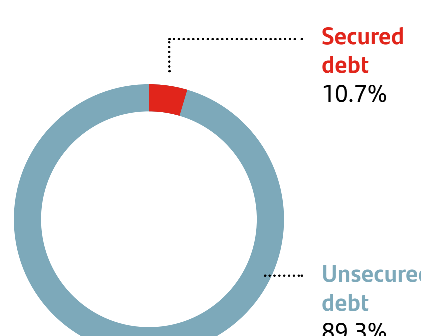
Impaired mortgage portfolio
$529,124 million



Impaired commercial portfolio
$1,106.565 billion

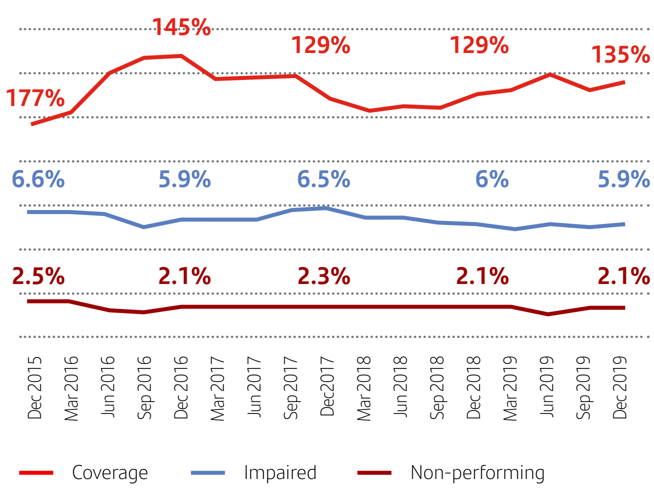


Impaired consumer portfolio
$280,920 million

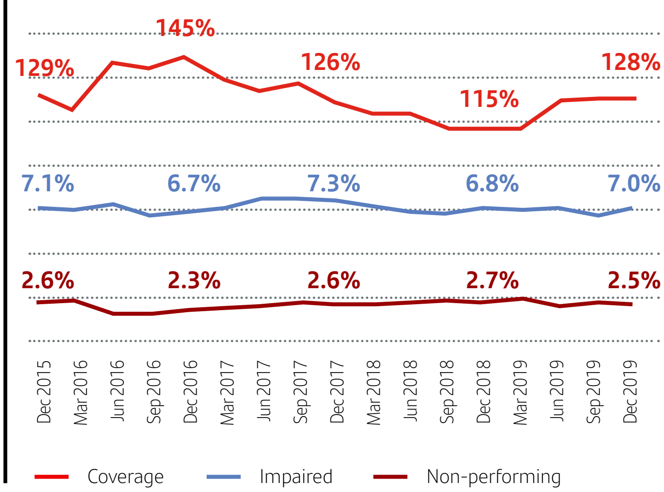


The 90 days overdue non-performing portfolio includes the total amount of credit that has non-payment equal to or greater than 90 days, even if only some or all of the credit fees (capital and/or interest) are in non-performing status.

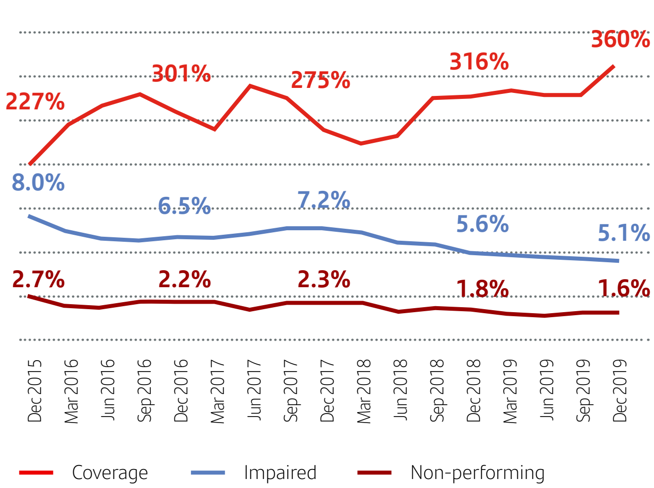
Total portfolio



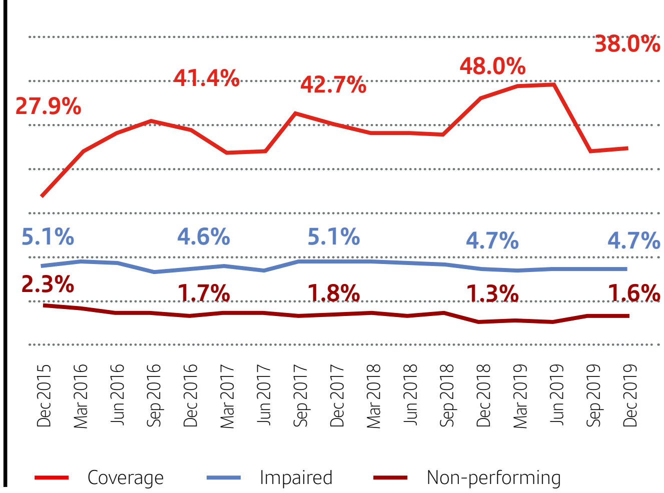
Commercial portfolio



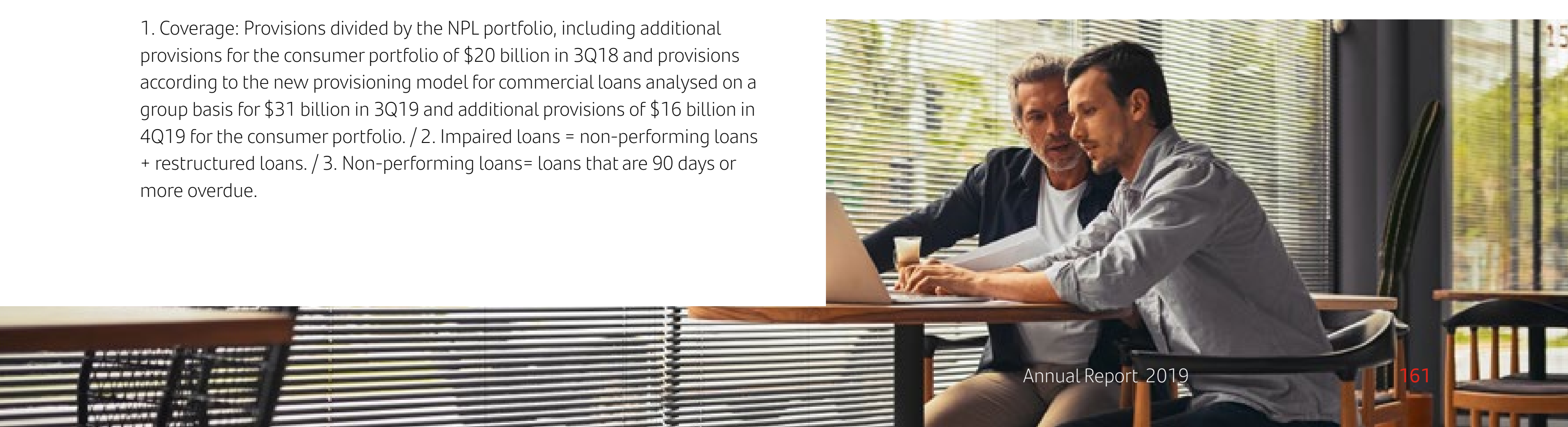
Consumer portfolio



Mortgage portfolio



1. Coverage: Provisions divided by the NPL portfolio, including additional provisions for the consumer portfolio of $20 billion in 3Q18 and provisions according to the new provisioning model for commercial loans analysed on a group basis for $31 billion in 3Q19 and additional provisions of $16 billion in 4Q19 for the consumer portfolio. / 2. Impaired loans = non-performing loans + restructured loans. / 3. Non-performing loans= loans that are 90 days or more overdue.



Distribution by economic sector

The Bank's portfolio is highly diversified by economic sector, not presenting a significant percentage within any particular industry, which increases the possibility of having a stable portfolio over time.

Total commercial portfolio
$15,914.831 billion

Manufacturing
8.1%

Other
25.2%

Services
17.6%

Commerce
21.1%

Mining
2.6%

Electricity, water and gas
2.2%

Agriculture and livestock
8.1%

Forestry
1.0%

Fishing
1.6%

Transport
4.8%

Communications
4.8%

Construction
6.3%

Market Risk

There are four major market risks that can affect the Bank: exchange rate, inflation, interest rate and liquidity. Their measurement and control are the responsibility of the Market Risk Management, which is part of the Risk Division. The limits are approved by the various committees in charge, a responsibility that lies mainly in the Market Committee and the Asset and Liabilities Committee (ALCO).

Liquidity risk

The Finance Division manages the liquidity risk through a portfolio of liquid assets, to ensure the Bank always keeps sufficient liquidity to cover short-term fluctuations and long-term financing, as well as to meet structural liquidity requirements. It is also the area in charge of managing the Bank's balance sheet, particularly in regards to liquidity and sensitivity analysis. This area has the following functions, which are supervised and controlled by the ALCO and the Risk Division:

- Optimization of the cost of liabilities, seeking the most efficient financing strategies, including the issuance of bonds and bank lines.
- To handle short-and long-term liquidity regulatory limits.
- Management of inflation risk.
- To manage the risk of local and foreign currency rates.

HIGH-QUALITY LIQUID ASSETS

High-Quality Liquid Assets (HQLA) are an essential component of liquidity risk management. They consist of balance sheet assets, mainly composed of financial investments that are not provided as collateral which have a deep secondary market. Generally, they correspond to low credit risk assets.

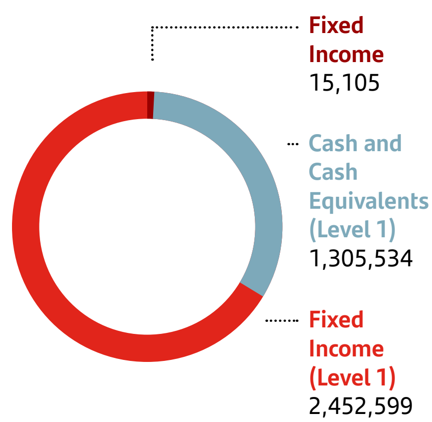
These assets are divided into three levels, according to the Basel III standards, with Tier 1 assets being the most liquid and Tier 3 assets being the least liquid. As of December 31, 2019, the Bank's HQLA amounted to $3,773 billion, which corresponded primarily to Level 1 liquid assets, mostly composed of bonds of the Republic of Chile and the Central Bank of Chile and American treasury bonds.

In terms of liquidity, the primary metrics managed by the Bank's Finance Division are as follows:

1. Regulatory Liquidity Index to 30 and 60 days.
2. Liquidity Coverage Ratio (LCR).
3. Net stable financing ratio (NSFR).

Millions of Pesos / as of December 31, 2019	
Level 1: Cash and Cash Equivalents	1,305,534
Level 1: Fixed Income	2,452,599
Level 2: Fixed Income	15.,105
	3,773,238

Liquid assets (consolidated)
Ch$, in millions



REGULATORY LIQUIDITY RATIO IN 30 AND 60 DAYS

The Regulatory Liquidity Index measures and limits net capital inflows and net income. According to current regulations, the 30-day mismatch may not exceed by an amount more than once the basic capital of the Bank, and the 90-day mismatch may not exceed it by an amount more than twice. As of December 31, 2019, the 30-day indicator reached 64% and the 90- days indicator represented 80%, amply meeting the requirements of both terms.

LIQUIDITY COVERAGE RATIO (LCR)

The Liquidity Coverage Ratio (LCR) is a measurement of liquid assets over net outflows at 30 days. It is used by banks globally as part of the Basel III standards. Chilean banks were required to use it beginning 2019, with a minimum level of 60%.

The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. To this end, the LCR ensures that banks have an adequate, high-quality liquid assets (HQLA) fund free of charge, which can be easily and immediately converted into cash in private markets to meet short-term liquidity needs.

At the end of 2019, Banco Santander Chile's Liquidity Coverage Ratio (LCR) indicator stood at 143.1%, well above the minimum required by the current standard and already above the 100% needed by 2022. This reflects the conservative liquidity policies imposed by the Board through the ALCO.

NET STABLE FUNDING RATIO (NSFR)

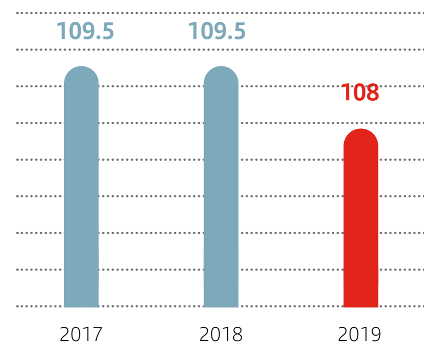
This indicator is a domestic regulatory version of the NSFR required by Basel III, which provides a sustainable maturity structure for assets and liabilities, allowing banks to maintain a stable funding profile in relation to their activities.

As of December 31, 2019, the NSFR stood at 108%. The Central Bank and the FMC still do not define a limit to be met by banks for this index.

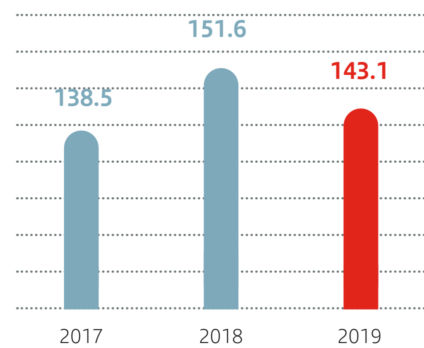
Exchange rate risk

With the rules established by the Asset and Liabilities Committee (ALCO) and the Market Committee, the Bank should not have significant exposure to foreign currencies. Therefore, almost all exchange rate risk is included in the trading book and is measured and controlled with Value at Risk (VaR) limits.

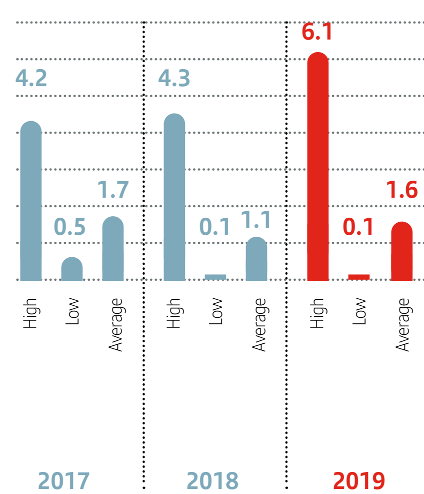
NSFR
%



RCL
%

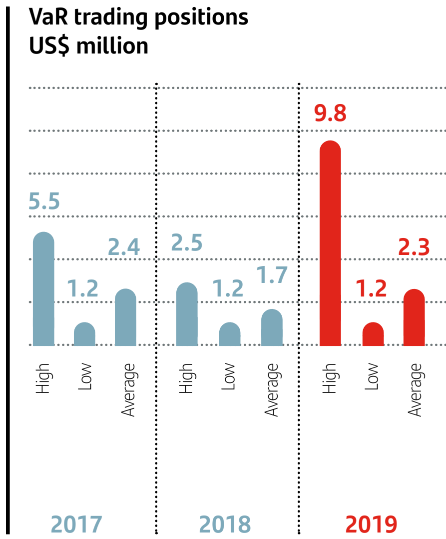


VaR trading positions
US$ million

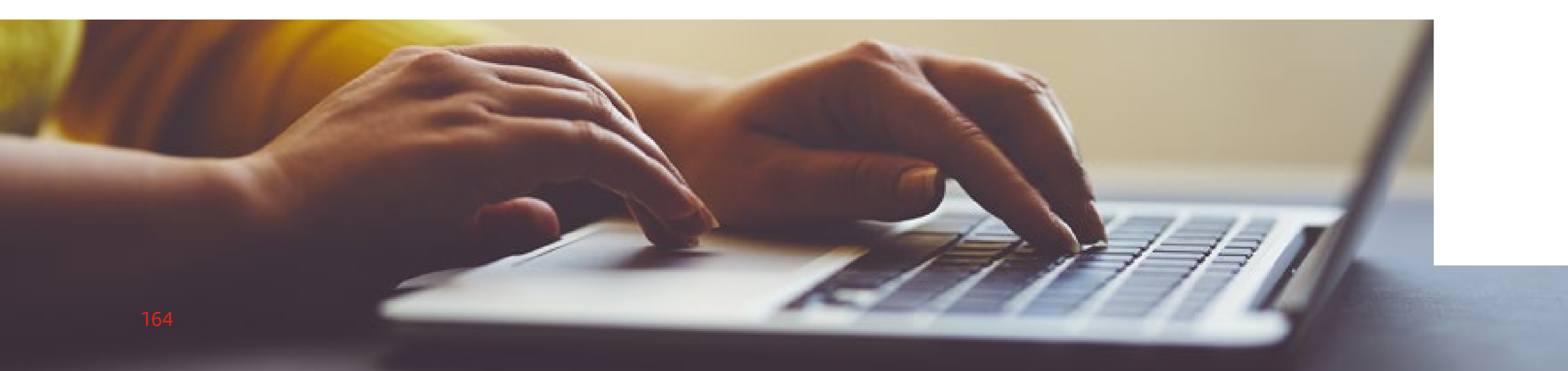


Interest rate risk

For the financial management portfolio, the Bank has more liabilities than assets exposed to short-term rates, resulting in mismatches when there are rate adjustments. To manage this risk, Banco Santander performs a sensitivity analysis regarding local and foreign currency. Through simulations, the limits are set in relation to the maximum loss that rate movements could have over the capital and considering the net financial income budgeted for the year. In the case of the trading book, this risk is managed by Value at Risk (VaR) limits.



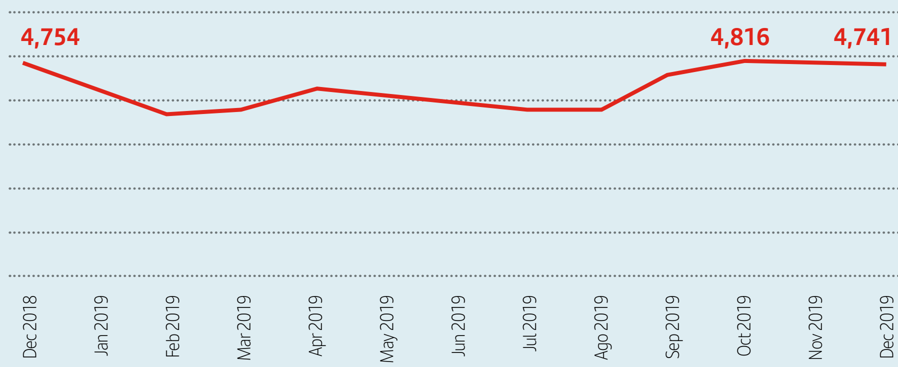
	2019		2018		2017	
	Effect in financial income	Effect in capital	Effect in financial income	Effect in capital	Effect in financial income	Effect in capital
Financial management portfolio - local currency (Ch$, in millions)						
Loss limit	100,000	275,000	48,000	192,001	48,000	175,000
High	32,719	273,473	43,742	189,725	(37,148)	(141,287)
Low	12,686	145,338	27,854	170,450	(22,958)	(112,818)
Average	24,719	228,772	37,569	180,972	(29,110)	(128,506)
Financial management portfolio - foreign currency (US$Mn)						
Loss limit	30	75	30	75	30	75
High	20	35	12	38	16	42
Low	5	1	4	(10)	4	15
Average	12	12	9	22	10	23
Financial management portfolio - consolidated (Ch$, in millions)						
Loss limit	100,000	275,000	48,000	192,002	48,000	175,000
High	34,462	271,989	45,492	192,848	(38,249)	(142,442)
Low	15,236	143,836	29,167	168,766	(23,571)	(112,277)
Average	27,918	227,303	38,908	182,557	(29,948)	(128,360)



Inflation risk

The bank has assets and liabilities that can be adjusted according to the variation in the Chilean Indexation Unit, Unidad de Fomento (UF). In general, the Bank has more assets than liabilities in UF, and therefore moderate increases in inflation have a positive effect on readjustment income. At the same time, a decline in the value of UF negatively affects the Bank's margin. For the management of this risk, the ALCO sets several limits on the difference between Assets and Liabilities denominated in UF.

GAP UF
Ch$, in billions



Systemic risk

In August 2019, and in the context of the implementation in Chile of the Basel III standards, the Central Bank published in consultation the regulation that will determine which banks in the country hold a position as institutions of systemic importance. In line with the international standard, the Financial Market Commission (FMC) would consider four elements: size, interconnection, replacement and complexity.

Given the characteristics of Banco Santander's operation in Chile, the Bank is likely to be classified as systemically important, which would imply an additional capital requirement estimated at 1.5% -1.7% of risk-weighted assets, in addition to any measures related to the technical reserve and the reduction in interbank loans in situations of financial stress, among others.

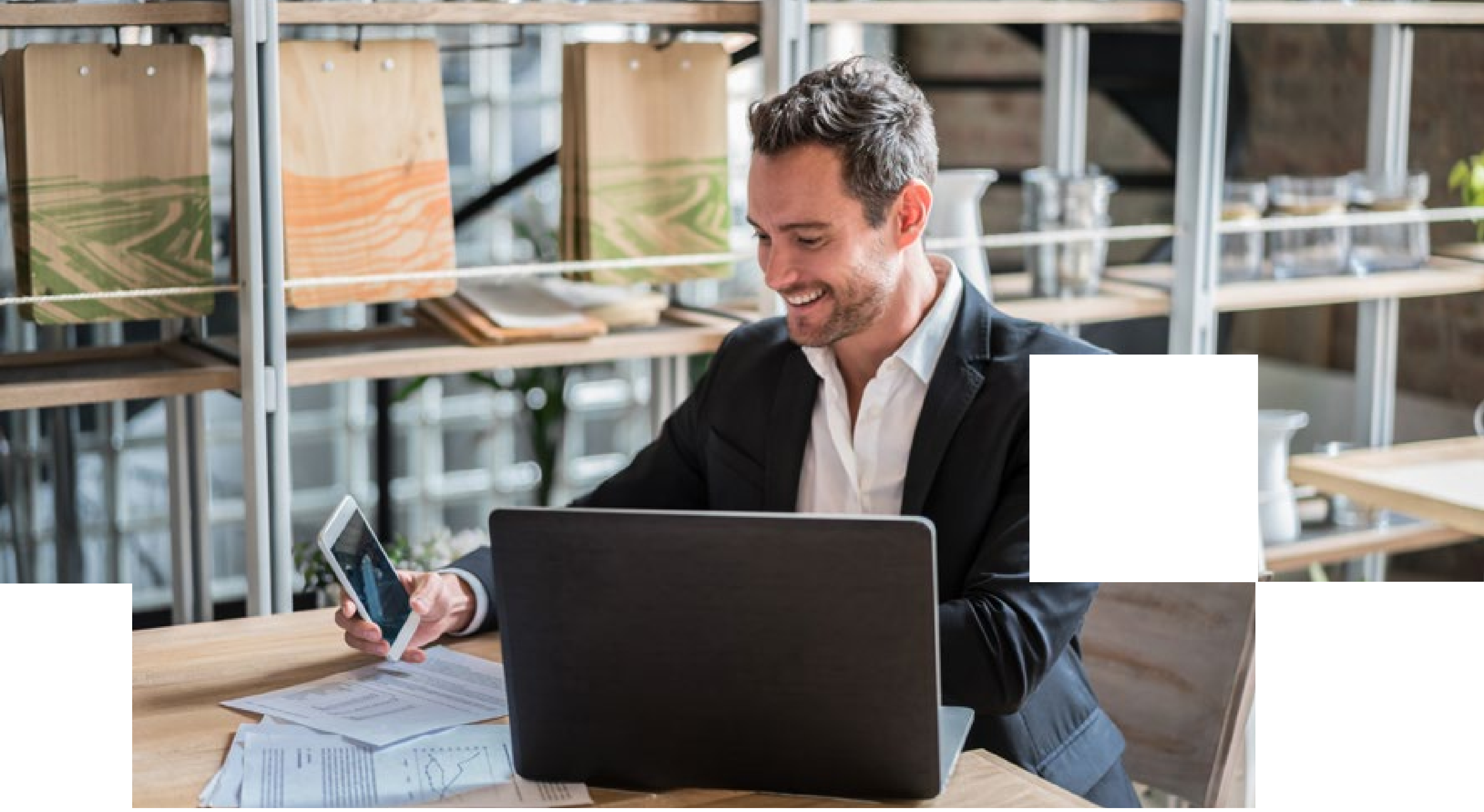
GRI[102-15][201-2]

Emerging risks

The main emerging risks identified by Santander in Chile are climate risk, risks arising from the social context in the country, risks arising from the emergence of coronavirus and regulatory risk.

In regards to climate risk, it can cause effects in three areas. First, there are transition risks, which are related to the process of moving towards a low-carbon economy. Second, there are physical risks related to the impact of extreme climate events. Third, there are liability risks, which are associated with risks from counterparties that may suffer losses from the effects of climate change.

The effects of climate change can be manifested in credit risk, related to the difficulty of companies to align with the transition to a low-carbon economy; market risk, given the adjustments in energy prices and commodities, bonds,



stocks and derivatives; operational risks, given the effect on business continuity; and reputational risk, which could arise given the scrutiny of different interest groups concerning the Bank's response.

In terms of the risks arising from the social context, during October 2019 a process of expression of various social demands began in Chile, mainly related to the aspiration of greater equality and inclusion, as well as fairer relations. In response, the Government announced a social agenda that seeks to increase basic pensions, expand health coverage, reduce working hours, and lower and stabilize public transport and electricity tariffs.

To fund these reforms, the Government and the opposition reached an agreement regarding a new tax reform and, subsequently, most political parties announced a referendum to initiate a constitutional reform process, which will take place in October 2020. This last measure brought tranquillity to the markets after a period of increased volatility in the local stock market, weakening of the Peso against the dollar and a reduction in growth projections. The long-term consequences of this social scenario in the country are difficult to predict but could include a decline in economic growth, an increase in unemployment and a deterioration in the business environment.

Concerning regulatory risk, Banco Santander Chile is subject to a series of regulations, supervision, and various reviews, consultations and other requirements by the authorities that regulate the banking industry in the country. In their supervisory role, regulators seek to maintain the solvency and security of financial institutions, with the ultimate goal of safeguarding the stability of the financial system and consumer protection.

Following the publication of a new version of Chile's General Banking Law in 2019, a process was initiated that will lead banks to adopt the policy contained in the Basel III standards. As mentioned above, it is estimated that this process will have a neutral to positive effect for Banco Santander.

The operations and results of Santander Chile may also be negatively affected by the coronavirus outbreak (COVID-19) which since December 2019 has spread globally. Such events could disrupt local and global economic activity, which could affect our operations and financial results. The extent to which coronavirus will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may arise about the severity of coronavirus and the actions taken to contain this disease or treat its impact, among others.

Reputational risk

This is managed by the Compliance Management and addresses the possibility of a negative economic impact for the Bank as a result of a deterioration in the perception that different interest groups have of Banco Santander.

During 2019, the Bank continued working to establish the structure of the reputational risk function as a function independent of other risks, in a plan that has been developed since the approval by the Board of socio-environmental policies (2016) and the Reputational Risk Model (2017).

Reputational risk is characterized by having its origin in a wide variety of sources (employees, customers, shareholders, investors and society in general), so it requires a unique approach as well as a management and control model quite different from other risks. Its management requires a global interaction, not only with business and support functions as the first lines of defence but also with the risk control and supervision functions as the second line and with which they manage the relationship with specific interest groups, in order to ensure consolidated risk supervision while relying efficiently on current control frameworks.

The reputational risk model is based, therefore, on an eminently preventive approach, but also on an effective process of crisis management and risk management, as well as on identification processes, early warning management and monitoring of events and risks. Its goal is the integration of reputational risk management both into business and support activities, as well as into internal processes, and for the control and supervision functions of the risk to incorporate it as part of their activities.

The 2019 milestones include the following:

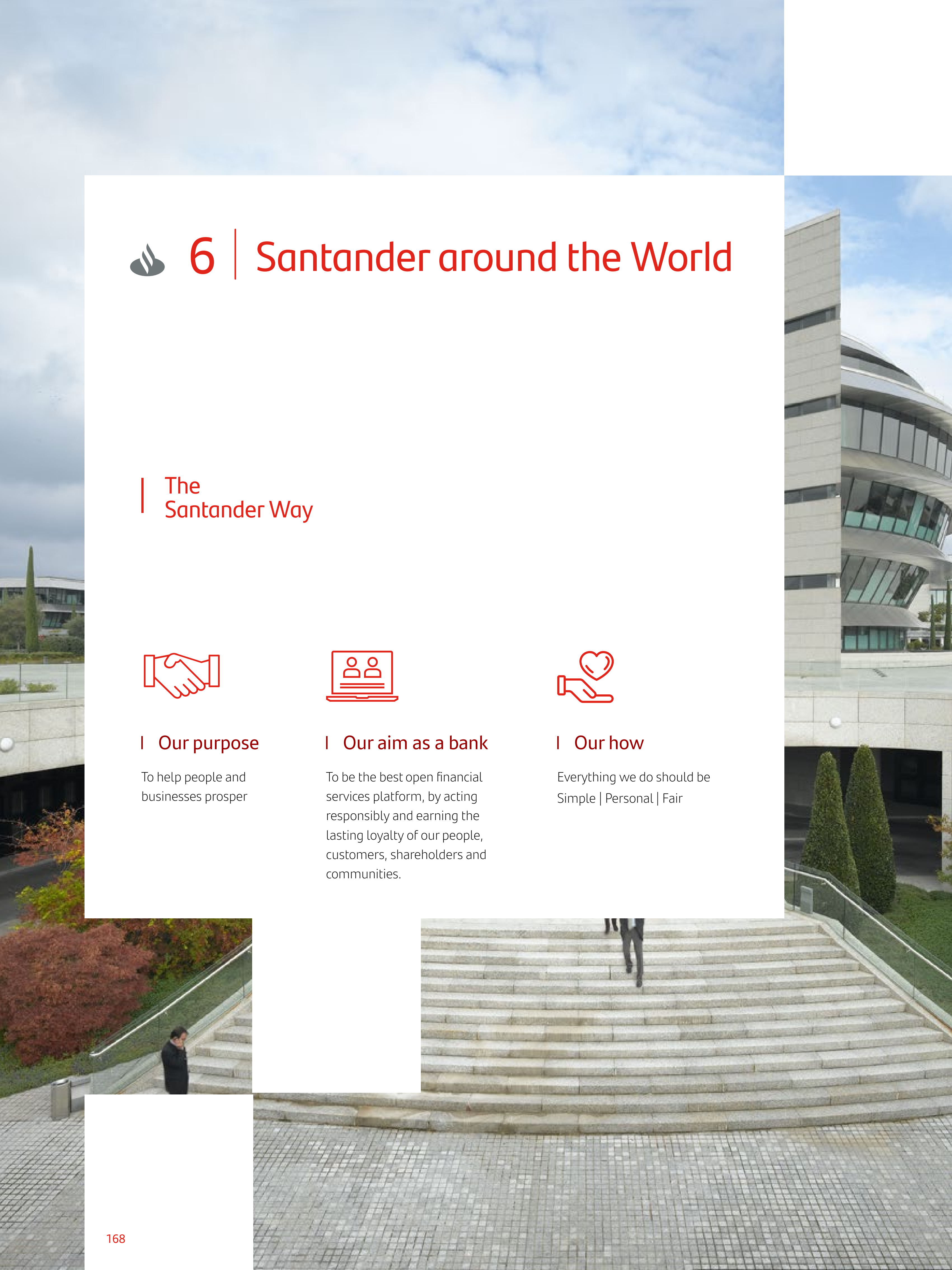
1. Bimonthly scheduling of the reputational risk workgroup
   The workgroup ensures the correct implementation of the Model and the other reputational risk policies that are approved by the Group, also acting as a body for the debate on risk management and critical capacity exercise, reporting the issues addressed to the Global Compliance Committee. The workgroup convenes representatives from different areas of the Bank, both from business and support activities, mainly including the other risk control and supervision functions, which should incorporate reputational risk management as part of their operations.

2. Update of reputational risk management policies
   During 2019, reputational risk management policies, that is, socio-environmental policies and their management procedure were updated to simplify the processes and to place the management of these policies in a global specialized team, as explained below.

   Furthermore, the General Policy on reputational risk in the defence sector and its respective procedures were updated, with documents containing the criteria governing all banking activity in relation to companies carrying out pursuits linked to defence equipment and dual-use technologies.

   Finally, the policy of financing sensitive sectors was also updated, incorporating new exclusion and restriction criteria applied to the gambling and betting sectors, as well as the cannabis industry.

3. Centralization of socio-environmental policy management
   The management of socio-environmental policies became centralized in the Environmental and Social Risk Management (ESRM). ESRM is a global team of experts in social and environmental issues, responsible for the implementation of socio-environmental policies and the assessment of social and environmental impacts at the Group level. This change implies that Energy, Soft-commodities and Mining-Metallurgical Policies are managed by the ESRM team. In contrast, Defence Policies, Financing of Sensitive Sectors and other reputational risk policies adopted in the future are still managed in Santander Chile by the Compliance department.



6 | Santander around the World

The Santander Way

Our purpose

To help people and businesses prosper

Our aim as a bank

To be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.

Our how

Everything we do should be Simple | Personal | Fair

The **SPF culture** is based on our eight **corporate behaviours...**

Show respect

Trully listen

Talk straight

Keep promises

Support people

Embrace change

Actively collaborate

Bring passion

... and a strong risk cuture

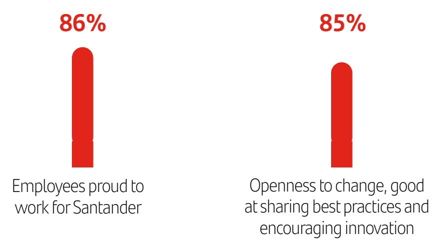
risk pro

Everyone`s business

OUR STRATEGY IS BUILT AROUND A VIRTUOUS CIRCLE BASED ON LOYALTY

People

Engagement among the best in the sector



2019 global engagement survey

Employees who are engaged ...

- Our aim is to be an employer of choice. Focus on employee engagement, leveraging our SPF culture to retain and attract the best talent.
- This year we received important recognitions, of note: one of the 25 best companies to work for at global level (Great Place to Work). Leader in diversity 2020 by the Financial Times, and in addition, for the third consecutive year, we lead the Bloomberg Gender-Equality Index.

Customers

+9
Loyal customers

+15
Digital customers

x2
Increase in mobile sales

36%
2019 digital sales as % of total sales

% 2019 vs. 2018
Sales: new contracts excuted

... leading to strong financial results ...

- Increase in loyal customers, both individuals and businesses, has resulted in a significant growth in revenues, loans and customer funds.
- Loyal customers use our digital channels more as they hold more of our products and services and interact with us more often.

Shareholders

+8%
Creation for shareholders
TNAV per share + dividends per share declared in 2019

2019 total dividend per share
0,23 EUR

Cash dividend per share
0,20 EUR
C.+3% vs. 2018
x2,3 vs. 2014

Note: Proposed and subject to 2020 AGM approval.

... leading to strong financial results ...

- Our focus on customer loyalty is delivering results: all-time record figure in customer revenue[1] with 3% growth (+4% in constant euros) and accounting for 95% of total revenue.
- We continued to strengthen our balance sheet, generating more capital and improving credit quality.
- We continue growing our cash dividend, as we have been doing for the last five years.

1. Customer revenue= net interest income + net fee income

Communities

2.0 mn
People financially empowered in 2019

1.6 mn
People helped through our community programmes in 2019

Most sustainable bank in the world

MEMBER OF Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

... and more investment in communities, helping to motivate and engage our people ...

- We remain committed to generating profit in a more responsible and sustainable way.
- Initiatives and actions to support inclusive and sustainable causes, and good causes in the communities in which we operate.

1. Our scale

Local scale and global reach

- Local scale based on three geographic regions, where we maintain a leadership position in our 10 core markets.
- Global reach backed by our global businesses, enabling greater collaboration across the Group to generate higher revenue and efficiencies.

Top 3 bank[1] in 9 of our core markets

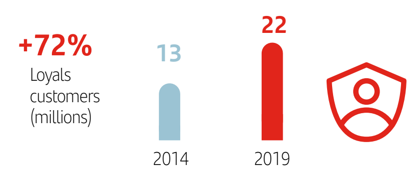
1. Market share in lending as of Sep-19 including only private owned banks. UK benchmark covers mortgage market.

2. Customer focus

Unique personal banking relationships strengthen customer loyalty

- We serve 145 million customers, in markets with a total population of more than one billion people.
- We have over 100,000 people talking to our customers every day in our c.12,000 branches and contact centres.

Top 3 in costumer satisfaction (NPS)[2] in 6 markets

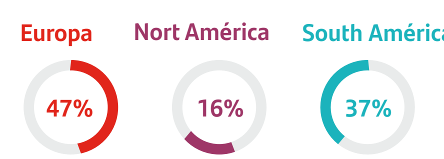


2. NPS – Customer Satisfaction internal benchmark of active customers' experience and satisfaction audited by Stiga / Deloitte.

3. Diversification

Our geographic and business diversification make us more resilient under adverse

- Geographic diversification in three regions, with a good balance between mature and developing markets, and among customer segments (individuals, SMEs and large corporates).
- Global businesses contributing 26% of Group earnings that strengthen our local franchises.
- Santander Global Platform (SGP) supports the digital transformation across the Group and aims to become the best open financial services platform.



Global businesses (SCIB and WM&I)

SCIB WM&I

Santander Global Platform

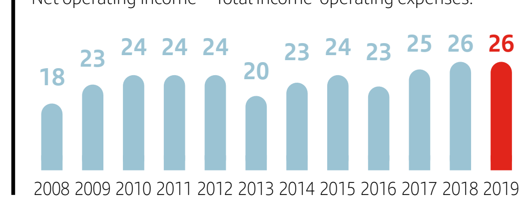
Note: Underlying attributable profit contribution by region, excluding Santander Global Platform and Corporate Centre.

Resilient profit generation throughout the cycle

In 2019, once again, our business model demonstrated strength and resilience, supported by a disciplined execution against our strategic priorities

Group net operating income (EUR billion)

Net operating income = Total income-operating expenses.



7 | Annexes

Santander

Materiality

Banco Santander Chile presents its twelfth sustainability report and the fifth one publishing the financial statements in an integrated report format. This report has been prepared following the guidelines and recommendations of the International Integrated Reporting Council (IIRC) and adhering to the core option of the Global Reporting Initiative (GRI) Standards, in their most updated versions as of 2019. Additionally, the Bank's financial information is published in accordance with the N°30 General Regulation provisions of the Financial Market Commission (FMC).

This document presents the Bank's performance on economic, governance, social and environmental matters comprehensively from the January 1, to December 31, 2019.

The published information covers the operations of Retail Banking, Middle Market and Santander Corporate & Investment Banking (CIB, formerly Santander Global Corporate Banking), and includes Santander Group's corporate policies and 2019 global figures.

This report is available in a printed version and pdf format at www.santander.cl.

To determine the content of the report, a materiality process was carried out following GRI recommended methodology. This consists of an analysis in terms of the risks and opportunities concerning economic, social and environmental issues, delivering a 360° view of the Bank.

1. **Identification of material topics**
   Review and analysis of secondary sources, trends, media, standards and Global ratings; identification of an initial list of both topics and stakeholders to consult.

2. **Collection of perceptions**
   Internal interest groups:

   - Senior management interviews
   - Collaborators' survey

3. **Analysis of results and matrix development of material topics:**
   A consolidation of the information collected and an analysis of results to produce a list of material issues prioritized by internal and external perspectives, depicted using a materiality matrix which is presented in the Chapter Responsible Banking.

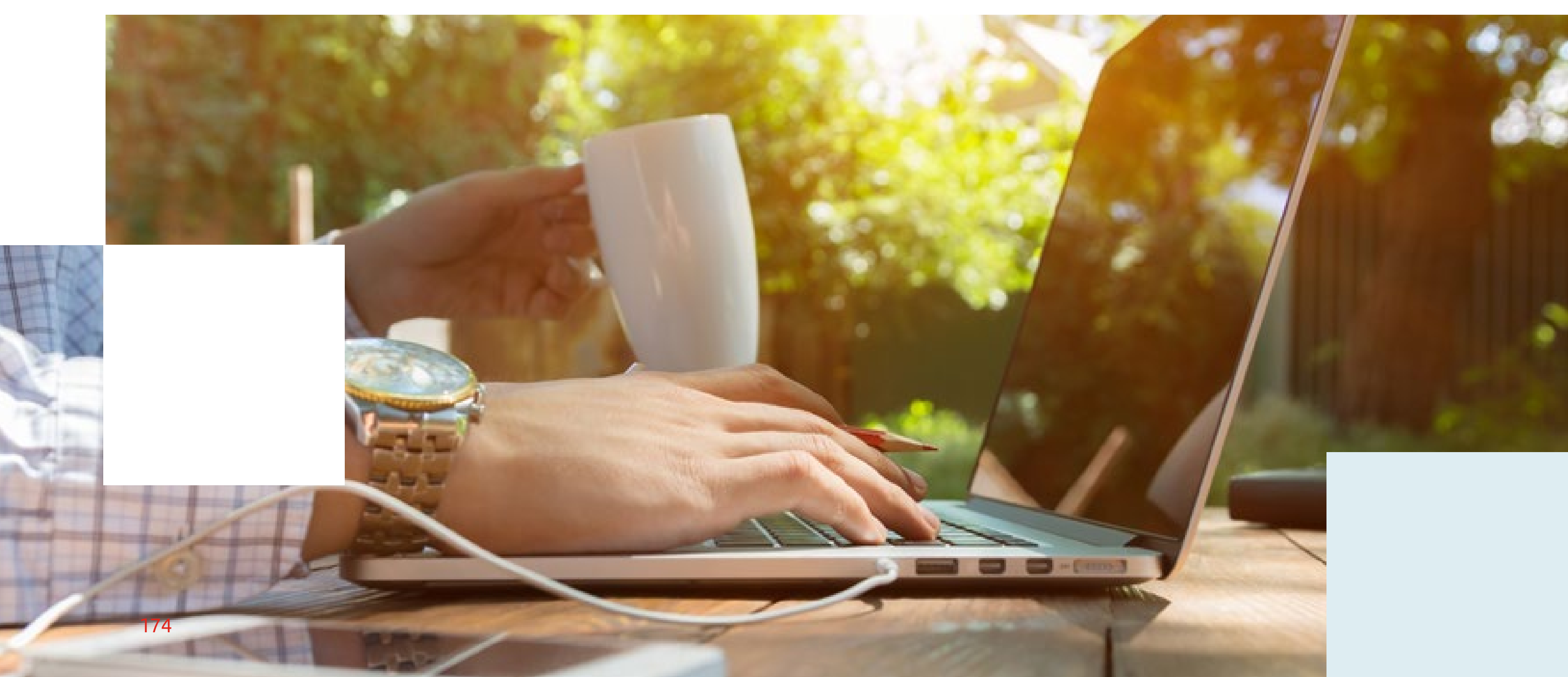
COLLECTION OF STAKEHOLDERS' PERCEPTIONS:

Interest group consulted	Means of consultation
Shareholders and investors	Online survey
Customers	Online survey
	Focus group
Collaborators senior management	Face-to-face interviews
	Online survey
Suppliers	Online survey
Regulators and associations	Online survey
Civil society	Online survey
Media	Online survey

Definition of topics and scope

GRI [102-44]

	Topic	Customers	Collaborators	Shareholders	Society	Excellence in Execution	Emerging theme
ECONOMIC	E1. Corporate governance			E			
ECONOMIC	E2. Ethical behaviour			E	E		
ECONOMIC	E3. Risk management			E	E		
ECONOMIC	E4. Regulatory adaptation and contribution to public debate			E	E		
ECONOMIC	E5. Cybersecurity and data protection	E				E	
ECONOMIC	E6. Digital transformation	E				E	
ECONOMIC	E7. Customer satisfaction	E					
ECONOMIC	E8. Products and transparency	E					
ECONOMIC	E9. Sustainability of results			E	E		
ENVIRONMENT	A1. Sustainable finances						A
ENVIRONMENT	A2. Indirect environmental impact						A
ENVIRONMENT	A3 Internal environmental footprint						A
SOCIAL	S1. Reliable and committed internal culture		S				
SOCIAL	S2. Diversity		S				
SOCIAL	S3. Attraction and retention of talent		S				
SOCIAL	S4. Financial empowerment of people				S		
SOCIAL	S5. Commitment to social progress and development in communities				S		
SOCIAL	S6. Responsible management of suppliers					S	



Prioritization

Priority	Material Theme	Definition of the material theme
VERY HIGH	E5. Cybersecurity and data protection	To have mechanisms and systems to safeguard information from loss, leaks or data corruption (physical safety and cybersecurity). To ensure the privacy of the information handled, implementing international practices, standards and regulations.
	S1. Reliable and committed internal culture	To promote a robust "engagement" culture in which everything the Bank does is Simple, Personal and Fair, maintaining a healthy, safe and stimulating working environment that reconciles both professional and human development comprehensively.
	E7. Customer satisfaction	To understand customer needs, responding with innovative solutions, offering the best products and services in a simple and personal way (Santander Brand Experience, Work/Café, etc.), seeking to foster loyalty.
	E6. Digital transformation	The promotion of technology to create new forms of business, to add value to the offer, improve efficiency and flexibility, and to improve the customer experience.
	E8. Products and transparency	To build long-term relationships grounded on trust, transparency and fidelity, with clear, timely information and fair treatment.
	S3. Attraction and retention of talent	Attracting, promoting and retaining talent, delivering tools and fostering essential skills, anticipating industry trends such as the incorporation of new knowledge, as well as job reconversion.
HIGH	E2. Ethical behaviour	The entire business activity of the Bank and its employees' actions are framed within clear ethical principles known to all.
	E3. Risk management	To identify and manage emerging risks and trends at a local and global level (economic, demographic, social, environmental), being able to evolve and adapt in time.
	S5. Commitment to social progress and development	To contribute to the improvement and development of people through community programs, with a focus on education and entrepreneurship support.
	E1. Corporate governance	The Bank's management is supported by strong corporate governance of the highest international standard, which fosters management that offers value and ensures market transparency, in line with a Responsible Banking Culture.
	E9. Sustainability of results	Collection of consistent and predictable results that add value, which is obtained correctly and transparently.
	A2. Indirect environmental impact	To recognize the growing importance of climate change as a potential source of risk in operations and for customers, taking appropriate measures to manage and divulge the Bank's exposure to it.
	S2. Diversity	To have a diverse and inclusive workforce that is paid fairly and transparently and whose composition seeks to incorporate society.
	A1 Sustainable finances	To develop innovative financial solutions that promote the transition to a green and inclusive economy (green instruments/ESG); integrating socio-environmental risk management into lending, financing and investment practices.
MEDIUM	S6. Responsible supplier management	To strengthen supplier management in order to continuously improve recruitment standards, prompt payment and behaviour supervision based on ESG criteria.
	S4. Financial empowerment of people	To financially endorse people at various stages of their lives, through financial education, access to products and services, and funding.
	A3 Internal environmental footprint	To promote eco-efficient technologies and cleaner energy within the Bank's operations, reducing its emissions and ecological footprint.
	E4. Regulatory adaptation and contribution to the public debate	To take an active role in the legal and regulatory discussion, adapting competitively to the new standards and expectations of the primary agents of the industry.

GRI Index

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
Contents				
Organizational profile				
102-1	Name of the organization	General Information	183	
102-2	Brands, products and most relevant services for the organization	Responsible Banking: Creating value for Customers	39	
102-3	Headquarters of the organization	Contact details	184	
102-4	Location of operations	Responsible Banking: Creating value for Customers	35	
102-5	Nature of the property regime and its legal form	General Information	183	
102-6	Markets served	Responsible Banking: Creating value for Customers	35	
102-7	Dimensions of the Organization (employees, operations, sales, capitalization, products and services)	Santander in figures	05	
102-8	Employee breakdown (by type of contract, region and gender)	Responsible Banking: Creating value for Collaborators	48	
102-9	Organization supply chain	Responsible Banking: Creating value for Collaborators	110	
102-10	Significant changes during the period in terms of size, structure, ownership or supply chain of the organization	Responsible Banking: creating Shareholder value	73	
102-11	How the organization addresses the precautionary principle	Responsible Banking: Creating value for the society (Environment dimension) Risk Management: Emerging Risks	97, 165	
102-12	Letters, principles or other external initiatives taken by the organization	Santander, a Responsible Bank	29	
102-13	National or international advocacy associations and organizations to which the organization belongs	Santander, a Responsible Bank	29	
Strategy				
102-14	Statement by the primary responsible person	Letter from the President	10, 14	
102-15	Description of the main effects, risks and opportunities	Risk Management: Emerging Risks	165	
Ethics and integrity				
102-16	Values, principles, standards and regulations of the organization	Santander, a Responsible Bank	20	
102-17	Internal and external advisory mechanisms for ethical and lawful conduct	Santander, a Responsible Bank	129	
Governance				
102-18	Governance structure of the organization	Corporate Governance: Banco Santander Chile	117	
102-19	Delegation authority	Corporate Governance: Banco Santander Chile	125	
102-20	Responsibility at an executive level on economic, environmental and social matters.	Corporate Governance: Banco Santander Chile	117	
102-21	Consulting stakeholders on economic, environmental and social issues.	Santander, a Responsible Bank	21	
102-22	Composition of the highest governing body and its committees.	Corporate Governance: Banco Santander Chile	113, 117	
102-23	Chairman of the highest governing body.	Corporate Governance: Banco Santander Chile	113	
102-24	Assignment and selection of the highest governing body.	Corporate Governance: Banco Santander Chile	117	
102-25	Conflicts of interest	Corporate Governance: Banco Santander Chile	117	
102-26	Role of the highest governing body in the statement of purposes, values and strategies	Corporate Governance: Banco Santander Chile	117	

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
102-27	The collective knowledge of the highest governing body.	Corporate Governance: Banco Santander Chile	123	
102-28	Evaluating the performance of the highest governing body.	Corporate Governance: Banco Santander Chile	124	
102-29	Identify and manage economic, environmental and social impacts.	Corporate Governance: Banco Santander Chile	117	
102-30	Effectiveness of risk management processes.	Corporate Governance: Banco Santander Chile	117	
102-31	Review of economic, environmental and social issues.	Corporate Governance: Banco Santander Chile	117	
102-32	The role of the senior governance body in sustainability reports			The annual report is approved by the Board of Directors
102-33	Communicate critical concerns.	Corporate Governance: Banco Santander Chile	117	
102-34	Nature and total number of critical concerns.	Corporate Governance: Banco Santander Chile	122	
102-35	Compensation policies.	Corporate Governance: Banco Santander Chile	124	
102-36	Process for determining compensation.	Corporate Governance: Banco Santander Chile	124	
Stakeholder participation				
102-40	Interest groups linked to the organization	Santander, a Responsible Bank	21	
102-41	Percentage of employees covered by collective agreements	Responsible Banking: Creating value for Collaborators	70	
102-42	Selection basis of the stakeholders to work with	Santander, a Responsible Bank	21	
102-43	The organizational approach to stakeholder engagement	Report profile	173	
Report-making practices				
102-44	Key issues and problems arising from stakeholder involvement	About this Annual Report	174	
102-45	Entities listed in the organization's consolidated financial statements	Financial Statements	173	
102-46	Process for determining annual report content and scope of each aspect	About this Annual Report		
102-47	Material aspects identified during the process of defining this report's content	Santander, a Responsible Bank / About this Annual Report		
102-48	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements			The restatements made are due to a % increase in the scope and progress of estimates to more exact calculations.
102-49	Significant changes in the scope and coverage of each aspect compared to previous reports			A new materiality process was carried out for the 2019 report.
102-50	Annual Report period	About this Annual Report	173	
102-51	Date of last Annual Report			Annual Report 2018
102-52	Reporting cycle			Annually
102-53	Contact to resolver any queries regarding the contents of the annual report	Contact details	188	
102-54	Option of compliance to the guide chosen by the organization	About this Annual Report		
102-56	External Audit policies and practices of the organization		173	Santander Chile's Annual report is not submitted to external verification. However, the data is delivered to the Group whose report is verified.

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
Management approaches [103-1] [103-2] [103-3]				
Dimension	**Material Theme**			
Economic	E1. Corporate governance	Corporate Governance: Banco Santander Chile	112, 175	
Economic	E2. Ethical behaviour	Corporate Governance: Compliance	128, 175	
Economic	E3. Risk management	Risk management	156, 175	
Economic	E4. Regulatory adaptation and contribution to public debate	Corporate Governance: Compliance / Risk Management	130, 175	
Economic	E5. Cybersecurity and data protection	Responsible Banking: Creation of value for Customers	38, 108, 175	
Economic	E6. Digital transformation	Responsible Banking: excellence in execution	38, 138, 175	
Economic	E7. Customer satisfaction	Responsible Banking: Creation of value for Customers	37, 175	
Economic	E8. Products and transparency	Responsible Banking: Creation of value for Customers	39, 175	
Economic	E9. Sustainability of results	Economic and financial performance	143, 175	
Environ-mental	A1 Sustainable finances	Responsible Banking: Creating value for Society (Environmental dimension)	94, 175	
Environ-mental	A2. Indirect environmental impact	Responsible Banking: Creating value for Society (Environmental dimension)	99, 175	
Environ-mental	A3 Internal environmental footprint	Responsible Banking: Creating value for Society (Environmental dimension)	99, 175	
Social	S1. Strong and committed internal culture	Responsible Banking: Creating value for Collaborators	46, 175	
Social	S2. Diversity	Responsible Banking: Creating value for Collaborators	58, 175	
Social	S3. Attraction and retention of talent	Responsible Banking: Creating value for Collaborators	54, 175	
Social	S4. Financial empowerment of people	Responsible Banking: Creating value for Society (Social dimension)	87, 175	
Social	S5. Commitment to social progress and development in communities	Responsible Banking: Creating value for Society (Social dimension)	79, 175	
Social	S6. Responsible supplier management	Responsible Banking: excellence in execution	109, 175	

Specific Basic Contents				
Category: Economy				
Economic Performance				
201-1	Direct economic value generated and distributed.	Economic and financial performance	154	
201-2	Financial effects and other risks and opportunities related to climate change.	Responsible Banking: Creating value for Society Risk management: Emerging Risks	97, 165	
201-3	Delimited obligations of the benefit plan and other retirement plans	Responsible Banking: Creating value for Collaborators	64	
Market presence				
202-1	Reasons for the standard entry-level wage by gender compared to the local minimum wage	Responsible Banking: Creating value for Collaborators	62	
202-2	Proportion of senior managers recruited from the local community			63% of the Board are of Chilean nationality
Indirect economic impacts				
203-1	Investment in infrastructure and support services		93	
203-2	Significant indirect economic impacts and the scope of them		87	
Procurement practices				
204-1	Proportion of expenditure to local suppliers	Responsible Banking: excellence in execution	52	

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
Combating corruption				
205-1	Operations assessed for corruption-related risks	Corporate Governance: Compliance	129	
205-2	Communication and training on anti-corruption policies and procedures	Corporate Governance: Compliance	132	
205-3	Confirmed cases of corruption and measures taken	Corporate Governance: Compliance	132	
Category: Environment				
Materials				
301-1	Materials used by weight or volume	Responsible Banking: Creating value for Society	102	
301-2	Recycled supplies			Currently, this is not measured, but the goal is to increase the percentage of both recycled and certified paper.
301-3	Reused products and packaging materials			Not applicable due to the nature of the Bank's financial activity
Energy				
302-1	Energy consumption	Responsible Banking: Creating value for Society (Environmental dimension)	101	
302-2	Energy consumption outside the organization.			The external energy consumption of the organization is not currently calculated.
302-4	Reduction of energy consumption.	Responsible Banking: Creating value for Society (Environmental dimension)	101	
302-5	Reduction of energy requirements for products and services			The products offered by the company have no energy requirements for use/ consumption.
Water (2018)				
303-1	Interactions with water as a shared resource.			Does not apply due to the nature of the Bank's financial activity materials.
303-2	Impact management related to water discharges.			Does not apply due to the nature of the Bank's financial activity materials.
303-3	Water extraction by source			Does not apply due to the nature of the Bank's financial activity materials.
303-4	Water discharge			Does not apply due to the nature of the Bank's financial activity materials.
303-5	Water consumption	Responsible Banking: Creating value for Society (Environmental dimension)	101	
Biodiversity				
304-1	Operational sites owned, leased, managed or adjacent to protected areas and areas of high biodiversity value outside protected areas			Not applicable due to the nature of the Bank's financial activity (non-material)
304-2	Significant impact of activities, products and services on biodiversity			Not applicable due to the nature of the Bank's financial activity (non-material)
304-3	Protected or restored habitats			Not applicable due to the nature of the Bank's financial activity (non-material)
304-4	Species within IUCN Red List and species within the national conservation list with habitats in areas affected by operations			Not applicable due to the nature of the Bank's financial activity (non-material)

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
Emissions				
305-1	Direct greenhouse gas emissions (Scope 1)	Responsible Banking: Creating value for Society (Environmental dimension)	99	
305-2	Indirect greenhouse gas emissions from energy generation (Scope 2)	Responsible Banking: Creating value for Society (Environmental dimension)	99	
305-3	Other indirect greenhouse gas emissions (Scope 3)	Responsible Banking: Creating value for Society (Environmental dimension)	99	
305-4	Greenhouse gas emission intensity	Responsible Banking: Creating value for Society (Environmental dimension)	99	
Effluent and waste				
306-1	Water discharge by quality and destination.			Not applicable due to the nature of the Bank's financial activity.
306-2	Waste by type and method of disposal.	Responsible Banking: Creating value for Society (Environmental Area)	103	
306-3	Significant spills			Not applicable due to the nature of the Bank's financial activity.
306-4	Transport of hazardous waste.			Not applicable due to the nature of the Bank's financial activity.
306-5	Water bodies affected by water discharges and/or runoff.			Not applicable due to the nature of the Bank's financial activity.
Environmental Compliance				
307-1	Failure to comply with environmental laws and regulations.			In 2019 there were no causal events of infringement or fines related to non-compliance with environmental laws or regulations.
Environmental Assessment of Suppliers				
308-1	New suppliers selected using environmental criteria.			The Bank does not evaluate new suppliers according to environmental criteria.
308-2	Negative environmental impacts on the supply chain and actions taken.	Responsible Banking: Excellence in execution (suppliers)	111	
Category: Social Performance				
Employment				
401-1	Recruitment number and rate and average turnover of employees, by age group, gender and region	Responsible Banking: Creating value for Collaborators	56	
401-2	Social benefits for full-time employees	Responsible Banking: Creating value for Collaborators	64	
401-3	Parental leave	Responsible Banking: Creating value for Collaborators	64	
Worker-Company Relations				
402-1	Minimum notice periods for operational changes	Responsible Banking: Creating value for Collaborators	70	
Health and safety at work (2018)				
403-1	Occupational health and safety management system	Responsible Banking: Creating value for Collaborators	67	
403-2	Hazard identification, risk assessment and incident Investigation	Responsible Banking: Creating value for Collaborators	67	
403-3	Occupational health services	Responsible Banking: Creating value for Collaborators	67	

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
403-4	Worker participation, consultation and communication on health and safety at work	Responsible Banking: Creating value for Collaborators	67	
403-5	Training of workers on health and safety at work	Responsible Banking: Creating value for Collaborators	67	
403-6	Health promotion at work	Responsible Banking: Creating value for Collaborators	67	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to business practices	Responsible Banking: Creating value for Collaborators	67	
403-8	Workers covered by occupational safety and health management system.	Responsible Banking: Creating value for Collaborators	67	
403-9	Work-related injuries.	Responsible Banking: Creating value for Collaborators	67	
403-10	Work-related health problems	Responsible Banking: Creating value for Collaborators	67	
Training and education				
404-1	Average annual training hours per employee, by gender and by job category	Responsible Banking: Creating value for Collaborators	52	
404-2	Skills management and further training programs that promote the employability of workers and help them manage the end of their careers	Responsible Banking: Creating value for Collaborators	52	
404-3	Percentage of employees receiving regular performance and professional development assessments, analysed by gender and by professional category	Responsible Banking: Creating value for Collaborators	57	
Diversity and equal opportunities				
405-1	Government bodies composition and staff breakdown by professional category and gender, age, minority status and other diversity indicators	Corporate governance/ Responsible Banking: Creating value for Collaborators	59, 113	
405-2	The ratio of basic salary over compensations of women and men.	Responsible Banking: Creating value for Collaborators	63	
Discrimination				
406-1	Incidents of discrimination and corrective actions taken.			No incidents of discrimination were recorded during 2019
Freedom of association and collective bargaining				
407-1	Transactions and suppliers whose right to freedom of association and collective bargaining may be at risk.	Responsible Banking: Excellence in execution (suppliers)	111	
Child Labour				
408-1	Operations and suppliers at significant risk of child labour incidents.	Santander, a Responsible Bank		There are no operations or suppliers at risk of child labour.
Forced or compulsory labour				
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labour.	Santander, a Responsible Bank		There are no operations or suppliers at risk of forced labour.
Human rights assessment				
412-1	Operations that have been reviewed in terms of human rights or impact assessments.	Santander, a Responsible Bank	30	
412-2	Training of employees in human rights policies or procedures.	Santander, a Responsible Bank	30	
412-3	Significant investment agreements and contracts that include human rights clauses or that were subject to human rights review	Santander, a Responsible Bank	30	

Indicator	Overview	Chapter/ Section	Page	Omissions / Response
Local communities				
413-1	Percentage of centres where development programs, impact assessments and local community participation have been implemented	Responsible Banking: creating value for society (Social dimension)	79	
413-2	Operations with significant, actual and potential negative impacts on local communities.			The Bank's operations have no significant negative impacts on local communities.
Social evaluation of suppliers				
414-1	New providers who were selected using social criteria.	Santander: A Responsible Bank / Responsible Banking: Excellence in execution (suppliers)	30, 111	
414-2	Negative social impacts on the supply chain and measures taken	Santander: A Responsible Bank / Responsible Banking: Excellence in execution (suppliers)	30, 111	
Public Policy				
415-1	Contribution to political parties and/or representatives	Responsible Banking: creating value for society (Social dimension)	93	
Customer health and safety				
416-1	Assessment of health and safety impacts of product and service categories.			Not applicable due to the nature of the Bank's financial activity (non-material)
416-2	Incidents of non-compliance to the health and safety impacts of products and services			Not applicable due to the nature of the Bank's financial activity (non-material)
Marketing and Labelling				
417-1	Requirements for information and labelling of products and services.	Responsible Banking: Creating value for Customers		At the corporate level, the Marketing Committee assesses the potential impact of all products and services, before their release to the market. These effects include but are not restricted to, customer safety and compatibility with other products
417-2	Incidents of non-compliance with product and service information and labelling.			During 2019 there were no incidents or sanctions related to breaches of Service information
417-3	Incidents of non-compliance with marketing communications.			During 2019 there were no incidents or sanctions related to breaches in Marketing communications
Customer privacy				
418-1	Justified complaints about customer privacy violations and customer data loss	Responsible Banking: Creating value for Customers	38	
Prácticas de competencia desleal				
419-1	The monetary value of significant fines and the number of non-monetary penalties for non-compliance with legislation and regulations			The company received no fines or significant penalties due to breaches in social or economic matters during 2019

GRI [102-1][102-5][102-7]

General information

Identification of the company

Banco Santander Chile was established by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez in Santiago, under the legal name Banco de Santiago, and received its permission to incorporate and function as a bank by Resolution N° 118 of the Superintendence of Banks and Financial Institutions (SBIF) on October 27, 1977.

The Bank's by-laws were approved by Resolution N° 103 of the SBIF on September 22, 1977. An excerpt of the by-laws and the resolution that approved them were published in the Official Gazette on September 28, 1977 and inscribed in page 8,825 N° 5,017 in the 1977 Commercial Register of Santiago's Real Estate Registry.

The changes in the corporate name or its legal form from Banco de Santiago to Banco Santiago, together with the merger with former Banco O'Higgins, the legal dissolution of the latter, and the recognition of Banco Santiago as its legal successor, all appear in Resolution N° 6 of the SBIF dated January 9, 1997 and the legal publications in the Official Gazette on January 11, 1997, which were duly notarized under N° 69 on January 13, 1997 at the Notary Office of Andrés Rubio Flores in Santiago.

On July 18, 2002, an Extraordinary Shareholders' Meeting of Banco Santiago was held, with the Meeting's Minute being notarized into public deeds on July 19, 2002 at the Notary Office of Nancy de la Fuente in Santiago, in which the merger between Banco Santander Chile and Banco Santiago were approved through the incorporation of the former into the latter, Banco Santiago acquiring the assets and liabilities of Banco Santander Chile, and an agreement for the anticipated dissolution of Banco Santander Chile and the name change of Banco Santiago to Banco Santander Chile. Said change was authorized by Resolution N° 79 of the SBIF on July 26, 2002, published in the Official Gazette on August 1, 2002 and inscribed in page 19,992 number 16,346 of the 2002 Commercial Register of Santiago's Real Estate Registry.

Subsequently, an Extraordinary Shareholders' Meeting held on April 24, 2007, with the Meeting's Minute notarized to public deed on May 24, 2007 in the Notary Office of Nancy de la Fuente Hernández, modified and established that, in accordance with the Bank's by-laws and the approvals of the SBIF, the legal names Banco Santander Santiago or Santander Santiago or Banco Santander or Santander may also be used. This reform was approved by Resolution N° 61 of the SBIF on June 6, 2007. An excerpt of the minutes and the resolution were published in the Official Gazette on June 23, 2007 and inscribed in page 24,064 N° 17,563 of the register.

In addition to the amendments of the by-laws previously mentioned, these have been amended in several opportunities with the last one being the agreed upon at the Extraordinary Shareholders' Meeting held on January 9, 2017, with the Meeting's Minute notarized to public deed on February 14, 2017 in the Notary Office of Nancy de la Fuente Hernández. This amendment was approved by Resolution N° 17 of the SBIF on March 29, 2017. An excerpt of the amendment and the resolution were published in the Official Gazette on April 5, 2017 and were inscribed in page 27,594 number 12,254 of the 2017 Commercial Register of Santiago's Real Estate Registry. Through this last amendment, Banco Santander Chile, in accordance with its bylaws and the approvals of the SBIF, among others, reduced the number of regular Board members from 11 to 9 (maintaining two alternate directors), eliminated the possibility of using the legal names Banco Santander Santiago or Santander Santiago and defined an updated version of its by-laws.

Financial statements

All financial statements can be found at
https://santandercl.gcs-web.com/financials/quarterly-earnings-reports

Santiago, February 27, 2020

Independent Auditor's Report

To the Shareholders and Directors Banco Santander Chile

We have audited the accompanying consolidated financial statements of Banco Santander Chile and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows for the years then ended, and the related notes thereto.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards and instructions issued by the Commission for the Financial Market. This responsibility includes designing, implementing and maintaining internal control relevant for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conduct our audits in accordance with Chilean generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence on the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation and fair presentation of the consolidated financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such kind of opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Santander Chile and its subsidiaries as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting standards and instructions issued by the Commission for the Financial Market.

PriceWaterhouseCoopers

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

BANCO SANTANDER-CHILE AND SUBSIDIARIES

	NOTE	As of December 31, 2019 MCh$	2018 MCh$
ASSETS			
Cash and deposits in banks	5	3,554,520	2,065,441
Cash items in process of collection	5	355,062	353,757
Trading investments	6	270,204	77,041
Investments under resale agreements	7	-	-
Financial derivative contracts	8	8,148,608	3,100,635
Interbank loans, net	9	14,833	15,065
Loans and accounts receivables from customers, net	10	31,823,735	29,470,370
Available for sale investments	11	4,010,272	2,394,323
Held to maturity investments		-	-
Investments in associates and other companies	12	10,467	32,293
Intangible assets	13	73,389	66,923
Property, plant, and equipment	14	197,833	253,586
Right of use assets	14	210,500	-
Current taxes	15	11,648	-
Deferred taxes	15	462,867	382,934
Other assets	16	1,434,308	984,988
TOTAL ACTIVOS		50,578,246	39,197,356
LIABILITIES			
Deposits and other demand liabilities	17	10,297,432	8,741,417
Cash items in process of being cleared	5	198,248	163,043
Obligations under repurchase agreements	7	380,055	48,545
Time deposits and other time liabilities	17	13,192,817	13,067,819
Financial derivative contracts	8	7,390,654	2,517,728
Interbank borrowing	18	2,519,818	1,788,626
Issued debt instruments	19	9,500,723	8,115,233
Other financial liabilities	19	226,358	215,400
Lease liabilities	14	158,494	-
Current taxes	15	-	8,093
Deferred taxes	15	99,608	15,395
Provisions	21	337,397	329,940
Other liabilities	22	2,806,325	900,408
TOTAL LIABILITIES		47,107,929	35,911,647
EQUITY			
Attributable to the equity holders of the Bank		**3,390,823**	**3,239,546**
Capital	24	891,303	891,303
Reserves	24	2,121,148	1,923,022
Valuation adjustments	24	(8,093)	10,890
Retained earnings		**386,465**	**414,331**
Retained earnings from prior years		-	-
Income for the year		552,093	591,902
Minus: Provision for mandatory dividends	21	(165,628)	(177,571)
Non-controlling interest	**26**	**79,494**	**46,163**
TOTAL EQUITY		3,470,317	3,285,709
TOTAL LIABILITIES AND EQUITY		50,578,246	39,197,356

The accompanying notes form integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

BANCO SANTANDER-CHILE AND SUBSIDIARIES

	NOTA	December 31, 2019 MCh$	2018 MCh$
OPERATING INCOME			
Interest income	27	2,321,268	2,244,317
Interest expense	27	(904,417)	(829,949)
Net interest income		1,416,851	1,414,368
Fee and commission income	28	498,658	484,463
Fee and commission expense	28	(211,572)	(193,578)
Net fee and commission income		287,086	290,885
Net income (expense) from financial operations	29	(78,165)	53,174
Net foreign exchange gain	30	285,184	51,908
Other operating income	35	24,598	39,526
Net operating profit before provision for loan losses		1,935,554	1,849,861
Provision for loan losses	31	(420,447)	(325,085)
NET OPERATING PROFIT		1,515,107	1,524,776
Personnel salaries and expenses	32	(410,157)	(397,564)
Administrative expenses	33	(233,612)	(245,089)
Depreciation and amortization	34	(106,092)	(79,280)
Impairment of property, plant, and equipment	34	(2,726)	(39)
Other operating expenses	35	(61,021)	(45,740)
TOTAL OPERATING EXPENSES		**(813,608)**	**(767,712)**
OPERATING INCOME		701,499	757,064
Income from investments in associates and other companies	12	1,146	1,325
Income before tax		702,645	758,389
Income before tax	15	(150,168)	(165,897)
Result of continuing operations		552,477	592,492
Result of discontinued operations	40	1,699	3,770
NET INCOME FOR THE YEAR		554,176	596,262
Attributable to:			
Equity holders of the Bank		552,093	591,902
Non-controlling interest	26	2,083	4,360
Earnings per share from continued operations attributable to shareholders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2,921	3,121
Diluted earnings	24	2,921	3,121
Earnings per share attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2,930	3,141
Diluted earnings	24	2,930	3,141

The accompanying notes form integral part of these consolidated financial statements.

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CONSOLIDATED FINANCIAL STATEMENTS 2019

For the years ended december 31,2019 and 2018

Santander

INDEPENDENT AUDITOR'S REPORT
(A free translation from the original in Spanish)

Santiago, February 27, 2020

To the Shareholders and Directors
Banco Santander Chile

We have audited the accompanying consolidated financial statements of Banco Santander Chile and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows for the years then ended, and the related notes thereto.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards and instructions issued by the Commission for the Financial Market. This responsibility includes designing, implementing and maintaining internal control relevant for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conduct our audits in accordance with Chilean generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence on the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation and fair presentation of the consolidated financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such kind of opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Santander Chile and its subsidiaries as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting standards and instructions issued by the Commission for the Financial Market.

PriceWaterhouseCoopers.

Digitally signed by Claudio Hernán Gerdtzen Sepúlveda RUT: 12.264.594-0. The digital certificate is embedded in the electronic version of this document.

Santander

CONTENT

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Banco Santander-Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,	
		2019	2018
	Note	MCh$	MCh$
ASSETS			
Cash and deposits in banks	5	3,554,520	2,065,441
Cash items in process of collection	5	355,062	353,757
Trading investments	6	270,204	77,041
Investments under resale agreements	7	-	-
Financial derivative contracts	8	8,148,608	3,100,635
Interbank loans, net	9	14,833	15,065
Loans and accounts receivables from customers, net	10	31,823,735	29,470,270
Available for sale investments	11	4,010,272	2,394,323
Held to maturity investments		-	-
Investments in associates and other companies	12	10,467	32,293
Intangible assets	13	73,389	66,923
Property, plant, and equipment	14	197,833	253,586
Right of use assets	14	210,500	-
Current taxes	15	11,648	-
Deferred taxes	15	462,867	382,934
Other assets	16	1,434,308	984,988
TOTAL ASSETS		**50,578,246**	**39,197,356**
LIABILITIES			
Deposits and other demand liabilities	17	10,297,432	8,741,417
Cash items in process of being cleared	5	198,248	163,043
Obligations under repurchase agreements	7	380,055	48,545
Time deposits and other time liabilities	17	13,192,817	13,067,819
Financial derivative contracts	8	7,390,654	2,517,728
Interbank borrowing	18	2,519,818	1,788,626
Issued debt instruments	19	9,500,723	8,115,233
Other financial liabilities	19	226,358	215,400
Lease liabilities	14	158,494	-
Current taxes	15	-	8,093
Deferred taxes	15	99,608	15,395
Provisions	21	337,397	329,940
Other liabilities	22	2,806,325	900,408
TOTAL LIABILITIES		**47,107,929**	**35,911,647**
EQUITY			
Attributable to the equity holders of the Bank		**3,390,823**	**3,239,546**
Capital	24	891,303	891,303
Reserves	24	2,121,148	1,923,022
Valuation adjustments	24	(8,093)	10,890
Retained earnings		**386,465**	**414,331**
Retained earnings from prior years		-	-
Income for the year		552,093	591,902
Minus: Provision for mandatory dividends	21	(165,628)	(177,571)
Non-controlling interest	26	**79,494**	**46,163**
TOTAL EQUITY		**3,470,317**	**3,285,709**
TOTAL LIABILITIES AND EQUITY		**50,578,246**	**39,197,356**

The accompanying notes form integral part of these consolidated financial statements.

Banco Santander-Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the years ended

	NOTE	December 31, 2019 MCh$	December 31, 2018 MCh$
OPERATING INCOME			
Interest income	27	2,321,268	2,244,317
Interest expense	27	(904,417)	(829,949)
Net interest income		**1,416,851**	**1,414,368**
Fee and commission income	28	498,658	484,463
Fee and commission expense	28	(211,572)	(193,578)
Net fee and commission income		**287,086**	**290,885**
Net income (expense) from financial operations	29	(78,165)	53,174
Net foreign exchange gain	30	285,184	51,908
Other operating income	35	24,598	39,526
Net operating profit before provision for loan losses		**1,935,554**	**1,849,861**
Provision for loan losses	31	(420,447)	(325,085)
NET OPERATING PROFIT		**1,515,107**	**1,524,776**
Personnel salaries and expenses	32	(410,157)	(397,564)
Administrative expenses	33	(233,612)	(245,089)
Depreciation and amortization	34	(106,092)	(79,280)
Impairment of property, plant, and equipment	34	(2,726)	(39)
Other operating expenses	35	(61,021)	(45,740)
Total operating expenses		**(813,608)**	**(767,712)**
OPERATING INCOME		**701,499**	**757,064**
Income from investments in associates and other companies	12	1,146	1,325
Income before tax		**702,645**	**758,389**
Income tax expense	15	(150,168)	(165,897)
Result of continuing operations		**552,477**	**592,492**
Result of discontinued operations	**40**	**1,699**	**3,770**
NET INCOME FOR THE YEAR		**554,176**	**596,262**
Attributable to:			
Equity holders of the Bank		552,093	591,902
Non-controlling interest	26	2,083	4,360
Earnings per share from continued operations attributable to shareholders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2,921	3.121
Diluted earnings	24	2,921	3.121
Earnings per share attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	24	2,930	3.141
Diluted earnings	24	2,930	3.141

The accompanying notes form integral part of these consolidated financial statements.

Banco Santander-Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the years ended

	NOTE	December 31, 2019 MCh$	December 31, 2018 MCh$
NET INCOME FOR THE YEAR		**554,176**	**596,262**
OTHER COMPREHENSIVE INCOME - ITEMS WHICH MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Availablefor sale investments	24	23,974	4,569
Cash flow hedge	24	(50,238)	13,365
Other comprehensive income which may be reclassified subsequently to profit or loss, before tax		**(26,624)**	**17,934**
Income tax related to items which may be reclassified subsequently to profit or loss		7,092	(4,816)
Other comprehensive income for the period which may be reclassified subsequently to profit or loss, net of tax		**(19,172)**	**13,118**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**535,004**	**609,380**
Attributable to:			
Equity holders of the Bank		533,110	605,104
Non-controlling interest	26	1,894	4,276
Attributable to Equity holders of the Bank:			
Continuing operations		531,411	601,334
Discontinued operations		1,699	3,770

The accompanying notes form integral part of these consolidated financial statements.

Banco Santander-Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended

		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 year MCh$	Provision for mandatory dividends MCh$	Attributable to equity holders of the Bank MCh$	Non-controlling interest (*) MCh$	Total Equity MCh$
Equity as of December 31, 2017	891,303	1,784,042	(2,224)	459	(3,562)	791	-	564,815	(169,444)	3,066,180	41,883	3,108,063
Distribution of income from previous period	-	-	-	-	-	-	564,815	(564,815)	-	-	-	-
Equity as of January 1, 2018	891,303	1,784,042	(2,224)	459	(3,562)	791	564,815	-	(169,444)	3,066,180	41,883	3,108,063
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(423,611)	-	-	(423,611)	-	(423,611)
Transfer of retained earnings to reserves	-	141,204	-	-	-	-	(141,204)	-	-	-	4	4
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(8,127)	(8,127)	-	(8,127)
Subtotals	-	141,204	-	-	-	-	(564,815)	-	(8,127)	(431,738)	4	(431,734)
Other comprehensive income	-	-	-	4,655	13,365	(4,818)	-	-	-	13,202	(84)	13,118
Result of continuing operations	-	-	-	-	-	-	-	588,132	-	588,132	4,360	592,492
Result of discontinued operations	-	-	-	-	-	-	-	3,770	-	3,770	-	3,770
Subtotals	-	-	-	4,655	13,365	(4,818)	-	591,902	-	605,104	4,276	609,380
Equity as of December 31, 2018	891,303	1,925,246	(2,224)	5,114	9,803	(4,027)	-	591,902	(177,571)	3,239,546	46,163	3,285,709
Distribution of income from previous period	-	-	-	-	-	-	591,902	(591,902)	-	-	-	-
Equity as of January 1, 2019	891,303	1,925,246	(2,224)	5,114	9,803	(4,027)	591,902	-	(177,571)	3,239,546	46,163	3,285,709
Increase or decrease of capital and reserves (**)	-	(38,635)	-	-	-	-	-	-	-	(38,635)	31,437	(7,198)
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(355,141)	-	-	(355,141)	-	(355,141)
Transfer of retained earnings to reserves	-	236,761	-	-	-	-	(236,761)	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	11,493	11,943	-	11,943
Subtotals	-	198,126	-	-	-	-	(591,902)	-	11,943	(381,833)	31,437	350,396
Other comprehensive income	-	-	-	24,235	(50,238)	7,020	-	-	-	(18,983)	(189)	(19,172)
Result of continuing operations	-	-	-	-	-	-	-	550,394	-	550,394	2,083	552,477
Result of discontinued operations	-	-	-	-	-	-	-	1,699	-	1,699	-	1,699
Subtotals	-	-	-	24,235	(50,238)	7,020	-	552,093	-	533,110	1,894	535,004
Equity as of December 31, 2019	891,303	2,123,372	(2,224)	29,349	(40,435)	2,993	-	552,093	(165,628)	3,390,823	79,494	3,470,317

(*) See Note No. 01 letter b).

(**) See Note No. 03.

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 2018 (Shareholders Meeting April 2019)	591,902	236,761	355,141	60	188,446,126,794	1.885
Year 2017 (Shareholders Meeting April 2018)	472,351	141,204	423,611	75	188,446,126,794	2.248

The accompanying notes form integral part of these consolidated financial statements.

Banco Santander-Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended

		December 31,	
	NOTE	2019 MCh$	2018 MCh$
A – CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME FOR THE YEAR		**554,176**	**596,262**
Debits (credits) to income that do not represent cash flows		**(1,041,896)**	**(1,234,617)**
Depreciation and amortization	34	106,092	79,280
Impairments of property, plant, and equipment	34	2,726	39
Provision for loan losses	31	503,160	413,566
Mark to market of trading investments		39,997	1,438
Income from investments in associates and other companies	12	(1,146)	(5,095)
Net gain on sale of assets received in lieu of payment	35	(17,210)	(23,503)
Provision on assets received in lieu of payment	35	1,809	816
Loss on sale of associate		126	-
Net gain on sale of property, plant, and equipment	35	(2,456)	(2,490)
Charge off of assets received in lieu of payment	35	17,638	15,037
Net interest income	27	(1,416,851)	(1,414,368)
Net fee and commission income	28	(287,086)	(290,885)
Other debits (credits) to income that do not represent cash flows		(67)	(8,271)
Changes in deferred taxes	15	11,372	(181)
Increase/decrease in operating assets and liabilities		**2,308,784**	**1,660,877**
(Increase) decrease of loans and accounts receivables from customers, net		(2,449,954)	(2,703,700)
(Increase) decrease of financial investments		(1,809,112)	588,918
Decrease (increase) of interbank loans		232	147,534
(Increase) decrease of assets received or awarded in lieu of payment		(1,743)	3,656
Increase (decrease) of debits in customers checking accounts		1,298,976	521,476
Increase (decrease) of time deposits and other time liabilities		124,998	1,153,874
Increase (decrease) of obligations with domestic banks		271,620	(480)
Increase (decrease) of other demand liabilities or time obligations		257,039	451,775
Increase (decrease) of obligations with foreign banks		459,572	90,754
Increase (decrease) of obligations with Central Bank of Chile		-	(5)
Increase (decrease) of obligations under repurchase agreements		331,510	(219,516)
Increase (decrease) in other financial liabilities		10,958	(26,630)
Increase (decrease) net lease		(52,006)	-
Net increase of other assets and liabilities		1,014,787	(903,390)
Redemption of letters of credit		(6,988)	(8,989)
Senior bond issuances		1,893,552	1,156,057
Redemption mortgage bonds and payments of interest		(6,109)	(5,911)
Redemption and maturity of of senior bonds and payments of interest		(822,615)	(289,837)
Interest received		2,321,268	2,244,317
Interest paid		(904,417)	(829,949)
Dividends received from investments in other companies	12	130	38
Fees and commissions received	28	498,658	484,463
Fees and commissions paid	28	(211,572)	(193,578)
Total cash flow provided by (used in) operating activities		**1,821,064**	**1,022,522**

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Banco Santander-Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended

	NOTE	December 31, 2019 MCh$	December 31, 2018 MCh$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant, and equipment	14	(50,377)	(68,329)
Sales of property, plant, and equipment		6,030	6,297
Purchases of investments in associates and other companies		(62,136)	-
Disposals of investments in companies		1,930	-
Purchases of intangible assets	13	(32,860)	(29,563)
Total cash flow provided by (used in) investment activities		**(137,413)**	**(91,595)**
C – CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholder´s financing activities		**(355,141)**	**423,611**
Increase in other obligations		-	-
Placement of subordinated bonds		-	-
Redemption of subordinated bonds and payments of interest		-	-
Dividends paid		(355,141)	(423,611)
From non-controlling interest financing activities		**-**	**-**
Dividends and/or withdrawals paid		-	-
Total cash flow used in financing activities		**(355,141)**	**(423,611)**
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**1,328,510**	**507,316**
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		**126,669**	**114,498**
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		**2,256,155**	**1,634,341**
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	**3,711,334**	**2,256,155**

Reconciliation of provisions for the Consolidated Statements of Cash Flows for the periods		December 31, 2019 MCh$	December 31, 2018 MCh$
Provision for loan losses for cash flow purposes		503,161	413,566
Recovery of loans previously charged off		(82,714)	(88,481)
Provision for loan losses - net	31	**420,447**	**325,085**

Reconciliation of liabilities arising from financing activities	**December, 31 2018 MCh$**	**Cash Flow MCh$**	**Changes other than cash** Acquisition MCh$	Foreign Currency Movement MCh$	UF Movement MCh$	Fair Value Changes MCh$	**December, 31 2019 MCh$**
Subordinated Bonds	795,957	-	-	-	22,127	-	818,084
Dividends paid	(423,611)	423,611	-	-	-	-	
Other	-	-	-	-	-	-	-
Total liabilities from financing activities	**372,346**	**423,611**	**-**	**-**	**22,127**	**-**	**818,084**

The accompanying notes form integral part of these consolidated 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 as the "Bank" or "Banco Santander Chile") offers commercial and consumer banking services, including (but not limited to) factoring, collection, leasing, securities and insurance brokering, mutual and investment fund management, and investment banking.

Banco Santander Spain controls Banco Santander Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander Chile Holding S.A., which are controlled subsidiaries of Banco Santander Spain. As of December 31, 2019, Banco Santander Spain owns or controls directly and indirectly 99.5% of Santander Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This makes Banco Santander Spain have control over 67.18% of the Bank's shares.

a) Basis of preparation

These Consolidated 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 that any discrepancies exist between 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$", "U.S. dollars" and "dollars" are to United States dollars, references to "EUR" are to European Economic Community Euro, references to "CNY" are to Chinese Yuan, references to "JPY" are to "Japanese Yen", references to "CHF" are to Swiss franc, references to "Chilean pesos", "pesos" or "Ch$" 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 Consolidated Financial Statements contain additional information to support the figures submitted in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year. These contain narrative descriptions and details of these statements in a clear, relevant, reliable and comparable manner.

b) Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements as of December 31, 2019 and 2018, 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 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Consolidated Statement of Income and in the Consolidated 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 is 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 Consolidated Statement of Changes in Equity. Their share in the income for the year is presented as "Attributable to non-controlling interest" in the Consolidated Statement of Income.

The following companies are considered entities controlled by the Bank and are therefore within the scope of consolidation:

i. Entities controlled by the Bank through participation in equity

			Percent ownership share					
			December 31,					
		Place of Incorporation and operation	2019			2018		
			Direct	Indirect	Total	Direct	Indirect	Total
Name of the Subsidiary	**Main Activity**		%	%	%	%	%	%
Santander Corredora de Seguros Limitada	Insurance brokerage	Santiago, Chile	99.75	0.01	99.76	99.75	0.01	99.76
Santander Corredores de Bolsa Limitada	Financial instruments brokerage	Santiago, Chile	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asesorias Financieras Limitada (1)	Securities brokerage	Santiago, Chile	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	Santiago, Chile	99.64	-	99.64	99.64	-	99.64
Klare Corredora de Seguros S.A. (2)	Insurance brokerage	Santiago, Chile	50.10	-	50.10	-	-	-
Santander Consumer Chile S.A. (3)	Financing	Santiago, Chile	51.00	-	51.00	-	-	-

The details of non-controlling interest in all the subsidiaries can be seen in Note 26 – Non-controlling interest (minority).

(1) On December 18, 2019, Santander Agente de Valores Limitada changes its business name and the company's object, to Santander Asesorías Financieras Limitada, and offering financial advice.

(2) On October 19, 2019 Klare Corredora de Seguros S.A. was created as a digital insurance brokerage, and supporting banking business company and thus subject to banking regulations. The Banks owns the 50,10% of the company's capital share.

(3) On November 15, 2019, Financial Market Commission (FMC) authorized Banco Santander to acquire the 51% of the Santander Consumer Chile S.A. capital share from SK Berge (49%) and Banco Santander S.A. (2%). The sale was completed on November 27, 2019 (Note 03).

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 December 31, 2019 and 2018 based on the fact that the activities relevant on them are determined by the Bank (companies complementary to the banking sector) and therefore the Bank exercises control:

- Santander Gestión de Recaudación y Cobranza Limitada (collection services)
- Bansa Santander S.A. (management of repossessed assets and leasing of properties)
- Multiplica SpA (Development card incentive programs).

iii. Associates

An associate is an entity over which the Bank has the ability to exercise significant influence, but not control or joint control. This ability is usually represented by a share equal to or higher than 20% of the voting rights of the Company and is accounted for using the equity method.

The following companies are considered "Associates" in which the Bank accounts for its participation using the equity method:

			Percentage of ownership share	
			As of December 31,	
		Place of Incorporation and operation	2019	2018
Associates	**Main activity**		%	%
Redbanc S.A.(*)	ATM services	Santiago, Chile	-	33.43
Transbank S.A. (*)	Debit and credit card services	Santiago, Chile	-	25.00
Centro de Compensación Automatizado S.A.	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Repository of publically offered securities	Santiago, Chile	29.29	29.29
Cámara de Compensación de Pagos de Alto Valor S.A.	Payments clearing	Santiago, Chile	15.00	15.00
Administrador Financiero del Transantiago S.A.	Administration of boarding passes to public transportation	Santiago, Chile	20.00	20.00
Sociedad Nexus S.A. (*)	Credit card processor	Santiago, Chile	-	12.90
Servicios de Infraestructura de Mercado OTC S.A.	Administration of the infrastructure for the financial market of derivative instruments	Santiago, Chile	12.48	12.48

(*) The Bank is in process to sell its share participation on Redbanc S.A., Transbank S.A. and Nexus S.A., therefore it has applied IFRS 5 Non-current Assets Held for Sale and Discontinued Operations over its participations share. As of December 31, 2019, the Bank has sold 85% of its share participation in Nexus S.A. (Notes 01 and 40).

In the case of 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.

In the case of Servicios de Infraestructura de Mercado OTC S.A.The Bank participates, through its executives, actively in the administration and in the process of organization, which is why the Administration has concluded that it exerts significant influence on it.

iv. Share or rights in other companies

Entities over which the Bank has no control or significant influences are presented in this category. These holdings are shown at acquisition value (historical cost) less impairment, if any.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c) Non-controlling interest

Non-controlling interest represents the portion of gains or losses and net assets which the Bank does not own, either directly or indirectly. It is presented separately in the Consolidated Statement of Income, and separately from shareholders' equity in the Consolidated Statement of Financial Position.

In the case of entities controlled by the Bank through other considerations, income and equity are presented in full as non-controlling interest, since the Bank controls them, but does not have any ownership.

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 equal to or greater than 10% : (i) the combined reported profit of all the operating segments that did not report a loss; (ii) the combined reported loss of all the operating segments that reported a loss.

iii. its assets represent 10% or more of the combined assets of all the operating segments.

Operating segments that do not meet any of the quantitative threshold may be treated as segments to be reported, in which case the information must be disclosed separately if management believes it could be useful for the users of the Consolidated Financial Statements.

Information about other business activities of the segments not separately reported is combined and disclosed in the Corporate Activities ("others") category.

According to the information presented, the Bank's segments were selected based on an operating segment being a component of an entity that:

i. engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses from transactions with other components of the same entity);
ii. whose operating results are regularly reviewed by the entity's chief executive officer, who makes decisions about resources allocated to the segment and assess its performance; and
iii. for which discrete financial information is available.

e) Functional and presentation currency

The Bank, in accordance with IAS 21 "Effects of Variations in Exchange Rates of the Foreign Currency", has defined as functional and presentation currency the Chilean Peso, which is the currency of the primary economic environment in which the Bank operates, it also obeys the currency that influences the structure of costs and revenues. Therefore, all balances and transactions denominated in currencies other than the Chilean Peso are considered as "Foreign currency".

f) Foreign currency transactions

The Bank performs transactions in foreign currencies, mainly 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$747,37 per US$1 for December, 2019 (Ch$697,76 per US$1 for December, 2018).

The amount of net foreign exchange gains and losses include recognition of the effects that exchange rate variations have on assets and liabilities denominated in foreign currencies and the profits and losses on foreign exchange spot and forward transactions undertaken by the Bank.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

g) Definitions and classification of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of an entity, and a financial liability or equity instrument of another entity.

An "equity instrument" is a legal transaction that evidences a residual interest on the assets of an entity deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to changes with regard to an observed market variable (such as an interest rate, a foreign exchange rate, a financial instrument's price, or a market index, including credit ratings), whose initial investment is very small compared with other financial instruments having a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative. Durong the year 2019 and 2018, 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 financial assets that aren't accounted for at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for loans and accounts receivables other than those financial assets classified at fair value through profit or loss.

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 fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired with the purpose of selling it in the short term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as FVTPL.

Financial assets FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised incorporates any dividend or interest earned on the financial asset and is included in the 'net income (expense) from financial operations' line item.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment.

Available for sale investments (AFS investments)

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 owed by banks) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where discounting effects are immaterial.

iii. Classification of financial assets for presentation purposes

For presentation purposes, the financial assets are classified by their nature into the following line items in the Consolidated Financial Statements:

- Cash and deposits in banks: this line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions. Amounts invested as overnight deposits are included in this item and in the corresponding items.

- Cash items in process of collection: 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 8.

    - Trading derivatives: includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

    - Hedging derivatives: includes the fair value of derivatives designated as being in a hedging relationship, including the embedded derivatives separated from the hybrid financial instruments.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- 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 placements: these loans are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and rewards incidental to the leased asset, the transaction is presented in loans and accounts receivable from customers while the leased asset is removed from the Bank´s financial statements.

- Investment instruments: are classified into two categories: held-to-maturity investments, and available-for-sale investments. The held-to-maturity investment classification includes only those instruments for which the Bank has the ability and intent to hold to maturity. The remaining investments are treated as available for sale.

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified as either financial liabilities FVTPL or other financial liabilities:

Financial liabilities FVTPL

As of December 31, 2019 and 2018, the Bank does not have financial liabilities with changes in results.

Other financial liabilities

Other financial liabilities (including loans and accounts payable) are subsequently measured at amortised cost using the effective interest method.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by their nature into the following items in the Consolidated Statement of Financial Position:

- Deposits and other on-demand liabilities: this includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations whose payment may be required during the period are deemed to be on-demand obligations. Operations which become callable the day after the closing date are not treated as on-demand obligations.

- Cash items in process of collection: this item includes balances from asset purchase operations that are not settled the same day, and sale of currencies not yet delivered.

- Obligations under repurchase agreements: this includes the balances of sales of financial instruments under securities repurchase and loan agreements. The Bank does not record as own portfolio instruments acquired under repurchase agreements.

- Time deposits and other time liabilities: this shows the balances of deposit transactions in which a term at the end of which they become callable has been stipulated.

- Financial derivative contracts: this includes financial derivative contracts with negative fair values, whether they are for trading or for hedge accounting, as set forth in Note 8.

  - Trading derivatives: includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

  - Hedging derivatives: includes the fair value of derivatives designated as being in a hedging relationship, including the embedded derivativees separated from the hybrid financial instruments.

- 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 four types of instruments issued by the Bank: obligations under letters of credit, subordinated bonds, mortgage 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Generally, financial assets and liabilities are initially recognized at fair value, which, in the absence of evidence against it, is deemed to be the transaction price. Financial instruments, other than those measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Subsequently, and at the end of each reporting period, financial instruments are measured with the following criteria:

i. Valuation of financial instruments

Financial assets are measured according to their fair value, gross of any transaction costs that may be incurred in the course of a sale, except for credit investments and held to maturity investments.

According to IFRS 13 *Fair Value Measurement*, "fair value" is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, the most advantageous market for the asset or liability. Even when there is no observable market to provide pricing information in connection with the sale of an asset or the transfer of a liability at the measurement date, the fair value measurement shall assume that the transaction takes place, considered from the perspective of a potential market participant who intends to maximize value associated with the asset or liability.

When using valuation techniques, the Bank shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs as available. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (i.e. Level 1, 2 or 3). IFRS 13 establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Every derivative is recorded in the Consolidated Statements of Financial Position at fair value as previously described. This value is compared to the valuation at the trade date. If the fair value is subsequently measured positive, this is recorded as an asset, if the fair value is subsequently measured negative, this is recorded as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recorded in "Net income (expense) from financial operations" in the Consolidated Statement of Income.

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.

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.

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 December 31, 2019 and 2018 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 and macro hedge

The Bank uses financial derivatives for the following purposes:

i. to sell to customers who request these instruments in the management of their market and credit risks;
ii. to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities ("hedging derivatives"), and
iii. to obtain profits from changes in the price of these derivatives (trading derivatives).

All financial derivatives that are not held for hedging purposes are accounted for as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:

   a. Changes in the value of assets and liabilities due to fluctuations, among others, in inflation (UF), the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");

   b. Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecasted transactions ("cash flow hedge");

   c. The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

   a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").

   b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness").

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

The changes in the value of financial instruments qualifying for hedge accounting are recorded as follows:

a. For fair value hedges, the gains or losses arising on both hedging instruments and the hedged items (attributable to the type of risk being hedged) are included as "Net income (expense) from financial operations" in the Consolidated Statement of Income.

b. For fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments and other gains or losses due to changes in fair value of the underlying hedged item (attributable to the hedged risk) are recorded in the Consolidated Financial Statement of Income under "Net income (expense) from financial operations".

c. For cash flow hedges, the change in fair value of the hedging instrument is included as "Cash flow hedge" in "Other comprehensive income", until the hedged transaction occurs, thereafter being reclassified to the Consolidated 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 Consolidated 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, when applicable.

When cash flow hedges are discontinued, any cumulative gain or loss of the hedging instrument recognized under "Other comprehensive income" (from the period when the hedge was effective) remains recorded in equity until the hedged transaction occurs, at which time it is recorded in the Consolidated Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recorded immediately in the Consolidated Statement of Income.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Consolidated Statements of Financial Position at their net amount, only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

vi. Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the extent and the manner in which the risks and rewards associated with the transferred assets are transferred to third parties:

i. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is derecognized from the Consolidated Statement of Financial Position and any rights or obligations retained or created in the transfer are simultaneously recorded.

ii. If the Bank retains substantially all the risks and rewards of ownership associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements at a fixed price or at the sale price plus interest, securities lending agreements under which the borrower undertakes to return the same or similar assets, and other similar cases, the transferred financial asset is not derecognized from the Consolidated Financial Statement of Financial Position and continues to be measured by the same criteria as those used before the transfer. However, the following items are recorded:

- An associated financial liability for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.
- Both the income from the transferred (but not removed) financial asset as well as any expenses incurred due to the new financial liability.

iii. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership associated with the transferred financial asset—as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases, the following distinction is made:

a. If the transferor does not retain control of the transferred financial asset: the asset is derecognized from the Consolidated Statement of Financial Position and any rights or obligations retained or created in the transfer are recognized.

b. If the transferor retains control of the transferred financial asset: it continues to be recognized in the Consolidated Statement of Financial Position for an amount equal to its exposure to changes in value and a financial liability associated with the transferred financial asset is recorded. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized from the Consolidated Statement of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards of ownership have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized from the Consolidated Financial Statement Financial Position when the obligations specified in the contract are discharged or cancelled or the contract has matured.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

i) Recognizing income and expenses

The most significant criteria used by the Bank to recognize its revenues and expenses are summarized as follows:

i. Interest revenue, interest expense, and similar items

Interest revenue, expense and similar items are recorded on an accrual basis using the effective interest method.

However, when a given operation or transaction is past due by 90 days or more, 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 Consolidated 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 Consolidated Interim Statement of Income using criteria stablished in IFRS 15 "Revenue from contracts with customers".

Under IFRS 15, the Bank recognize revenue when (or as) satisfied a performance obligations by transferring a service (ie an asset) to a customer; under this definition an asset is transferred when (or as) the customer obtains control of that asset. The Bank considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Bank transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, and/or the Bank satisfies the performance obligation at a point in time.

The main income arising from commissions, fees and similar items correspond to:

- Fees and commissions for lines of credits and overdrafts:includes accrued fees related to granting lines of credit and overdrafts in checking accounts.
- Fees and commissions for guarantees and letters of credit:includes accrued fees in the period relating to granting of guarantee payment for current and contingent third party obligations.
- Fees and commissions for card services:includes accrued and earned commissions in the period related to use of credit cards, debit cards and other cards
- Fees and commissions for management of accounts:includes accrued commissions for the maintenance of checking, savings and other accounts
- Fees and commissions for collections and payments:includes income arising from collections and payments services provided by the Bank.
- Fees and commissions for intermediation and management of securities:includes income from brokerage, placements, administration and securitie's custody services.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Fees and commissions for insurance brokerage fees: includes income arising for insurances distribution.
- Other fees and commissions:includes income arising from currency changes,financial advisory, cashier check issuance, placement of financial products and onlilne banking services.

The main expense arising from commissions, fees and similar items correspond to:

- Compensation for card operation:includes commission expenses for credit and debit card operations related to income commissions card services.
- Fees and commissions for securities transactions:includes commissions expense for deposits, securities custody service and securitie's brokerage.
- Other fees and commissions:includes mainly expenses generayed from online services.

The Bank has incorporated disaggregated revenue disclosure and reportable segment relationship in Note 28.

Additionaly, the Bank maintains certain loyalty programs associated to its credit cards services, for which it has deferred a percentage of the consideration received in the statement of financial position to comply with its related performance obligation, or has liquidated on a monthly basis as far they arise.

iii. Non-financial income and expenses

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

iv.Commissions in the formalization of loans

The financial commissions that arise in the formalization of loans, fundamentally the opening or study and information commissions, are periodized and recorded in the consolidated long-term result of the life of the loan.

j) Impairment

i. Financial assets:

A financial asset, other than that at fair value through profit and loss, is evaluated on each consolidated 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.

All impairment losses are recorded in the consolidated statement of income in the caption "provisions for credit risk". Any impairment loss related to a financial asset available for sale previously recorded in equity is transferred to income.

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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

In connection with other assets, impairment losses recorded in prior periods are assessed at each reporting date to determine whether the loss has decreased and should be reversed. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Losses for goodwill impairment recognized through capital gains are not reversed.

k) Property, plant, and equipment

This category includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixed assets owned by the consolidated entities or acquired under finance leases. Assets are classified according to their use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use includes but is not limited to tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing accounts receivable from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases. These assets are presented at acquisition cost less the related accumulated depreciation and, if applicable, any impairment losses resulting from comparing the net value of each item to the respective recoverable amount.

Depreciation is calculated using the straight line method over the acquisition cost of assets less their residual value, assuming that the land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation.

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

ITEM	Useful life (in months)
Land	-
Paintings and works of art	-
Carpets and curtains	36
Computers and hardware	36
Vehicles	36
IT systems and software	36
ATMs	60
Other machines and equipment	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Other installations	120
Buildings	1.200

The consolidated entities assess at each reporting 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 Consolidated Statement of Income in future years on the basis of the new useful lives.

Maintenance expenses relating to tangible assets held for own use are recorded as an expense in the period in which they are incurred.

ii. Assets leased out under operating leases

The criteria used to record the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives, and to record their impairment losses, are the same as those for property, plant and equipment held for own use.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

l) Leasing

As of January 1, 2019 the Bank has started to apply IFRS 16 "Leases", using the modified retrospective method and therefore, no comparative information is required, and 2018 balances continue to be reported under IAS 17 "Leases".

Policy applicable from January 1, 2019

At inception of a contract the Bank assesses whether a contract contains a lease. A contract contains a lease if the contracts conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

● the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified.

● the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and

● the Bank has the right to direct the use of the asset – this is decision-making purpose for which asset is use

a. As a Lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date in accordance within IFRS 16 "Leases". The main contracts that the Bank has are offices and branches related, which are necessary to carry out its activities.

At the beginning, the right-of-use asset is equal to the lease liability and is calculated as the present value of the lease payments discounted using the incremental interest rate at the commencement date, considering the lease term of each contract. The average incremental interest rate as of December 31, 2019 is 1.7%. After initial recognition, the right-of-use is subsequently depreciated using the straight-line method in accordance with the lease term of the contract, and the lease liability is amortised in accordance with the effective interest method. Financial interest is accounted as interest expense, and depreciation as depreciation expense in each period.

The term of the lease comprises non-cancelable periods established within each contract, while for lease contracts with an indefinite useful life, the Bank has determined to assign a useful life equal to the longer non-cancelable period of its lease agreements. The Bank has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term. Any modification in the terms or lease should be treated as a new measurement.

Initially, the Bank measures the right-of-use asset at cost. The rent of the lease agreements is agreed in UF and paid in pesos. According to that, monthly variation in UF should be treated as a new measurement, and therefore, readjustments should be recognized as a modification to the obligation and the right-of-use asset.

The Bank has not entered into lease agreements with residual value guarantee or variable lease payments.

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

· accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

· excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Bank has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

b. As a lessor

When the Bank acts as a lessor, it determines at the beginning if it corresponds to a financial or operating lease. To do this, it evaluates whether it has substantially transferred all the risks and benefits of the asset. In the affirmative case, it corresponds to a financial lease, otherwise it is a financial lease. The Bank recognizes the lease income on a straight-line basis over the lease term.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c. Third party financing

The Bank recognises the loans with third parties within "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position, the sum of the present value of the lease payments receivable from the lessee, including the exercise price of the lessee's purchase option at the end of the lease term, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The finance income and expenses arising from these contracts are recorded under "Interest income" and "Interest expense" respectively, in Consolidated Statements of Income to achieve constant return rate over the lease term.

Policy applicable prior to January 1, 2019

Prior to effective date of IFRS 16, the Bank applied IAS 17 Leases.

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.

The Bank recognised as lending to third parties under "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position, the sum of the present value of the lease payments receivable from the lessee, including the exercise price of the lessee's purchase option at the end of the lease term, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

When consolidated entities acts as lessees, the leased assets are classified based on their nature in the Consolidated Statements of Financial Position, and recognising an asset and liability at the same amount (the lower between the fair value of the leased property and the present value of the minimum lease payments, plus purchase option). These assets are depreciated in accordance with property, plant and equipment for own use criterion.

In both cases, the finance income and expenses arising from these contracts are recorded under "Interest income" and "Interest expense" respectively, in Consolidated Statements of Income to achieve constant return rate over the lease term.

ii. Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.
When the consolidated entities act as a lessor, the leased assets are classified at their acquisition cost under "Property, plant and equipment". The depreciation criterion for these assets is consistent with that for similar items of property, plant and equipment held for own use and revenues from operating leases are recorded on a straight-line basis under "Other operating income" in the Consolidated Statements of Income.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to "Administrative expenses" in the Consolidated Statements 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 the sale except in the case of excess of proceeds over fair value, which is amortised over the period of use of the asset. In the case of finance leasebacks, the profit or loss generated is amortised over the lease term.

m) 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 and adjustments in the Consolidated Statement of Income using the effective interest method over the financing period.

When the assignment of these instruments involves no liability on the part of the assignee, the Bank assumes the risks of insolvency of the parties responsible for payment.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) Intangible assets

Intangible assets are identified as non-monetary assets (separately identifiable from other assets) without physical substance which arise as a result of legal or contractual rights. The Bank recognizes an intangible asset, whether purchased or self-created (at cost), when the cost of the asset can be measured reliably, and it is probable that the future economic benefits that are attributable to the asset will flow to the Bank.

Intangible assets are recorded initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Internally developed computer software is recorded as an intangible asset if, among other requirements (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated.

Intangible assets are amortized on a straight-line basis using the estimated useful life, which has been defined by default in 36 months, and can be modified to the extent that it is demonstrated that the Bank will benefit from the use of the intangible for a different period mentioned above.

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

o) Cash and cash equivalents

The indirect method is used to prepare the consolidated cash flow statement, starting with the Bank's consolidated pre-tax income and incorporating non-cash transactions, as well as income and expenses associated with cash flows, which are classified as investing or financing activities.

The cash flow statement was prepared considering the following definitions:

i. Cash flows: Inflows and outflows of cash and cash equivalents, such as deposits with the Central Bank of Chile, deposits in domestic banks, and deposits in foreign banks.

ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.

iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

iv. Financing Activities: Activities that result in changes in the size and composition of equity and liabilities that are not operating or investing activities.

p) Allowances for loan losses

The Bank continuously evaluates the entire loan portfolio and contingent loans, as it is established by the FMC, 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 Financial Market Commission (FMC) 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 FMC, 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 No. 3.573 (modified by Circular No. 3.584) and commercial circular No. 3.638 and 3.647, and internal models for consumer loans.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continue

I. Allowances for individual assessment

An individual assessment of commercial debtors is necessary according to the FMC, 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.

Normal and Substandard Compliance Portfolio

As part of individual assessment, the Bank classifies debtors into the following categories, assigning them a probability of non-performance (PNP) and severity (SEV), which result in the expected loss percentages.

Portfolio	Debtor's Category	Probability of Non-Performance (%)	Severity (%)	Expected Loss (%)
Normal portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

The Bank first determines all credit exposures, which includes the accounting balances of loans and accounts receivable from customers plus contingent loans, less any amount recovered through executing the financial guarantees or collateral covering the operations. The percentages of expected loss are applied to this exposure. In the case of collateral, the Bank must demonstrate that the value assigned reasonably reflects the value obtainable on disposal of the assets or equity instruments. When the credit risk of the debtor is substituted for the credit quality of the collateral or guarantor, this methodology is applicable only when the guarantor or surety is an entity qualified in a assimilable investment grade by a local or international company rating agency recognized by the FMC. Guaranteed securities cannot be deducted from the exposure amount, only financial guarantees and collateral can be considered.

Notwithstanding the foregoing, the Bank must maintain a minimum provision of 0.5% over loans and contingent loans in the normal portfolio.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

The allowance rates applied over the calculated exposure are as follows:

Classification	Expected 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 CNC of the FMC. 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; Asignaciones para evaluaciones grupales
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 FMC, 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).

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 FMC 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.

Standard method of residential mortgage loan provisions

As of January 1, 2016 and in accordance with Circular No. 3.573 issued by the FMC, 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 FMC 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. 9 of Chapter B-1 from the FMC Compendium of Accounting Standards, these provisions will be recorded in liabilities, similar to provisions for contingent loans.

The bank has set up additional provisions at the end of the third quarter of 2018 for an amount of MCh $ 20,000, associated with the Bank's consumer portfolio, which have been approved by the bank's board of directors (Note 31).

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 Consolidated Statements of Financial Position of the respective loan, including any not yet due future payments in the case of installment loans or leasing transactions (for which partial charge-offs do not exist).

Charge-offs are always recorded as a charge to loan risk allowances according to Chapter B-2 of the Compendium of Accounting Regulations, no matter the reason for the charge-off. Any payment received related to a loan previously charged-off will be recognized as recovery of loan previously charged-off at the Consolidated Statement of Income.

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 Consolidated Statement of Income.

Any renegotiation of a loan previously charged-off will not give rise to income, as long as the operation continues being considered as impaired. The cash payments received must be treated as recoveries of charged-off loans.

The renegotiated loan can only be included again in assets if it is no longer considered as impaired, also recognizing the capitalization income as recovery of charged-off loans.

q) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Consolidated Statements of Financial Position when the Bank:

i. has a present obligation (legal or constructive) as a result of past events, and
ii. it is probable that an outflow of resources will be required to settle these obligations and the amount of these resources can be reliably measured.

Contingent assets or contingent liabilities are any potential rights or obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence if one or more uncertain future events that are not wholly within control of the Bank.

The Consolidated Financial Statements reflect all significant provisions for which it is estimated that the probability of having to meet the obligation is more than likely than not. Provisions are quantified using the best available information regarding the consequences of the event giving rise to them and are reviewed and adjusted at the end of accounting period. Provisions are used when the liabilities for which they were originally recognized are settled. Partial or total reversals are recognized when such liabilities cease to exist or are reduced.

Provisions are classified according to the obligation covered as follows:

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

r) Income taxes and deferred taxes

The Bank records, when appropriate, deferred tax assets and liabilities for the estimated future tax effects attributable to differences between the carrying amount of assets and liabilities and their tax bases. The measurement of deferred tax assets and liabilities is based on the tax rate, in accordance with the applicable tax laws, using the tax rate that applies to the period when the deferred asset and liability will be recovered or settled. The future effects of changes in tax legislation or tax rates are recorded in deferred taxes from the date on which the law is enacted or substantially enacted.

s) Use of estimates

The preparation of the financial statements requires the Bank's management to make estimates and assumptions that affect the application of the accounting policies and the reported values of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Consolidated Statement of Income.

Loans are charged-off when the contractual rights for the cash flows expire, however, for loans and accounts receivable from customers the bank will charge-off in accordance with Title II of Chapter B-2 of the Compendium of Accounting Standards issued by the FMC. 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 9, 10, and 31)
- Impairment losses of certain assets (Notes 8, 9, 10, 11, and 34)
- The useful lives of tangible and intangible assets (Notes 13, 14 and 34)
- The fair value of assets and liabilities (Notes 6, 7, 8, 11 and 38)
- Commitments and contingencies (Note 23)
- Current and deferred taxes (Note 15)

t) Non-current assets held for sale

The Bank classified its investment held on Redbanc, Transbank and Nexus, previously classifed as associated, as assets held for sale in Other Assets, in accordance with IFRS 5 "Non-current Assets held for sale and discontinued operations", since its carrying amount will be recovered principally through a sale transaction rather through continuing use.

To apply the mentioned treatment, the Bank has ensured to comply with related requirement established in IFRS 5, which include:

· the assets are available for immediate sale in its present conditions and its sale must be highly probable.

· for the sale to be highly probable, the appropriate level of management is committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan.

· In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Bank has measured their investment on the mentioned associated investment at their carrying amount since it represents the lower between carrying amount and fair value less cost to sell. Additionally, the Bank will recognise an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell, to the extent that it has not been recognized.

As of December 31, 2019, the Bank still maintains its investment on Transbank and Redbanc (classified as held for sale), while a main portion of Nexus was sold on October 2019, and we expect to complete the sale on January 2020 (Note 40).

Assets received or awarded in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognised at their fair value (as determined by an independent appraisal). 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. The excess of the outstanding loan balance over the fair value is charged to net income for the period, under "Provision for loan losses". Any excess of the fair value over the outstanding loan balance, less costs to sell of the collateral, is returned to the client. These assets are subsequently adjusted to their net realizable value less cost to sale (assuming a forced sale). The difference between the carrying value of the asset and the estimated fair value less costs to sell is charged to net income for the period, under "Other operating expenses". The result obtained in the sale of the asset is subsequently recorded under "Other operating income".

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Independent appraisals are obtained at least every 18 months and fair values are adjusted accordingly. No adjustments have been made between appraisals with respect to the period covered by these financial statements considering the stability of the real estate market in Chile during past years and expected stability of the real estate market in the coming years.

At least once a year, the Bank performs the necessary analysis to update the "cost to sale" of assets received or awarded in lieu of payments. According to the Bank's survey, as of December 31, 2019 the average cost to sale was estimated at 3.1% of the appraisal value (2.2% as of December 31, 2018).

u) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the reported period.

Diluted earnings per share are calculated in a similar manner to basic earnings, but the weighted average number of outstanding shares is adjusted to take into consideration the potential diluting effect of stock options, warrants, and convertible debt.

As of December 31, 2019 and 2018, the Bank did not have any instruments that generated dilution.

v) Temporary acquisition (assignment) of assets and liabilities

Purchases or sales of financial assets under non-optional repurchase agreements at a fixed price (repos) are recorded in the Consolidated Statements of Financial Position as an financial assignment based on the nature of the debtor (creditor) under "Deposits in the Central Bank of Chile," "Deposits in financial institutions" or "Loans and accounts receivable from customers" ("Central Bank of Chile deposits," "Deposits from financial institutions" or "Customer deposits").

Differences between the purchase and sale prices are recorded as financial interest over the term of the contract.

w) Assets under management and investment funds managed by the Bank

Assets owned by third parties and managed by certain companies that are within the Bank's scope of consolidation (Santander S.A. Sociedad Securitizadora), are not included in the Consolidated Statement of Financial Position. Management fees are included in "Fee and commission income" in the Consolidated Statement of Income.

x) Provision for mandatory dividends

As of December 31, 2019 and 2018, the Bank recorded a provision for minimum mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, which requires at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded as a deduction from "Retained earnings" – "Provision for mandatory dividends" in the Consolidated Statement of Changes in Equity with offset to Provisions.

y) Employee benefits

i. Post-employment benefits – Defined Benefit Plan:

According to current collective labor agreements and other agreements, the Bank has an additional benefit available to its principal executives, consisting of a pension plan, whose purpose is to endow them with funds for a better supplementary pension upon their retirement.

<u>Features of the Plan:</u>

The main features of the Post-Employment Benefits Plan promoted by the Banco Santander Chile are:

I. Aimed at the Bank's management.
II. The general requirement is that the beneficiary must still be employed by the Bank when reaching 60 years old.
III. The Bank will mixed collective life and savings insurance policy for each beneficiary in the plan. Regular voluntary installments will be paid into this fund by the beneficiary and matched by the Bank.
IV. The Bank will be responsible for granting the benefits directly.

The projected unit credit method is used to calculate the present value of the defined benefit obligation and the current service cost.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Consolidated 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 Consolidated Statement of Financial Position, represents the deficit or surplus in the defined benefit plans of the Bank. Any surplus resulting from the calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions.

When employees leave the plan before meeting the requirements to be eligible for the benefit, contributions made by the Bank are reduced.

ii. Severance provision:

Severance provision for years of employment are recorded only when they actually occur or upon the availability of a formal and detailed plan in which the fundamental modifications to be made are identified, provided that such plan has already started to be implemented or its principal features have been publicly announced, or objective facts about its execution are known.

iii. Cash-settled share based compensation

The Bank allocates cash-settled share based compensation to executives of the Bank and its Subsidiaries in accordance with IFRS 2. The Bank measures the services received and the obligation incurred at fair value.

Until the obligation is settled, the Bank calculates the fair value at the end of each reporting period, as well as at the date of settlement, recognizing any change in fair value in the income statement for the period.

z) New accounting pronouncements

i. Adoption of new accounting standards and nstructions issued by both the current Commission for the Financial Market (CMF) and the International Accounting Standards Board:

At the date of issuance of these Consolidated Interim Financial Statements, the new accounting pronouncements issued by both the current CMF (ex SBIF) and the International Accounting Standards Board, which have been fully adopted by the Bank, are detailed below.

1. Accounting Standards issued by the current Financial Market Commission (CMF), exSuperintendency of Banks and Financial Institutions

Circular N ° 3,638 - Establishes standard method of provisions for commercial loans of the group portfolio - On July 6, 2018 the CMF (ex SBIF) issued this circular that establishes the standard methods that must be used by banking entities to estimate provisions for risk of credit of the commercial portfolio of group analysis, which will be incorporated into Chapter B-1 of the Compendium of Accounting Standards.

• Method for the Commercial Leasing portfolio: it considers the delinquency, the type of asset in leasing (real estate or non-real estate) and the current value over value of the asset (PVB) of the operation.
• Method for the Student portfolio: it considers the type of loan granted (whether it is CAE or not), the enforceability of the payment and the delinquency that it presents, in case the loan is required.
• Method for the Commercial Generic portfolio: considers delinquency and the existence of real guarantees that guarantee the placement. In the case of mediating guarantees, the relationship between the placement and the value of the collateral that covers it is considered.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Circular N ° 3.647 - Standard method of provisions for commercial loans of the group portfolio. Complements instructions on factoring operations, Chapter B-1 of the Compendium of Accounting Standards - On January 31, 2019 the CMF (ex SBIF) issued this circular with the purpose of recognizing the mitigating effect of the credit risk represented by the assignor's responsibility in the operations of factoring, for this it has been considered necessary to introduce a particular factor in the component "Loss Given Default" (PDI) of the standard method for the commercial portfolio of group analysis, which must be considered for the calculation of provisions of said operations, as provided in Chapter B-1 of the Compendium of Accounting Standards.

The Bank Administration implemented the modifications to the commercial group models since July 1, 2019, while the accounting effects of first application should be considered as a change in an accounting estimate according to IAS 8 , and therefore, register in results. The impact of implementing this standard resulted in an increase of approximately 4% of the total of provisions for credit risk.

Circular No. 3,645 - Leases according to IFRS 16. Modifies and complements Compendium of Accounting Standards. Chapters A 2, B-1, C-1 and C-3- On January 11, 2019, the CMF (ex SBIF) issued this circular in order to clarify how banks should apply the criteria defined in the International Financial Reporting Standard No. 16 (IFRS 16). Detailing the changes in the statement of financial position and statement of income and notes.
These modifications are applicable as of January 2019. The Administration made the necessary adjustments to comply with this requirement in a timely manner, see Note 02.

Circular No. 3,649 - Leases according to IFRS 16. Complements instructions. Chapters C-3 - On May 6, 2019, the CMF (ex SBIF) issued this circular to establish the treatment of the lease agreements expressed in the Development Unit and the consequences of the adjustment experienced by the liability, within the framework of the criteria established by IFRS 16, establishing that the variation in the UF should be treated as a new measurement, and therefore the readjustments that result in changes in lease payments should be recognized as a modification of the amount of the obligation and in parallel, the amount of the asset for the right to use leased assets for this purpose.
These modifications are applicable as of May 2019. The Administration made the necessary adjustments to comply with this requirement in a timely manner.

Circular No. 3,651 - Modifications introduced to the General Banking Law by Law No. 21,130, which Modernizes the Banking Legislation; and date on which the Financial Market will assume the powers of the Superintendence of Banks and Financial Institutions, the latter being abolished - On May 29, 2019 the CMF (ex SBIF) issued this circular stating that as of June 1, 2019, the Financial Market Commission (CMF) will assume the role of theformer SBIF.
Additionally, it communicates some more immediate operational scopes as a result of the aforementioned legal modification, particularly regarding its practical aspects for the institutions that are currently related to the CMF.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Accounting Standards issued by the International Accounting Standards Board

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. The Administration carried out an implementation process during the year 2018, which culminated successfully with the application as of January 1, 2019, using the modified retrospective method, this means that At the date of initial application, the right-of-use asset is equal to the financial liability, and in addition it has been chosen not to restate the balances of the previous year, for more information see related accounting policies and Note 02 of accounting changes.

FRIC 23 Uncertainty about the treatment of income tax - This interpretation issued on June 7, 2017 clarifies the accounting for tax uncertainties, which applies to the determination of taxable income, tax base, tax losses and unused credits, when there is an uncertainty about the treatment according to IAS 12 "Income Tax". This standard covers four points: (a) If an entity considers tax uncertainties individually or together, (b) The assumptions that an entity makes about the tax treatment review established by the tax authority, (c) As an entity determines the taxable profit (or loss), the tax base, tax loss and unused credits and tax rates, and (d) How an entity considers changes in facts and circumstances.

This interpretation is effective for annual periods beginning on or after January 1, 2019. Early application is permitted. Management has assessed that the implementation of this interpretation has not had a material impact on the Bank's consolidated financial statements.

Amendment to IAS 28 Long-Term Participations in Associates and Joint Ventures - On October 12, 2017 the IASB published this amendment to clarify that an entity would also apply IFRS 9 to a long-term participation in an associate or joint venture to which the participation method does not apply. When applying IFRS 9, the adjustments of the long-term interests that arise from the application of this Standard will not be taken into account.
This amendment is effective prospective in accordance with IAS 8 to annual periods beginning on or after January 1, 2019. Management has assessed that the implementation of this amendment has not had a material impact on the Consolidated Interim Financial Statements. from the bank.

Annual Improvements, cycle 2015-2017 - This amendment published on December 12, 2017 introduces the following improvements:

IFRS 3 Business Combinations / IFRS 11 Joint Agreements: deals with the prior interest in a joint operation, as a business combination in stages.
IAS 12 Income Tax: deals with the consequences in income tax of payments of financial instruments classified as equity.
IAS 23 Loan costs: deals with the eligible costs for capitalization.
This amendment is effective for annual periods beginning on or after January 1, 2019. Management has assessed that the implementation of these amendments has not had a material impact on the Bank's consolidated financial statements.

Amendment IAS 19 - Modification, reduction or liquidation of pension plans - This amendment issued on February 7, 2018 introduces the following modifications:
1. If a modification, reduction or liquidation of a plan occurs, it is now mandatory that the current service cost and the net interest for the period subsequent to the new measurement be determined using the assumptions used for the new measurement.
2. In addition, amendments have been included to clarify the effect of a modification, reduction or liquidation of a plan on the requirements with respect to the asset's ceiling.
An entity applies these amendments on or after January 1, 2019. Early application is allowed, but must be disclosed. Management has assessed that the implementation of these amendments has not had a material impact on the Bank's consolidated financial statements.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

II. New accounting standards and instructions issued by both the Financial Market Commission (CMF) and by the International Accounting Standards Board that have not come into effect as of December 31, 2018

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 December 31, 2018. 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 Financial Market Commission (CMF)

Circular No. 2,243 - Compendium of Accounting Standards for Banks. On December 20, 2019, the CMF issued the updated version of the compendium of accounting standards for banks (CNCB) that mainly incorporates the new modifications introduced by International Accounting Standards to international financial reporting standards (IFRS) in recent years, particularly IFRS 9, 15 and 16, also establishes new limitations or clarifications due to the need to follow more prudential criteria (ie chapter 5 of impairment of IFRS 9) detailed in Chapter A-2 The amendments seek greater convergence with IFRS, improvement in the disclosure of financial information and contribute to the transparency of the banking system.

The new CNCB is applicable as of January 1, 2021, with 2020 as the transition year, for purposes of comparative financial statements to March 2021. The Bank has currently evaluated the effects of said regulations and is in the process of implementing the necessary changes derived from the new CNCB.

2. Accounting Standards issued by the International Accounting Standards Board

IFRS 9, Financial Instruments - On November 12, 2009, the International Accounting Standards 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. Requires that all financial assets are classified in their entirety on the basis of the entity's business model for the management of financial assets and the characteristics of the contractual cash flows of financial assets.

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. Likewise, it has replicated the guidelines on the recognition of financial instruments and the implementation guides related 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 included in IFRS 9 on the classification and measurement of financial assets has not changed from those established in IAS 39. In other words, financial liabilities will continue to be measured either at amortized cost or at fair value with changes in results. The concept of bifurcation of derivatives incorporated in a contract for a financial asset has not changed Financial liabilities held for trading will continue to be measured at fair value with changes in results, and all other financial assets will be measured at amortized cost unless the value option is applied reasonable using the criteria currently in IAS 39.

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

On December 16, 2011, the IASB issued Mandatory Application Date of IFRS 9 and Disclosures of the Transition, 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. Finally, on July 24, 2014, it is established that the date Effective application of this rule will be for annual periods beginning on January 1, 2018.

On November 19, 2013 ASB issued "Amendment to IFRS 9: hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39", which includes a new general hedge accounting model, which is more closely aligned with risk management, providing more useful information to the users of the financial statements. On the other hand, the requirements relating to the fair value option for financial liabilities were changed to address the credit risk itself, this improvement establishes that the effects of changes in the credit risk of a liability should not affect the result of the period a unless the liabilities remain to negotiate; the early adoption of this modification is permitted without the application of the other requirements of IFRS 9. In addition, it conditions the effective date of entry into force upon completion of the IFRS 9 project, allowing its adoption in the same way.

On July 24, 2014, the IASB published the final version of IFRS 9 - Financial Instruments, including the regulations already issued together with a new expected loss model and minor modifications to the classification and measurement requirements for financial assets, adding a new category of financial instruments: assets at fair value with changes in other comprehensive result for certain debt instruments. It also includes an additional guide on how to apply the business model and testing of contractual cash flow characteristics.

On October 12, 2017, "Amendment to IFRS 9: Characteristics of Anticipated Cancellation with Negative Compensation" was published, which clarifies that according to the current requirements of IFRS 9, the conditions established in Test SPPI are not met if the Bank should make a settlement payment when the client decides to terminate the credit. With the introduction of this modification, in relation to termination rights, it is allowed to measure at amortized cost (or FVOCI) in the case of negative compensation.

This regulation was effective as of January 1, 2018. Early application is allowed. *The Administration in accordance with the Superintendency of Banks and Financial Institutions pronouncement, will not apply this standard meantime SBIF does not provide it as a mandatory standard for all Chilean banks.*

Sale or Contributions of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - Issued on September 11, 2014, the IASB has published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:
- requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);
- requires the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

On December 17, 2015 the IASB has published final amendments to "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. *The Administration will be waiting for the new validity to evaluate the potential effects of this modification.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

IFRS 17 Insurance contracts – This standard issued on May 18, 2017 replaces the current IFRS 4. IFRS 17 will mainly change accounting for all entities that issue insurance contracts and investment contracts with discretionary participation characteristics. The standard applies to annual periods beginning on or after January 1, 2021, with early application permitted provided IFRS 15, "Revenue from contracts with customers" and IFRS 9, "Financial instruments" is applied. *This norm does not apply directly to the bank, but, the Bank participates in the insurance business and will make sure that this norm is correctly applied.*

Conceptual framework for financial reporting - Issued on March 29, 2018, the purpose of the Conceptual Framework is to:
(a) assist the International Accounting Standards Board to develop IFRS Standards that are based on consistent concepts;
(b) assist preparers to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy; and
(c) assist all parties to understand and interpret the Standards

The Conceptual Framework is not a Standard and not overrides any Standard or any requirement in a Standard. The revised Conceptual framework introduces the following main improvements:
- Measurement: concepts on measurement, including factors to be considered when selecting a measurement basis.
- Presentation and disclosure: concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income.
- Derecognition: guidance on when assets and liabilities are removed from financial statements.

This framework is effective for periods beginning on or after January 1, 2020. *The The Bank's management is evaluating if this conceptual framework will have material impact on the Bank's consolidated financial statements.*

Amendments to IFRS 3 - Definition of a business - On October 22, 2018, the IASB published this amendment, which clarifies the business definition, with the objective of helping entities determine whether a transaction should be accounted for as a business combination. or as the acquisition of an asset. The modifications:

(a) Clarify that, to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the ability to produce products;
(b) eliminate the evaluation of whether market participants can replace the missing processes or supplies and continue with the production of products;
(c) add guides and illustrative examples to help entities assess whether a substantial process has been acquired;
(d) restrict the definitions of a business or products focusing on goods and services provided to customers and eliminate the reference to the ability to reduce costs; and
(e) they add an optional concentration test that allows a simplified evaluation of whether a set of activities and businesses acquired is not a business.

Entities are required to apply the amendments to transactions whose acquisition date is from the beginning of the first annual reporting period beginning on or after January 1, 2020. Early application is permitted. The Administration does not initially see an effect until a business combination is made.

Modifications to IAS 1 and IAS 8 - Definition of material or materiality - On October 31, 2019, the IASB published these amendments, whose objective is to improve the understanding of the definition of material or with relative importance, coordinating the wording of the definition in the IFRS Standards and the Conceptual Framework to avoid the possibility of confusion arising from different definitions; incorporating support requirements in IAS 1 in the definition to give them more prominence and clarify their applicability; and supplying the existing guides on the definition of material or with relative importance in one place, together with the definition. This amendment primarily affects paragraph 7 of IAS 1, paragraph 5 of IAS 8, and eliminates paragraph 6 of IAS 8, and is applicable prospectively to annual periods beginning on or after January 1, 2020. Permit your anticipate app. The Bank's Administration is evaluating the potential impact of this modification.

Modifications to IFRS 9, IAS 39 and IFRS 7 – Reference interest rate reform – On September 26, 2019, IASB published this modification that requires additional disclosures regarding the uncertainty generated by the reform at a reference interest rate, this publication constitutes the first reaction to the potential effects that the reform would generate to the IBOR in the states financial and modifies the specific accounting requirements of cash flow hedge coverage assuming that the reference interest rate is not modified as a result of its reform. These modifications are effective as of January 1, 2020 with retroactive effect, and early application allowed. The Bank Administration is evaluating the potential impact of this modification.

NOTE 02
ACCOUNTING CHANGES

1. IFRS 16 implementation
On January 1, 2019, IFRS 16 Leases has become effective; this standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, thus a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank has elected to adopt IFRS 16 using a modified retrospective approach at the date of initial application, therefore, it has recognise a right-of-use asset for an amount equal to the lease liability, which amounted MCh$154,284.

Below is the detail of impacts and reclassifications as of January 1, 2019:

	Balance as of December 31, 2018	Additions	Reclassifications (*)	Balance as of January 01, 2019
	MCh$	MCh$	MCh$	MCh$
Assets for the right to use leased assets	-	154,284	54,513	208,797
Fixed Assets	253,586	-	(54,513)	199,073
Subtotals Assets	**253,586**	**154,284**	**-**	**407,870**
Obligations for lease contract	-	154,284	-	154,284
Subtotals Liabilities	**-**	**154,284**	**-**	**154,284**

(*) Corresponds to improvements in leased properties which have been reclassified to assets for the right to use leased assets as a result of the adoption of IFRS 16 "Leases" and in accordance with Circular N° 3,645 of January 11, 2019 issued by the current CMF (ex SBIF).

For more details, see Note 14.

NOTE 03
SIGNIFICANT EVENTS

I.- As of December 31, 2019, the following significant events have occurred and affected the Bank's operations and Consolidated Financial Statements.

a) The Board

During the ordinary session of the Board of Directors of Banco Santander-Chile, held on February 28, 2019, it was agreed to propose to the Ordinary Shareholders' Meeting on April 23, 2019, a dividend of $ 1.88457837 per share, corresponding 60% of the profits for the 2018 fiscal year. Likewise, the board will propose that the remaining 40% of the profits be used to increase the Bank's reserves.

During the ordinary session of the Board of Directors of Banco Santander-Chile, held on March 26, 2019, the following matters were agreed:

- Due to the resignation of the Director Mr. Andreu Plaza López, the Board of Directors of the Bank has appointed Mr. Rodrigo Echenique Gordillo to replace him as Director.

- It was agreed to subscribe an agreement with SKBergé S.A., whereby the Bank would acquire the ownership held by SKBergé Financiamiento S.A. in Santander Consumer Chile S.A., representing 49% of the capital stock of Santander Consumer Chile S.A., for a total of $59,063,470,000.

During the ordinary session of the Board of Directors of Banco Santander-Chile, held on July 30, 2019, it was agreed to call an Extraordinary Shareholders Meeting for August 27, 2019, in order to submit for the shareholder's consideration the acquisition of 51% of the shares issued by Santander Consumer Chile S.A.

On August 13, 2019, the favorable opinions of the members of the Board of Directors of Banco Santander-Chile were communicated to the market, regarding the 51% acquisition of the shares of Santander Consumer Chile S.A.

At the Extraordinary Shareholders Meeting of Banco Santander-Chile held on August 27, 2019, it was agreed to approve the operation to acquire 51% of the shares issued by Santander Consumer Chile S.A. The transactions were approved by the Financial Market Commission (FMC) on November 15, 2019, and executed on November 21, 2019.

b) New subsidiaries and corporate modifications

On October 19, 2019, Klare Corredora de Seguros S.A. was created as a digital insurance broker. With prior FMC (former SBIF) authorization by resolution No. 6780 of September 26, 2019, Banco Santander-Chile subscribed to 50.10% of the subsidiary.

On November 27, 2019, the Bank acquired 51% of Santander Consumer S.A., an automobile financing non-banking company, which became a subsidiary of the Bank and a supporting banking business company from SK Berge (49%) and Banco Santander S.A. (2%) for a total amount MCh$62,136. The purchase generated a negative equity effect of MCh$37,041, since it was considered a transaction between entities under common control, the Bank used "predecessor accounting method".

On December 18, 2019, Santander Agencia de Valores Limitada modified its corporate name and business objective, becoming Santander Asesorias Financieras Limitada and having the following object: i) search for alternative sources of financing; ii) restructuring of its liabilities; iii) negotiations to acquire, sell or merge companies; iv) issuance and placement of bonds; v) placement of funds in the capital market; vi) credit or market risk analysis; vii) evaluation of new businesses; viii) knowledge of banking matters; ix) any other activity directly linked to financial advice.

NOTE 03
SIGNIFICANT EVENTS, continued

c) Issuance of bonds – As of December 31, 2019

c.1) Senior bonds year 2019

During the year ended December 31, 2019 the Bank has issued senior bonds in the amount of AUD 185,000,000, EUR 65,000,000 and CHF 250,000,000, debt issuance information is included in Note 19.

Serie	Currency	Term	Term Original (anual)	Issuance date	Issuance amount	Maturity date
EUR	EUR	7 years	1,09	01-02-2019	40,000,000	07-02-2026
EUR	EUR	15 years	1,25%	26-11-2019	25,000,000	01-03-2022
Total	**EUR**				**65,000,000**	
AUD	AUD	15 years	3,66	13-05-2019	22,000,000	20-05-2034
AUD	AUD	5 years	1,13	11-07-2019	20,000,000	11-07-2024
AUD	AUD	5 years	1,13	17-07-2019	28,000,000	17-07-2024
AUD	AUD	5 years	1,13	17-07-2019	15,000,000	17-07-2024
AUD	AUD	20 years	3,05	30-08-2019	75,000,000	28-02-2039
AUD	AUD	15 years	3,16%	12-11-2019	12,000,000	20-11-2034
AUD	AUD	15 years	2,91%	21-11-2019	13,000,000	27-11-2034
Total	**AUD**				**185,000,000**	
CHF	CHF	5 years	0,38	12-03-2019	150,000,000	27-09-2024
CHF	CHF	10 years	0,14	29-08-2019	100,000,000	29-08-2029
Total	**CHF**				**250,000,000**	

c.2) Subordinated bonds year 2019

As of December 2019, the Bank did not issue subordinated bonds.

c.3) Mortgage bonds year 2019

As of December 2019, the Bank did not issue mortgage bonds.

c.4) Repurchased bonds year 2019

In the nine months ended December 31, 2018 the Bank has repurchased the following bonds:

Date	Type	Currency	Amount
12-02-2019	Senior	CLP	10,000,000,000
14-02-2019	Senior	CLP	30,000,000,000
19-02-2019	Senior	CLP	4,200,000,000
22-02-2019	Senior	CLP	14,240,000,000
22-02-2019	Senior	CLP	30,000,000
22-02-2019	Senior	CLP	10,000,000
01-03-2019	Senior	CLP	11,800,000,000
04-03-2019	Senior	CLP	40,080,000,000
05-03-2019	Senior	CLP	20,000,000,000
15-03-2019	Senior	UF	156,000
19-03-2019	Senior	UF	418,000
20-03-2019	Senior	CLP	6,710,000,000
20-03-2019	Senior	UF	154,000
21-03-2019	Senior	UF	100,000
25-03-2019	Senior	UF	100,000
26-03-2019	Senior	UF	90,000
08-04-2019	Senior	CLP	3,950,000,000
10-04-2019	Senior	UF	409,000
16-04-2019	Senior	UF	55,000
17-04-2019	Senior	CLP	130,000,000
18-04-2019	Senior	CLP	330,000,000
16-05-2019	Senior	CLP	14,880,000,000
16-05-2019	Senior	UF	9,000
13-06-2019	Senior	UF	1,000
01-10-2019	Senior	CLP	10,960,000,000
02-10-2019	Senior	CLP	100,000,000
04-10-2019	Senior	CLP	60,000,000
05-11-2019	Senior	CLP	15,220,000,000
07-11-2019	Senior	CLP	3,620,000,000
13-11-2019	Senior	CLP	5,320,000,000
14-11-2019	Senior	UF	2,977,000
28-11-2019	Senior	UF	340,000
02-12-2019	Senior	UF	105,000

NOTE 03
SIGNIFICANT EVENTS, continued

d) Others

Normative

On January 12, 2019, was published in the "Diario Oficial" Law 21,130 that modernizes Banking Legislation. This law introduces modifications, among other regulatory bodies, to the General Bank Law (LGB), to Law 21,000 creating the Financial Market Commission ("FMC" which replaces former SBIF), to the Organic Law of the State Bank of Chile and to the Tax Code.

The main changes introduced by this law are the integration of the SBIF within the Financial Market Commission (FMC), new capital requirements in accordance with the international standards established by Basel III, in addition to new limits for credit operations.

The new law adopts the highest international standards in banking regulation and supervision, strengthening international competitiveness and contributing to the financial stability of Chile.

The FMC has issued three standards drafts for comment of a total of 16 that are required for the full fulfillment of the new capital requirements:

- Identification of banks with systemic importance.

- New standardized methodology to determine risk-weighted assets operational risk.

- Methodology for computing regulatory capital.

On December 20, 2019, the FMC issued Circular N°2,243 Compendium of Accounting Standards for banks, which incorporates the modifications introduced by the IASB through new standards such as IFRS 9 Financial Instruments (excluding impairment chapter), IFRS 16 Leases, IFRS15 Revenue from Contracts with customers and disclosures required by IFRS 7 Financial Instruments:Disclosures. The modifications pursue greater convergence to IFRS, improving disclosures and contributing to the transparency of the Chilean banking system. The new compendium (CNCB) is applicable from January 1, 2021, and for the purposes of comparative financial statement as of March 2021, 2020 will be a transition year.

Sale of associates

The Bank completed the sale of a significant part of its participation in Sociedad Nexus S.A., which reached 12.9% investment that was registered as an asset held for sale (Note No. 40).

Social unrest

During October 2019, growing public concern over perceived social inequality led to a rise in social unrest. As a results, certain Bank's branches suffered different level of damages. As of December 31, 2019, the Bank recorded an impairment for an amount of MCh$2,726 (Note 34), and expenses for MCh$1,823 as other operational expenses (Note 35) . Most of this damage was insured.

NOTE 04
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 a re 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.

In order to achieve compliance with the strategic objectives established by senior management and adapt to changing market conditions, from time to time, the Bank makes adjustments in its organization, modifications that in turn impact to a greater or lesser extent, in the way in which it is managed or managed. Thus, the present disclosure provides information on how the Bank is managed as of December 31, 2019. Regarding the information corresponding to the year 2018, it has been prepared with the current criteria at the closing of these financial statements in order to achieve the duecomparability of the figures.

The Bank has the reportable segments noted below:

Retail Banking

Consists of individuals and small to middle-sized entities (PYMEs) 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 PYMEs 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.

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.

NOTE 04
REPORTING SEGMENTS, continued

Below are the tables showing the Bank's results by business segment, for the periods ending as of December 31, 2019 and 2018:

	December 31, 2019						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions net (2)	Provision for loan losses	Support expenses (3)	Segment`s net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Retail Banking	**22,918,568**	**960,248**	**230,627**	**30,097**	**(374,642)**	**(575,511)**	**270,819**
Middle-market	**8,093,496**	**298,587**	**38,712**	**17,178**	**(42,812)**	**(97,054)**	**214,611**
Commercial Banking	31,012,064	1,258,835	269,339	47,275	(417,454)	(672,565)	485,430
Global Corporate Banking	**1,671,662**	**98,154**	**29,103**	**94,761**	**(758)**	**(65,343)**	**155,917**
Corporate Activities ("others")	**48,009**	**59,862**	**(11,356)**	**64,983**	**(2,235)**	**(11,953)**	**99,301**
Total	**32,731,735**	**1,416,851**	**287,086**	**207,019**	**(420,447)**	**(749,861)**	**740,648**
Other operating income							24,598
Other operating expenses							(63,747)
Income from investments in associates and other companies							1,146
Income tax expense							(150,168)
Result of continuing operations							**552,477**
Result of discontinued operations							1,699
Net income for the year							**554,176**

(1) Loans receivable from customers plus the balance indebted by banks, without deducting their allowances for loan losses.
(2) The sum of net income (expense) from financial operations and foreign exchange gains or losses.
(3) The sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

NOTE 04
REPORTING SEGMENTS, continued

	December 31, 2018						
	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	**20,786,637**	**949,764**	**220,532**	**19,694**	**(275,351)**	**(553,157)**	**361,482**
Middle-market	**7,690,380**	**272,912**	**36,746**	**16,848**	**(26,314)**	**(92,377)**	**207,815**
Commercial Banking	28,477,017	1,222,676	257,278	36,542	(301,665)	(645,534)	569,297
Global Corporate Banking	**1,681,697**	**96,722**	**35,064**	**57,340**	**2,339**	**(64,913)**	**126,552**
Corporate Activities (“others”)	**123,309**	**94,970**	**(1,457)**	**11,200**	**(25,759)**	**(11,486)**	**67,468**
Total	**30,282,023**	**1,414,368**	**290,885**	**105,082**	**(325,085)**	**(721,933)**	**763,317**
Other operating income							39,526
Other operating expenses							(45,779)
Income from investments in associates and other companies							1,325
Income tax expense							(165,897)
Result of continuing operations							**592,492**
Result of discontinued operations							3,770
Net income for the period							**596,262**

(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 05
CASH AND CASH EQUIVALENTS

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

	As of December 31,	
	2019	2018
	MCh$	MCh$
Cash and deposit in banks		
Cash	861,178	824,863
Deposit in the Central Bank of Chile	1,731,079	953,016
Deposit in domestic banks	948	664
Deposit in foreign banks	961,315	286,898
Subtotal	**3,554,520**	**2,065,441**
Cash in process of collection, net	156,814	190,714
Cash and cash equivalents	**3,711,334**	**2,256,155**

The balance of funds held in cash and deposits in 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 December 31,	
	2019	2018
	MCh$	MCh$
Assets		
Documents held by other banks (document to be cleared)	217,394	210,546
Funds receivable	137,668	143,211
Subtotal	**355.062**	**353,757**
Liabilities		
Funds payable	198,248	163,043
ּubtotal	**198,248**	**163,043**
Cash in process of collection, net	**156,814**	**190,714**

NOTE 06
TRADING INVESTMENTS

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

	As of December 31,	
	2019	2018
	MCh$	MCh$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	1,952	22,947
Chilean Central Bank Notes	-	-
Other Chilean Central Bank and Government securities	268,252	48,211
Subtotal	**270,204**	**71,158**
Other Chilean securities		
Time deposits in Chilean financial institutions	-	-
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institutions bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	-	-
Subtotal	**-** -	**-**
		-
Foreign financial securities		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	-	5,883
Subtotal	**-** -	**5,883**
Investments in mutual funds		
Funds managed by related entities	-	
Funds managed by third parties	-	-
Subtotal	**-**	
Total	**270,204**	**77,041**

As of December 31, 2019 and 2018, there were no trading investments sold under contracts to resell to clients and financial institutions.

NOTE 07
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS

a) Rights arising from agreements

The Bank purchases financial instruments agreeing to resell them at a future date, As December 31, 2019 and 2018, rights associated with instruments acquired under contracts to resell are as follows.

	As December 31,							
	2019				2018			
	From 1 day and less tan 3 month MCh$	More tan 3 months and less than 1 year MCh$	More than 1year MCh$	Total MCh$	From 1 day and less than3 month MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$
Securities from the Chilean Govemment and the Chilean Central Bank:								
Chilean Central Bank Bonds	-	-	-	-	48,307	-	-	48,307
Chilean Central Bank Notes	-	-	-	-	-	-	-	-
Other securities from the Govemment and the Chilean Central Bank	379,891	33	-	379,924	110	-	-	110
Subtotal	**379,891**	**33**	-	**379,924**	**48,417**	-	-	**48,417**
Instruments from other domestic institutions:								
Timedeposits in Chilean fiancial institutions	127	4	-	131	128	-	-	128
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**127**	**4**	-	**131**	**128**	-	-	**128**
Foreign financial securities:								
Foreign govemment or central bank securities	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by other	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Total	**380,018**	**37**	-	**380,055**	**48,545**	-	-	**48,545**

NOTE N°07
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATION UNDER REPURCHASE AGREEMENTS, continued

b) Obligations arising from repurchase agreements

The bank raisesfunds by selling financial intruments and committing its elf to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2019 and 2018,obligation related to intrumend sold under repurchase agreements are as follow:

	As of December 31,							
	2019				2018			
	From 1 day and less tan 3 month MCh$	More tan 3 months and less than 1 year MCh$	More than 1year MCh$	Total MCh$	From 1 day and less than3 month MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$
Securities from the Chilean Govemment and the Chilean Central Bank:								
Chilean Central Bank Bonds	-	-	-	-	48,307	-	-	48,307
Chilean Central Bank Notes	-	-	-	-	-	-	-	-
Other securities from the Govemment and the Chilean Central Bank	379,891	33		379,924	110	-	-	110
Subtotal	**379,891**	**33**	**-**	**379,92**	**48,417**	**-**	**-**	**48,417**
Instruments from other domestic institutions:								
Timedeposits in Chilean fiancial institutions	127	4	-	131	128	-	-	128
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**127**	**4**		**131**	**128**	**-**	**-**	**128**
Foreign financial securities:								
Foreign govemment or central bank securities	-	-	-	-	-	-	-	-
Other foreign Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments in mutual funds:	-	-	-	-	-	-	-	-
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by other	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**380,018**	**37**	**-**	**380,055**	**48,545**	**-**	**-**	**48,545**

NOTE N°07
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATION UNDER REPURCHASE AGREEMENTS, continued

c) Below is the detail by portfolio of collateral associated with repurchase agreements as of December 31, 2019 and 2018, value at fair value:

	As of December 31,					
	2019			2018		
	Available for sale portfolio MCh$	Trading portfolio MCh$	Total MCh$	Available for sale portfolio MCh$	Trading for sale portfolio MCh$	Total MCh$
Securities from the Chilean Govemment and the Chilean Central Bank:						
Chilean Central Bank Bonds	-	-	-	49,040	-	**49,040**
Chilean Central Bank Notes	-	-	-	-	-	-
Other securities from the Govemment and the Chilean Central Bank	379,924	-	379,924	109	-	109
Subtotal	**379,924**	-	**379,924**	**49,149**	**-**	**49,109**
Other Chilean securites:						
Time deposits in Chilean financial institutions	131	-	131	131	-	**131**
mortgage finance bond of Chilean financial institutions	-	-	-	1	-	**1**
Chilean financial institution bonds	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-
Other Chilean securities				-	-	-
Subtotal	**131**	**-**	**131**	**132**	**-**	**132**
Foreign financial securities:						
Foreign Central Bank and Government securities	-	-	-	-	-	-
Other Foreign financial instruments	-	-	-	-	-	-
Subtotal	**-**	-	**-**	**-**	-	**-**
Investment in mutual funds:						
Fondos administrados por entidades relacionadas	-	-	-	-	-	-
Fondos administrados por terceros	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**
Total	**380,055**	**-**	**380,055**	**49,281**	**-**	**49,281**

NOTE 08
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2019 and 2018, the Bank holds the following portfolio of derivative instruments:

	As of December 31, 2019					
	Notional amount				Fair value	
	Up to 3 Months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	381,638	317,610	1,847,138	2,546,386	39,460	34,264
Cross currency swaps	407,008	863,984	13,357,058	14,628,050	226,870	295,281
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**788,646**	**1,181,594**	**15,204,196**	**17,174,436**	**266,330**	**329,545**
Cash flow hedge derivatives						
Currency forwards	99,105	1,018,656	768,256	1,886,017	4,131	3,505
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	2,266,907	1,938,222	10,848,233	15,053,362	106,413	43,183
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**2,366,012**	**2,956,878**	**11,616,489**	**16,939,379**	**110,544**	**46,688**
Trading derivatives						
Currency forwards	28,472,586	18,508,702	7,679,464	54,660,752	1,023,683	1,137,496
Interest rate swaps	16,678,487	40,892,909	89,109,046	146,680,442	2,465,235	2,270,686
Cross currency swaps	7,726,724	20,457,463	113,206,678	141,390,865	4,277,450	3,605,516
Call currency options	17,971	47,012	81,804	146,787	5,176	240
Call interest rate options	-	-	-	-	-	-
Put currency options	16,409	41,872	80,655	138,936	190	483
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**52,912,177**	**79,947,958**	**210,157,647**	**343,017,782**	**7,771,734**	**7,014,421**
Total	**56,066,835**	**84,086,430**	**236,978,332**	**377,131,597**	**8,148,608**	**7,390,654**

NOTE 08
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2018					
	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	80,000	491,600	1,191,012	**1,762,612**	14,789	9,188
Cross currency swaps	-	1,276,909	6,706,197	**7,983,106**	96,357	36,708
Call currency options	-	-	-	**-**	-	-
Call interest rate options	-	-	-	**-**	-	-
Put currency options	-	-	-	**-**	-	-
Put interest rate options	-	-	-	**-**	-	-
Interest rate futures	-	-	-	**-**	-	-
Other derivatives	-	-	-	**-**	-	-
Subtotal	**80,000**	**1,768,509**	**7,897,209**	**9,745,718**	**111,146**	**45,896**
Cash flow hedge derivatives						
Currency forwards	205,750	168,151	-	**373,901**	-	8,013
Interest rate swaps	-	-	-	**-**	-	-
Cross currency swaps	1,920,900	1,970,412	9,191,209	**13,082,521**	79,859	32,712
Call currency options	-	-	-	**-**	-	-
Call interest rate options	-	-	-	**-**	-	-
Put currency options	-	-	-	**-**	-	-
Put interest rate options	-	-	-	**-**	-	-
Interest rate futures	-	-	-	**-**	-	-
Other derivatives	-	-	-	**-**	-	-
Subtotal	2,126,650	2,138,563	9,191,209	**13,456,422**	79,859	40,725
Trading derivatives						
Currency forwards	15,301,943	13,080,875	6,062,183	**34,445,001**	613,063	466,741
Interest rate swaps	12,024,095	22,064,681	69,453,618	**103,542,394**	723,870	577,835
Cross currency swaps	2,173,111	8,853,306	68,976,339	**80,002,756**	1,568,365	1,385,314
Call currency options	26,731	60,235	57,579	**144,545**	4,332	854
Call interest rate options	-	-	-	**-**	-	-
Put currency options	23,411	50,445	56,392	**130,248**	-	363
Put interest rate options	-	-	-	**-**	-	-
Interest rate futures	-	-	-	**-**	-	-
Other derivatives	-	-	-	**-**	-	-
Subtotal	**29,549,291**	**44,109,542**	**144,606,111**	**218,264,944**	**2,909,630**	**2,431,107**
Total	**31,755,941**	**48,016,614**	**161,694,529**	**241,467,084**	**3,100,635**	**2,517,728**

NOTE 08
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 December 31, 2019 and 2018, classified by term to maturity are as follows:

As of December 31, 2019	Notional Amount				
	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	633,300	1,189,036	1,545,240	3,466,874	**6,834,450**
Available for sale investments					
Yankee bonds	-	-	5,605	394,691	**400,296**
Mortgage financing bonds	-	2,728	-	-	**2,728**
American treasury bonds	-	-	149,474	37,369	**186,843**
Chilean General treasury bonds	-	-	149,474	37,369	**186,843**
Central bank bonds (BCP)	-	254,685	-	-	**254,685**
Time deposits and other demand liabilities					
Time deposits	685,259	281,921	225,515	-	**1,192,695**
Issued debt instruments					
Senior bonds	651,681	1,133,698	2,253,892	3,324,099	**7,363,370**
Subordinated bonds	-	-	-	-	-
Obligations with Banks:					
Interbank loans	-	-	-	-	-
Total	**1,970,240**	**3,751,437**	**4,229,726**	**7,223,033**	**17,174,436**
Hedging instrument					
Cross currency swaps	1,270,992	2,791,437	3,774,647	6,790,974	**14,628,050**
Interest rate swaps	699,248	960,000	455,079	432,059	**2,546,386**
Total	**1,970,240**	**3,751,437**	**4,229,726**	**7,223,033**	**17,174,436**

As of December 31, 2018	Notional Amount				
	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	653,872	1,272,382	276,590	603,818	**2,806,662**
Available for sale investments					
Yankee bond	-	-	-	172,072	**172,072**
Mortgage finance bonds	-	-	3,779	-	**3,779**
American treasury bonds	-	-	-	174,440	**174,440**
Chilean General treasury bonds	-	304,818	-	220,041	**524,859**
Central bank bonds (BCP)	-	449,730	-	-	**449,730**
Time deposits and other demand liabilities					
Time deposits	486,013	-	-	-	**486,013**
Issued debt instruments					
Senior bonds	708,624	1,117,779	1,298,471	2,003,289	**5,128,163**
Subordinated bonds	-	-	-	-	**-**
Obligations with Banks:					
Interbank loans	-	-	-	-	**-**
Total	**1,848,509**	**3,144,709**	**1,578,840**	**3,173,660**	**9,745,718**
Hedging instrument					
Cross currency swaps	1,276,909	2,794,709	1,228,840	2,682,648	**7,983,106**
Interest rate swaps	571,600	350,000	350,000	491,012	**1,762,612**
Total	**1,848,509**	**3,144,709**	**1,578,840**	**3,173,660**	**9,745,718**

NOTE 08
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 December 31, 2019 and 2018, and the period when the cash flows will be generated are as follows:

	As of December 31, 2019				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	3,334,734	1,505,595	1,995,156	3,136,962	**9,972,447**
Commercial loans	-	-	-	-	**-**
Available for sale investments					
Time deposits (ASI)	-	-	-	-	**-**
Yankee bond	-	-	82,727	-	**82,727**
Chilean Central Bank bonds	-	-	267,286	225,981	**493,267**
Time deposits and other time liabilities					
Time deposits	-	-	-	-	**-**
Issued debt instruments					
Senior bonds (variable rate)	358,118	341,283	-	-	**699,401**
Senior bonds (fixed rate)	803,596	1,696,595	1,152,461	1,069,511	**4,722,163**
Interbank borrowings					
Interbank loans	826,442	142,932	-	-	**969,374**
Total	**5,322,890**	**3,686,405**	**3,497,630**	**4,432,454**	**16,939,379**
Hedging instrument					
Cross currency swaps	4,205,129	2,918,149	3,497,630	4,432,454	**15,053,362**
Currency forwards	1,117,761	768,256	-	-	**1,886,017**
Total	**5,322,890**	**3,686,405**	**3,497,630**	**4,432,454**	**16,939,379**

	As of December 31, 2018				
	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	1,890,696	3,026,824	1,459,389	2,467,090	**8,843,999**
Commercial loans	109,585	-	-	-	**109,585**
Available for sale investments					
Time deposits (ASI)	-	-	-	-	**-**
Yankee bond	-	-	246,306	-	**246,306**
Chilean Central Bank bonds	-	-	166,628	-	**166,628**
Time deposits and other time liabilities					
Time deposits	-	-	-	-	**-**
Issued debt instruments					
Senior bonds (variable rate)	-	666,823	-	-	**666,823**
Senior bonds (fixed rate)	500,583	52,790	601,639	503,721	**1,658,733**
Interbank borrowings					
Interbank loans	1,764,348	-	-	-	**1,764,348**
Total	**4,265,212**	**3,746,437**	**2,473,962**	**2,970,811**	**13,456,422**
Hedging instrument					
Cross currency swaps	3,891,311	3,746,437	2,473,962	2,970,811	**13,082,521**
Currency forwards	373,901		-	-	**373,901**
Total	**4,265,212**	**3,746,437**	**2,473,962**	**2,970,811**	**13,456,422**

NOTE 08
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

An estimate of the periods in which flows are expected to be produced is as follows:

b.1) Forecasted cash flows for interest rate risk:

	As of December 31, 2019				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	25,328	10,220	217	-	**35,765**
Outflows	(356,683)	(245,480)	(154,689)	(163,151)	**(920,003)**
Net flows	**(331,355)**	**(235,260)**	**(154,472)**	**(163,151)**	**(884,238)**
Hedging instrument					
Inflows	356,683	245,480	154,689	163,151	**920,003**
Outflows (*)	(25,328)	(10,220)	(217)	-	**(35,765)**
Net flows	**331,355**	**235,260**	**154,472**	**163,151**	**884,238**

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

	As of December 31, 2018				
	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	76,736	35,994	3,062	2,401	**118,193**
Outflows	(125,747)	(46,372)	(13,311)	(4,701)	**(190,131)**
Net flows	**(49,011)**	**(10,378)**	**(10,249)**	**(2,300)**	**(71,938)**
Hedging instrument					
Inflows	(76,736)	(35,994)	(3,062)	(2,401)	**(118,193)**
Outflows (*)	125,747	46,372	13,311	4,701	**190,131**
Net flows	**49,011**	**10,378**	**10,249**	**2,300**	**71,938**

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

NOTE 08
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b.2) Forecasted cash flows for inflation risk:

	As of December 31, 2019				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	74,574	109,486	216,972	422,362	**823,394**
Outflows	(19,466)	(50,151)	(33,140)	(52,880)	**(155,637)**
Net flows	**55,108**	**59,335**	**183,832**	**369,482**	**667,757**
Hedging instrument					
Inflows	19,466	50,151	33,140	52,880	**155,637**
Outflows	(74,574)	(109,486)	(216,972)	(422,362)	**(823,394)**
Net flows	**(55,108)**	**(59,335)**	**(183,832)**	**(369,482)**	**(667,757)**

	As of December 31, 2018				
	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	37,086	73,576	166,516	310,293	**587,471**
Outflows	(14,036)	-	-	-	**(14,036)**
Net flows	**23,050**	**73,576**	**166,516**	**310,293**	**573,435**
Hedging instrument					
Inflows	14,036	-	-	-	**14,036**
Outflows	(37,086)	(73,576)	(166,516)	(310,293)	**(587,471)**
Net flows	**(23,050)**	**(73,576)**	**(166,516)**	**(310,293)**	**(573,435)**

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

As of December 31, 2018 and 2017, the Bank did not have cash flow hedges for exchange rate risk.

NOTE 08
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

c) The accumulated effect of the mark to market adjustment of cash flow hedges produced by hedge instruments used in hedged cash flow was recorded in the Consolidated Statement of Changes in Equity, specifically within the account of valuation accounts, Cash flow hedge, as of December 31, 2019 and 2018, and is as follows:

Hedged item	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Interbank loans	(1,872)	309
Issued debt instruments	(16,345)	(10,893)
Available for sale investments	(2,905)	(1,392)
Loans and accounts receivable from customers	(19,313)	21,779
Net flows	**(40,435)**	**9,803**

Since the inflows and outflows for both the hedged element and the hedging instrument mirror each other, the hedges are nearly 100% effective, which means that the fluctuations of fair value attributable to risk components are almost completely offset, During the year, the bank did not have any cash flow hedges of forecast transactions.

During the period, the bank did not record anticipated future transactions within its portfolio of cash flow accounting hedges.

d) Below is a presentation of income generated by cash flow hedges amount that were reclassified from other comprehensive income to income for the year:

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Bond hedging derivatives	(120)	-
Interbank loans hedging derivatives	(955)	(683)
Cash flow hedge net income	**(1,075)**	**(683)**

Note 24- Equity, letter e).

e) Net investment hedges in Foreign operation:

As of December 31, 2019 and 2018, the Bank does not have any Foreign net investment hedges in its hedge accounting portfolio.

NOTE 09
INTERBANK LOANS

a) As of December 31, 2019 and 2018, balances of "Interbank loans" are as follows:

	As of December 31,	
	2019 MCh$	**2018 MCh$**
Domestic banks		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile - not available	-	-
Non-transferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans	-	-
Overdrafts in checking accounts	-	-
Non-transferable domestic bank loans	-	-
Other domestic bank loans	-	1
Allowances and impairment for domestic bank loans	-	-
Foreign interbank loans		
Interbank loans – Foreign	14,852	15,093
Overdrafts in checking accounts	-	-
Non-transferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Provisions and impairment for foreign bank loans	(19)	(29)
	14,852	
Total	**14,833**	**15,065**

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

	As of December 31,					
	2019			2018		
	Domestic banks MCh$	**Foreign banks MCh$**	**Total MCh$**	**Domestic banks MCh$**	**Foreign banks MCh$**	**Total MCh$**
Balance as of January 1	**-**	**29**	**29**	-	**86**	**86**
Charge-offs	-	-	**-**	-	-	**-**
Provisions established	-	55	**55**	-	45	**45**
Provisions released	-	(65)	**(65)**	-	(102)	**(102)**
Total	**-**	**19**	**19**	**-**	**29**	**29**

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

As of December 31, 2019 and 2018, the composition of the loan portfolio is as follows:

As of December 31, 2019	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	10,469,840	608,266	698,110	**11,776,216**	(154,666)	(229,722)	**(384,388)**	**11,391,828**
Foreign trade loans	1,520,321	152,811	40,501	**1,713,633**	(48,055)	(5,081)	**(53,136)**	**1,660,497**
Checking accounts debtors	169,328	12,956	14,609	**196,893**	(3,686)	(9,464)	**(13,150)**	**183,743**
Factoring transactions	479,240	6,927	3,233	**489,400**	(5,134)	(1,104)	**(6,238)**	**483,162**
Student Loans	62,308	-	8,965	**71,273**	-	(4,858)	**(4,858)**	**66,415**
Leasing transactions	1,210,854	123,645	90,363	**1,424,862**	(18,247)	(9,345)	**(27,592)**	**1,397,270**
Other loans and account receivable	211,470	1,490	29,594	**242,554**	(6,761)	(16,319)	**(23,080)**	**219,474**
Subtotal	**14,123,361**	**906,095**	**885,375**	**15,914,831**	**(236,549)**	**(275,893)**	**(512,442)**	**15,402,389**
Mortgage loans								
Loans with mortgage finance bonds	11,391	-	907	**12,298**	-	(92)	**(92)**	**12,206**
Mortgage mutual loans	96,014	-	4,138	**100,152**	-	(516)	**(516)**	**99,636**
Other mortgage mutual loans	10,626,466	-	524,079	**11,150,545**	-	(67,853)	**(67,853)**	**11,082,692**
Subtotal	**10,733,871**	-	**529,124**	**11,262,995**	-	**(68,461)**	**(68,461)**	**11,194,534**
Consumer loans								
Installment consumer loans	3,653,345	-	257,053	**3,910,398**	-	(260,129)	**(260,129)**	**3,650,269**
Credit card balances	1,357,770	-	19,940	**1,377,710**	-	(41,315)	**(41,315)**	**1,336,395**
Leasing transactions	3,866	-	86	**3,952**	-	(114)	**(114)**	**3,838**
Other consumer loans	243,156	-	3,841	**246,997**	-	(10,687)	**(10,687)**	**236,310**
Subtotal	**5,258,137**	-	**280,920**	**5,539,057**	-	**(312,245)**	**(312,245)**	**5,226,812**
Total	**30,115,369**	**906,095**	**1,695,419**	**32,716,883**	**(236,549)**	**(656,599)**	**(893,148)**	**31,823,735**

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

As of December 31, 2018	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	9,988,841	552,460	661,073	**11,202,374**	151,769	179,318	**331,087**	10,871,287
Foreign trade loans	1,648,616	53,127	50,694	**1,752,437**	52,696	1,668	**54,364**	1,698,073
Checking accounts debtors	187,273	11,984	15,905	**215,162**	3,566	13,375	**16,941**	198,221
Factoring transactions	370,851	5,532	4,600	**380,983**	5,843	834	**6,677**	374,306
Student Loans	69,599	-	10,317	**79,916**	-	5,835	**5,835**	74,081
Leasing transactions	1,240,081	113,313	90,330	**1,443,724**	17,339	10,833	**28,172**	1,415,552
Other loans and account receivable	126,643	1,635	36,785	**165,063**	11,384	18,416	**29,800**	135,263
Subtotal	**13,631,904**	**738,051**	**869,704**	**15,239,659**	**242,597**	**230,279**	**472,876**	**14,766,783**
Mortgage loans								
Loans with mortgage finance bonds	16,153	-	1,273	**17,426**	-	97	**97**	17,329
Mortgage mutual loans	104,131	-	4,405	**108,536**	-	498	**498**	108,038
Other mortgage mutual loans	9,558,032	-	466,987	**10,025,019**	-	63,646	**63,646**	9,961,373
Subtotal	**9,678,316**	**-**	**472,665**	**10,150,981**	**-**	**64,241**	**64,241**	**10,086,740**
Consumer loans								
Installment consumer loans	2,937,309	-	252,361	**3,189,670**	-	223,948	**223,948**	2,965,722
Credit card balances	1,399,112	-	18,040	**1,417,152**	-	26,673	**26,673**	1,390,479
Leasing transactions	4,071	-	86	**4,157**	-	72	**72**	4,085
Other consumer loans	261,202	-	4,108	**265,310**	-	8,749	**8,749**	256,561
Subtotal	**4,601,694**	**-**	**274,595**	**4,876,289**	**-**	**259,442**	**259,442**	**4,616,847**
Total	**27,911,914**	**738,051**	**1,616,964**	**30,266,929**	**242,597**	**553,962**	**796,559**	**29,470,370**

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

b) Portfolio characteristics

As of December 31, 2019 and 2018, the portfolio before allowances is as follows, by customer's economic activity:

	Domestic loans (*)		Foreign interbank loans (**)		Total loans		Distribution percentage	
	2019 MCh$	2018 MCh$	2019 MCh$	2018 MCh$	2019 MCh$	2018 MCh$	2019 %	2018 %
Commercial loans								
Manufacturing	1,285,814	1,139,766	-	-	1,285,814	1,139,766	3,93	3,76
Mining	407,042	208,748	-	-	407,042	208,748	1,24	0,69
Electricity, gas, and water	356,410	408,932	-	-	356,410	408,932	1,09	1,35
Agriculture and livestock	1,287,282	1,206,197	-	-	1,287,282	1,206,197	3,93	3,98
Forest	165,208	143,888	-	-	165,208	143,888	0,50	0,48
Fishing	256,553	253,021	-	-	256,553	253,021	0,78	0,84
Transport	763,877	809,306	-	-	763,877	809,306	2,33	2,67
Communications	240,950	215,844	-	-	240,950	215,844	0,74	0,71
Construction	995,435	906,038	-	-	995,435	906,038	3,04	2,99
Commerce	3,351,279	3,386,806	14,852	15,093	3,366,131	3,401,899	10,28	11,23
Services	2,796,415	1,865,669	-	-	2,796,415	1,865,669	8,54	6,16
Other	4,008,566	4,695,445	-	-	4,008,566	4,695,445	12,25	15,52
Subtotal	**15,914,831**	**15,239,660**	**14,852**	**15,093**	**15,929,683**	**15,254,753**	**48,65**	**50,38**
Mortgage loans	**11,262,995**	**10,150,981**	**-**	**-**	**11,262,995**	**10,150,981**	**34,43**	**33,52**
Consumer loans	**5,539,057**	**4,876,289**	**-**	**-**	**5,539,057**	**4,876,289**	**16,92**	**16,10**
Total	**32,716,883**	**30,266,930**	**14,852**	**15,093**	**32,731,735**	**30,282,023**	**100,00**	**100,00**

(*) Includes domestic interbank loans for Ch$0 million as of December 31, 2019 (Ch$1 million as of December 31, 2018), Note 9.

(**) Includes foreign interbank loans for Ch$14,852 million as of December 31, 2019 (Ch$15.903 million as of December 31, 2018), Note 9.

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

c) Impaired portfolio (*)

i. As of Diciembre 31, 2019 and 2018, the impaired portfolio is as follows**:**

	As of December 31,							
	2019				2018			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Individually impaired portfolio	487,760	-	-	**487,760**	397,978	-	-	**397,978**
Non-performing loans (collectively evaluated)	400,209	179,863	91,264	**671,336**	409,451	133,880	88,318	**631,649**
Other impaired portfolio	218,596	349,261	189,656	**757,513**	224,750	338,785	186,277	**749,812**
Total	**1,106,565**	**529,124**	**280,920**	**1,916,609**	**1,032,179**	**472,665**	**274,595**	**1,779,439**

(*) The impaired portfolio corresponds to the sum of the loans classified as substandard in categories B3 and B4, and the portfolio in default, (C1-C6).

ii) The impaired portfolio with or without guarantee as of December 31, 2019 and 2018 is as follows:

	As of December 31,							
	2019				2018			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	700,331	487,729	30,189	**1,218,249**	604,545	430,011	29,201	**1,063,757**
Unsecured debt	406,234	41,395	250,731	**698,360**	427,634	42,654	245,394	**715,682**
Total	**1,106,565**	**529,124**	**280,920**	**1,916,609**	**1,032,179**	**472,665**	**274,595**	**1,779,439**

iii) The portfolio of non-performing loans (due for 90 days or longer) with or without a guarantee as of December 31, 2019 and 2018 is as follows:

	As of December 31,							
	2019				2018			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	204,195	164,200	6,657	**375,052**	192,889	121,690	8,516	**323,095**
Unsecured debt	196,014	15,663	84,607	**296,284**	216,562	12,190	79,802	**308,554**
Total	**400,209**	**179,863**	**91,264**	**671,336**	**409,451**	**133,880**	**88,318**	**631,649**

iv) Reconciliation of non-performing loans, with past due loans as of December 31, 2019 and 2018, is as follows:

	As of December 31,							
	2019				2018			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
with arrears equal to or greater than 90 days	399,683	177,730	91,023	**668,436**	399,382	130,716	85,137	**615,235**
with arrears up to 89 days, classified in past due portfolio	526	2,133	241	**2,900**	10,069	3,164	3,181	**16,414**
Total	**400,209**	**179,863**	**91,264**	**671,336**	**409,451**	**133,880**	**88,318**	**631,649**

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

d) Allowances

The changes in allowances balances during 2019 and 2018 are as follows:

Activity during 2019	Commercial loans		Mortgage loans	Consumer loans	Interbank loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	MCh$	Total MCh$
Balance as of January , 2019	**242,597**	**230,866**	**64,241**	**272,681**	**29**	**810,414**
Allowances established	93,556	118,187	17,462	246,530	55	**475,790**
Allowances released	(58,084)	(12,100)	(8,263)	(49,576)	(65)	**(128,088)**
Allowances released due to charge-off	(41,520)	(61,060)	(4,979)	(157,390)	-	**(264,949)**
Balance as of December 31, 2019	**236,549**	**275,893**	**68,461**	**312,245**	**19**	**893,167**

Activity during 2018	Commercial loans		Mortgage loans	Consumer loans	Interbank loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	MCh$	Total MCh$
Balance as of January, 2018	**243,792**	**219,073**	**69,066**	**283,756**	**86**	**815,773**
Allowances established	68,302	83,979	22,683	190,868	45	**365,877**
Allowances released	(35,301)	(8,764)	(8,446)	(45,031)	(102)	**(97,644)**
Allowances released due to charge-off	(34,196)	(64,009)	(19,062)	(170,151)	-	**(287,418)**
Balance as of December 31, 2018	**242,597**	**230,279**	**64,241**	**259,442**	**29**	**796,588**

In addition to credit risk allowances, there are other 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 FMC. The balances of allowances as of December 31, 2019 and 2018 are Ch$552 million and Ch$620 million, respectively, which are presented in liabilities of the Consolidated Statement of Financial Position.

ii) According to FMC regulations (compendium of Accounting Standards), the Bank has established allowances related to the undrawn available credit lines and contingent loans. The balances of allowances as of December 31, 2019 and 2018 are Ch$21,411 million and Ch$14,666 million, respectively, and are presented in liabilities of the Consolidated Statement of Financial Position (Note 21)

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

e) Portfolio by its impaired and non-impaired status

	As of December 31, 2019											
	Non-impaired				**Impaired**				**Total portfolio**			
	Commercial	Mortgage	Consumer	Total non-impaired	Commercial	Mortgage	Consumer	Total impaired	Commercial	Mortgage	Consumer	Total portfolio
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current portfolio	14,608,386	10,421,161	5,068,619	**30,098,166**	554,860	187,144	110,475	**852,479**	15,163,246	10,608,305	5,179,094	**30,950,645**
Overdue for 1-29 days	92,748	47,417	110,679	**250,844**	38,417	11,213	29,265	**78,895**	131,165	58,630	139,944	**329,739**
Overdue for 30-89 days	107,132	265,293	78,839	**451,264**	113,605	153,037	50,157	**316,799**	220,737	418,330	128,996	**768,063**
Overdue for 90 days or more	-	-	-	**-**	399,683	177,730	91,023	**668,436**	399,683	177,730	91,023	**668,436**
Total portfolio before allowances	**14,808,266**	**10,733,871**	**5,258,137**	**30,800,274**	**1,106,565**	**529,124**	**280,920**	**1,916,609**	**15,914,831**	**11,262,995**	**5,539,057**	**32,716,883**
Overdue loans (less than 90 days) presented as portfolio percentage	1.35%	2.91%	3.60%	**2.28%**	13.74%	31.04%	28.27%	**20.65%**	2.21%	4.23%	4.86%	**3.36%**
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	**-**	36.12%	33.59%	32.40%	**34.88%**	2.51%	1.58%	1.64%	**2.04%**

NOTE 10
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

e) Portfolio by its impaired and non-impaired status, continuation.

	As of December 31, 2018											
	Non-impaired				Impaired				Total portfolio			
	Commercial	Mortgage	Consumer	Total non-impaired	Commercial	Mortgage	Consumer	Total impaired	Commercial	Mortgage	Consumer	Total portfolio
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current portfolio	14,016,945	9,360,102	4,379,507	**27,756,554**	446,423	156,546	95,220	**698,189**	14,463,368	9,516,648	4,474,727	**28,454,743**
Overdue for 1-29 days	120,376	194,334	131,550	**446,260**	72,964	78,537	34,501	**186,002**	193,340	272,871	166,051	**632,262**
Overdue for 30-89 days	70,159	123,880	90,637	**284,676**	113,410	106,866	59,737	**280,013**	183,569	230,746	150,374	**564,689**
Overdue for 90 days or more	-	-	-	**-**	399,382	130,716	85,137	**615,235**	399,382	130,716	85,137	**615,235**
Total portfolio before allowances	**14,207,480**	**9,678,316**	**4,601,694**	**28,487,490**	**1,032,179**	**472,665**	**274,595**	**1,779,439**	**15,239,659**	**10,150,981**	**4,876,289**	**30,266,929**
Overdue loans (less than 90 days) presented as portfolio percentage	1.34%	3.29%	4.83%	**2.57%**	18.06%	39.23%	34.32%	**26.19%**	2.47%	4.96%	6.49%	**3.95%**
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	**-**	38.69%	27.66%	31.00%	**34.57%**	2.62%	1.29%	1.75%	**2.03%**

NOTE 11
AVAILABLE FOR SALE INVESTMENTS

As of December 31, 2019 and 2018, details of instruments defined as available for sale investments are as follows:

	As of December 31	
	2019	**2018**
	MCh$	**MCh$**
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	272,802	657,096
Chilean Central Bank Notes	1,186,724	56,719
Other Chilean Central Bank and Government securities	1,908,031	1,207,221
Subtotal	**3,367,557**	**1,921,036**
Other Chilean securities		
Time deposits in Chilean financial institutions	398	2,693
Mortgage finance bonds of Chilean financial institutions	16,748	19,227
Chilean financial institution bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	2,410	2,907
Subtotal	**19,556**	**24,827**
Foreign financial securities		
Foreign Central Banks and Government securities	197,685	280,622
Other foreign financial securities	425,474	167,838
Subtotal	**623,159**	**448,460**
Total	**4,010,272**	**2,394,323**

As of December 31, 2019 and 2018, the item *Chilean Central Bank and Government securities* item includes securities sold under repurchase agreements to clients and financial institutions for Ch$379,924 million and Ch$16,109 million, respectively. Under the same line, there are instruments that guarantee margins for operations of derivatives through Comder Contraparte Central S,A, for an amount of $65,140 million and $ 42,910 million as of December 31 of 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the item *Other Chilean Securities* includes securities sold to customers and financial institutions under repurchase agreements totaling Ch$131 million and Ch$32,436 million, respectively.

The instruments of Foreign Institutions include instruments sold under repurchase agreements with customers and financial institutions for a total of $0 and $ 0 million as of December 31, 2019 and 2018, respectively. Under the same line, there are instruments that guarantee margins for derivative transactions through the London Clearing House (LCH) for an amount of $73,109 million and $58,892 million as of December 31, 2019 and 2018, respectively, In order to comply with the initial margin specified in the European EMIR standard, instruments in guarantee with Euroclear are maintained for an amount of $390,954 million and $ 98,832 million as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 available for sale investments included a net unrealized profit of Ch$30,398 million, recorded as a "Valuation adjustment" in Equity, distributed between a profit of Ch$29,349 million attributable to equity holders of the Bank and a profit of Ch$1,049 million attributable to non-controlling interest.

As of December 31, 2018 available for sale investments included a net unrealized loss of Ch$6,424 million, recorded as a "Valuation adjustment" in Equity, distributed between a profit of Ch$5,114 million attributable to equity holders of the Bank and a profit of Ch$1,310 million attributable to non-controlling interest.

NOTE N°11
AVAILABLE FOR SALE INVESTMENTS, continued

Gross profits and losses realized on the sale of available for sale investments as of december 31, 2019 and 2018, are as follow,

	As of December 31,	
	2019	2018
	MCh$	MCh$
Sale of avaiilable for sale investments generating realized profits	5,781,636	3,505,266
Realized profits	63,828	8,902
Sale of available for sale investments generating realized losses	607,349	709,371
Realized losses	156	6,004

The Bank evaluated those instruments with unrealized losses as of December 31, 2019 and 2018 and concluded they were not impaired. This review consisted of evaluation the economic reason for any declines, the credit rating of the securities issuers and the bank's intention and ability to hold the securities until the unrealized kiss us recovered. Based ib this analysis, the Bank believes that there were no significant or prolonged declines nor changes in credit risk which would cause impairment in its investment portfolio, since most of the decline in fair value of these instruments was caused by market conditions which the Bank considers to be temporary. All of the instruments that have unrealized losses as of December 31, 2019 and 2018, were not in a continuos unrealized loss position for more than one year.

NOTE N°11
AVAILABLE FOR SALE INVESTMENTS, continued

The following charts show the available for sale investments cumulative unrealized profit and loss, as of December 31, 2019 and 2018:

As of December 31, 2019:

	Less than 12 month				More than 12 month				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$
Chilean central bank and government securities												
Chilean central bank fond	270,979	272,802	3,600	(1,777)	-	-	-	-	270,979	272,802	3,600	(1,777)
Chilean central bank notes	1,186,487	1,186,724	237	-	-	-	-	-	1,186,487	1,186,724	237	-
Other Chilean central bank and government securites	1,893,615	1,908,031	39,754	(25,338)	-	-	-	-	1,893,615	1,908,031	39,754	(25,338)
Subtotal	**3,351,081**	**3,367,557**	**43,591**	**(27,115)**	**-**	**-**	**-**	**-**	**3,351,081**	**3,367,557**	**43,591**	**(27,115)**
Other Chilean secyruties												
Time deposits in Chilean financial institutions	398	398	-	-	-	-	-	-	398	398	-	-
Mortgage finance bonds of Chilean financial institutions	15,962	16,748	786	-	-	-	-	-	15,962	16,748	786	-
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	407	2,410	2,003	-	-	-	-	-	407	2,410	2,003	-
Subtotal	**16,767**	**19,556**	**2,789**	**-**	**-**	**-**	**-**	**-**	**16,767**	**19,556**	**2,789**	**-**
Foreign financial securities					-	-	-	-				
Foreign central bank and goverment securities	198,289	197,685	10,841	(11,445)	-	-	-	-	198,289	197,685	10,841	(11,445)
Other Foreign securities	413,737	425,474	12,811	(1,074)	-	-	-	-	413,737	425,474	12,811	(1,074)
Subtotal	**612,026**	**623,159**	**23,652**	**(12,519)**	**-**	**-**	**-**	**-**	**612,026**	**623,159**	**23,652**	**(12,519)**
Total	**3,979,874**	**4,010,272**	**70,032**	**(39,634)**	**-**	**-**	**-**	**-**	**3,979,874**	**4,010,272**	**70,032**	**(39,634)**

NOTE N°11
AVAILABLE FOR SALE INVESTMENTS, continued

The following tables show the availability for sale of accumulated unrealized gains and losses as of December 31, 2018 :

As of December 31, 2018

	Menor a 12 meses				Mayor a 12 meses				Total			
	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Chilean central bank and government securities												
Chilean central bank fond	658,013	657,096	3,698	(4,615)	-	-	-	-	658,013	657,096	3,698	(4,615)
Chilean central bank notes	56,737	56,719	10	(27)	-	-	-	-	56,737	56,719	10	(27)
Other Chilean central bank and government securites	1,196,819	1,207,220	10,689	(262)	-	-	-	-	1,196,819	1,207,220	10,689	(262)
Subtotal	**1,911,569**	**1,921,035**	**14,397**	**(4,904)**	**-**	**-**	**-**	**-**	**1,911,569**	**1,921,035**	**14,397**	**(4,904)**
Other Chilean secyruties												
Time deposits in Chilean financial institutions	2,692	2,694	1	-	-	-	-	-	2,692	2,694	1	-
Mortgage finance bonds of Chilean financial institutions	19,010	19,227	426	(209)	-	-	-	-	19,010	19,227	426	(209)
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	220	2,907	2,687	-	-	-	-	-	220	2,907	2,687	-
Subtotal	**21,922**	**24,828**	**3,114**	**(209)**	**-**	**-**	**-**	**-**	**21,922**	**24,828**	**3,114**	**(209)**
Foreign financial securities												
Foreign central bank and goverment securities	280,021	280,622	602	-	-	-	-	-	280,021	280,622	602	-
Other Foreign securities	174,387	167,838	-	(6,575)	-	-	-	-	174,387	167,838	-	(6,575)
Subtotal	**454,408**	**448,460**	**602**	**(6,575)**	**-**	**-**	**-**	**-**	**454,408**	**448,460**	**602**	**(6,575)**
Total	**2,387,899**	**2,394,323**	**18,112**	**(11,688)**	-	-	-	-	**2,387,899**	**2,394,323**	**18,112**	**(11,688)**

NOTE 12
INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

a) The Consolidated Statements of Financial Position reflect investments in associates and other companies amounting to Ch$10,467 million as of December 31, 2019, Ch$ 32,293 million as of December 2018, as show in the following table:

	Ownership interest As of December 31,		Investment value As of December 31,		Profit and loss As of December 31,	
	2019	2018	2019	2018	2019	2018
	%	%	MCh$	MCh$	MCh$	MCh$
Company						
Redbanc S.A. (*)	-	33.43	-	2,822	-	-
Transbank S.A. (*)	-	25.00	-	17,651	-	-
Centro de Compensación Automatizado S.A.	33.33	33.33	2,184	1,894	293	305
Sociedad Interbancaria de Depósito de Valores S.A.	29.29	29.29	1,485	1,233	252	223
Cámara de Compensación de Pagos de Alto Valor S.A. (1)	15.00	15.00	958	945	29	58
Administrador Financiero del Transantiago S.A.	20.00	20.00	3,986	3,680	390	582
Sociedad Nexus S.A. (*)	-	12.90	-	2,279	-	-
Servicios de Infraestructura de Mercado OTC S.A.	12.07	12.48	1,556	1,491	60	57
Subtotal			**10,169**	**31,995**	**1,024**	**1,225**
Shares or rights in other companies						
Bladex			136	136	13	19
Stock Excharges			154	154	109	148
Otras			8	8	-	(67)
Total			**10,467**	**32,293**	**1,146**	**1,325**

(*) The Bank has entered into a process of selling the shares in Redbanc S.A., Transbank S.A. and Nexus SA, therefore, the treatment established in IFRS 5 "Non-current assets held for sale and discontinued operations" has been applied, on the participation of said companies, which is described in Note 1 t) and Note 40.

(1) In February 2017, Banco Paris sold to Banco Santander a portion of its interest in the companies "Sociedad Operadora de la Cámara de Compensación de pagos de Alto Valor S.A.", the Bank's share increased to 15.00%.

b) Investments in associates and other companies do not have market prices.

c) Summary of financial information of the partners between exercises 2019 and 2018:

	As of December 31, 2019				2018			
	Assets MCh$	Liabilities MCh$	Equity MCh$	Net Income MCh$	Assets MCh$	Liabilities MCh$	Equity MCh$	Net Income MCh$
Centro de Compensación Automatizado S.A.	8,550	1,998	5,671	881	7,073	1,480	4,677	916
Redbanc S.A.	23,413	14,106	8,441	866	20,825	12,469	7,505	851
Transbank S.A.	1,217,448	1,133,441	70,605	13,402	904,558	835,200	56,888	12,470
Sociedad Interbancaria de Depósito de Valores S.A.	5,074	4	4,209	861	4,392	230	3,400	762
Sociedad Nexus S.A.	31,147	13,471	17,660	16	35,139	18,335	13,995	2,849
Servicios de Infraestructura de Mercado OTC S.A.	15,152	2,682	11,993	477	25,273	13,313	11,506	454
Administrador Financiero del Transantiago S.A.	54,712	34,787	17,978	1,947	55,818	37,419	15,490	2,909
Cámara de Compensación de Pagos de Alto Valor S.A.	7,372	986	6,193	193	6,728	622	5,722	384
Totales	**1,362,868**	**1,201,475**	**142,750**	**18,643**	**1,059,806**	**919,068**	**119,143**	**21,595**

NOTE 12
INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES, continued

d) Restriction on the ability of partners to transfer funds to investors.

There are no significant restriction in relation to the ability of the associates to transfer funds in the form of dividends in Cash or reimvursements of loans or advances, to the bank.

e) Activity with respect to investments in other companies during 2019 and 2018, is as follow:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Opening balance as of January 1,	**32,293**	**27,585**
Acquisition of investments	-	-
Sale of investments	-	-
Participation in income	1,146	5,095
Dividends received	(130)	(38)
Other adjustment (*)	(22,842)	(349)
Total	**10,467**	**32,293**

(*) The Bank has entered into a process of selling the shares in Redbanc S.A., Transbank S.A. and Nexus SA, As such, these investment have been reclassified to held for sale and presented under Other assets in the Consolidated Statement of Financial Position (Note 40).

f) We have evaluated the objective evidence indicated in IAS No 28 and we have not detected any type of impairment on the investments that the Bank.

NOTE 13
INTANGIBLE ASSETS

a) As of December 31, 2019 and 2018 the composition of intangible assets is as follows:

	Average remaining useful life	Net opening balance as of January 1, 2019 MCh$	As of December 31, 2019 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	-	**82**	35,997	(35,997)	-
Software development	2	**66,841**	214,005	(140,616)	73,389
Total		**66,923**	**250,002**	**(176,613)**	**73,389**

	Average remaining useful life	Net opening balance as of January 1, 2018 MCh$	As of December 31, 2018 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	1	**1,200**	37,224	(37,142)	**82**
Software development	2	**62,019**	181,191	(114,350)	**66,841**
Subtotal		**63,219**	**218,415**	**(151,492)**	**66,923**

b) The changes in the value of intangible assets during the periods December 31, 2019 and 2018 is as follows:

b.1) Gross balance

Gross balances	Licenses MCh$	Software development MCh$	Total MCh$
Balances as of January 1, 2019	**37,224**	**181,191**	**218,415**
Acquisitions	-	32,860	32,860
Disposals and impairment (*)	(1,227)	-	(1,227)
Other	-	(46)	(46)
Balances as of December 31, 2019	**35,997**	**214,005**	**250,002**
Balances as of January 1, 2018	**37,224**	**159,833**	**197,057**
Acquisitions	-	29,562	29,562
Disposals and impairment (*)	-	(8,204)	(8,204)
Other	-	-	-
Balances as of December 31, 2018	**37,224**	**181,191**	**218,415**

(*) Note No. 34, letter a).

NOTE 13
INTANGIBLE ASSETS, continued

b.2) Accumulated amortization

Accumulated amortization	Licenses MCh$	Software development MCh$	Total MCh$
Balances as of January 1, 2019	**(37,142)**	**(114,350)**	**(151,492)**
Amortization for the period	(82)	(26,266)	(26,348)
Other changes	1,227	-	1,227
Balances as of December 31 , 2019	**(35,997)**	**(140,616)**	**(176,613)**
Balances as of January 1, 2018	**(36,918)**	**(96,922)**	**(133,840)**
Amortization for the period	(224)	(24,069)	(24,293)
Other changes	-	6,641	6,641
Balances as of December 31, 2018	**(37,142)**	**(114,350)**	**(151,492)**

c) The Bank has no restriction on intangible assets as of December 31, 2019 and 2018, 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 14
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT

a) As of December 31, 2019 and 2018 the property, plant and equipment balances is as follows:

	Net opening balance as of January 1, 2019 MCh$	As of December 31, 2019 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building (*)	**120,245**	175,370	(55,237)	**120,133**
Equipment	**56,865**	219,600	(164,106)	**55,494**
Other	**21,963**	69,758	(47,552)	**22,206**
Total	**199,073**	**464,728**	**(266,895)**	**197,833**

(*) As of January 1, 2019, net balances of lease improvements have been reclassified by application of IFRS 16, according to circular Banks N° 3,645 of the FMC (ex SBIF).

	Net opening balance as of January 1, 2018 MCh$	As of December 31, 2018 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building	**159,352**	289,568	(114,810)	**174,758**
Equipment	**63,516**	192,328	(135,463)	**56,865**
Other	**15,458**	62,156	(40,193)	**21,963**
Total	**238.326**	**544.052**	**(290.466)**	**253.586**

b) The changes in the value of property, plant and equipment during 2019 and 2018 is as follows:

b.1) Gross balance

2019	Land and buildings MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2019	**166,910**	**192,328**	**62,156**	**421,394**
Additions	9,473	33,302	7,602	**50,377**
Disposals	-	(6,030)	-	**(6,030)**
Impairment due to damage (*)	(1,013)	-	-	**(1,013)**
Other	-	-	-	**-**
Balances as of December 31, 2019	**175,370**	**219,600**	**69,758**	**464,728**

(*) Banco Santander-Chile have recognized in its consolidated financial statements as of December 31, 2019 an impairment of $ 1,013 million, due to social unrest in the country. Note 34.

NOTE 14
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

2018	Land and buildings MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2018	**259,316**	**169,286**	**55,613**	**484,215**
Additions	30,396	27,697	8,646	**66,739**
Disposals	(144)	(4,116)	(2,103)	**(6,863)**
Impairment due to damage (*)	-	(39)	-	**(39)**
Other	-	-	-	**-**
Balances as of December 31, 2018	**289,568**	**192,328**	**62,156**	**544,052**

(*) Banco Santander Chile has had to recognize in its consolidated financial statements as of December 31, 2018 deterioration by $39 Millions, corresponding to ATM claims.

b.2) Accumulated depreciation

2019	Land and buildings MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2019	**(54,671)**	**(135,463)**	**(40,193)**	**(230,327)**
Depreciation in the period	(8,120)	(29,968)	(6,869)	(44,957)
Sales and disposals in the period	7,554	1,325	-	8,879
Transfers	-	-	-	**-**
Others	-	-	(490)	(490)
Balances as of December 31, 2019	**(55,237)**	**(164,106)**	**(47,552)**	**(266,895)**

2018	Land and buildings MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2018	**(97,267)**	**(109,843)**	**(34,558)**	**(241,668)**
Depreciation in the period	(17,585)	(25,660)	(5,635)	**(48,880)**
Sales and disposals in the period	42	40	-	**82**
Transfers	-	-	-	**-**
Others	-	-	-	**-**
Balances as of December 31, 2018	**(114,810)**	**(135,463)**	**(40,193)**	**(290,466)**

NOTE 14
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

c) The composition of the right of use assets as of December 31, 2019 and January 1, 2019 is as follows**:**

	First application balance as of January 1, 2019 MCh$	As of December 31, 2019 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building	**154,284**	182,910	(25,338)	**157,572**
Lease improvements	**54,513**	127,035	(74,107)	**52,928**
Equipment	**-**	-	-	**-**
Other	**-**	-	-	-
Total	**208,797**	**309,945**	**(99,445)**	**210,500**

d) The movement of the right of use assets under lease during the 2019 period, is as follows:

d.1 Gross balance

2019	Land and building MCh$	Lease improvements MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2019 (*)	**154,284**	**122,658**	**-**	**-**	**276,942**
Additions	48,008	7,013	-	-	**55,021**
Disposals	(17,669)	(2,636)	-	-	**(20,305)**
Impairment (**)	(1,713)	**-**	-	-	**(1,713)**
Other	-	**-**	-	-	**-**
Balances as of December 31, 2019	**182,910**	**127,035**	-	-	**309,945**

(*)Note No 02.
(**) Banco Santander-Chile have recognized in its consolidated financial statements as of December 31, 2019 an impairment of $ 1,713 million, due to social unrest in the country. Note 34.

d.2 Accumulated anortization

2019	Land and building MCh$	Lease improvements MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2019 (*)	**-**	**(68,145)**	**-**	**-**	**(68,145)**
Amortization for the period	(26,889)	(7,898)	-	-	**(34,787)**
Sales and disposals during the period	1,551	1,936	-	-	**3,487**
Transfers	-	-	-	-	**-**
Others	-	-	-	-	**-**
Balances as of December 31, 2019	**(25,338)**	**(74,107)**	-	-	**(99,445)**

(*) Note No 02.

NOTE 14
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

e) Obligation for lease contract

As of December 31, 2019 and 2018 the obligation for lease contract are as follows,

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Obligations for lease contracts	158,494	-
Totales	**158,494**	**-**

f) Expenses associated with assets for the right to use leased assets and Obligations for lease agreements

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Depreciation	(34,787)	-
Interests	(2,965)	-
Short term lease	(4,177)	-
Total	**(41,929)**	**-**

As of December 31, 2019 and December 31, 2018, the maturity level of the obligations for lease agreements, according to their contractual maturity is as follows:

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Due within 1 year	26,061	-
Due after 1 year but within 2 years	24,311	-
Due after 2 years but within 3 years	21,667	-
Due after 3 years but within 4 years	19,411	-
Due after 4 years but within 5 years	16,982	-
Due after 5 years	50,062	-
Total	**158,494**	**-**

NOTE 14
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

g) Operational leases - Lessor

As of December 31, 2019 and 2018, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Due within 1 year	603	469
Due after 1 year but within 2 years	598	882
Due after 2 years but within 3 years	500	469
Due after 3 years but within 4 years	498	460
Due after 4 years but within 5 years	412	428
Due after 5 years	1,563	2,242
Total	**4,174**	**4,950**

h) As of December 31, 2019 and 2018 the Bank has no finance leases which cannot be unilaterally cancelled.

i) The Bank has no restriction on property, plant and equipment as of December 31, 2019 and 2018. 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 15
CURRENT AND DEFERRED TAXES

a) Current taxes

As of December 31, 2019 and 2018, the Bank recognizes taxes payable (recoverable), which is determined based on the currently applicable tax legislation. This amount is recorded net of recoverable taxes, and is shown as follows:

	As of December 31,	
	2019 MCh$	2018 MCh$
Summary of current tax liabilities (assets)		
Current tax (assets)	(11,648)	-
Current tax liabilities	-	8,093
Total tax payable (recoverable)	**(11,648)**	**8,093**
(Assets) liabilities current taxes detail (net)		
Income tax (27%)	154,578	166,173
Less:		
Provisional monthly payments	(161,097)	(155,706)
Credit for training expenses	(2,145)	(1,937)
Grant credits	(1,149)	-
Other	(1,835)	(1,320)
Total tax payable (recoverable)	**(11,648)**	**8,093**

b) Effect on income

The effect tax expense has on income for the years ended December 31, 2019 and 2018 is comprised of the following items:

	As of December 31,	
	2019 MCh$	2018 MCh$
Income tax expense		
Current tax	154,578	166,173
Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	11,372	3,590
Valuation provision	-	(56)
Subtotal	**165,950**	**169,707**
Tax for rejected expenses (Article No,21)	927	1,110
Other	(16,709)	(4.920)
Net income tax expense	**150,168**	**165,897**

NOTE 15
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 December 31, 2019 and 2018 is as follows:

	As of December 31,			
	2019		2018	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Tax calculated over profit before tax	27.00	189,714	27.00	205,784
Permanent differences (1)	(7.16)	(50,297)	(5.18)	(39,494)
Penalty tax (rejected expenses)	0.13	927	0.15	1,110
Other	1.40	9,824	(0.20)	(1,503)
Effective rates and expenses for income tax	**21.37**	**150,168**	**21.77**	**165,897**

(1) It mainly corresponds to the permanent differences originated by the Monetary Correction of the Tax Own Capital.

d) Effect of deferred taxes on other comprehensive income

A summary of the separate effect of deferred tax on other comprehensive income, showing the asset and liability balances, for the periods ended December 31, 2019 and 2018 follows:

	As of December 31,	
	2019 MCh$	2018 MCh$
Deferred tax assets		
Available for sale investments	7,799	1,071
Cash flow hedges	10,919	65
Total deferred tax assets recognized through other comprehensive income	**18,718**	**1,136**
Deferred tax liabilities		
Available for sale investments	(16,007)	(2,806)
Cash flow hedges	-	(2,711)
Total deferred tax liabilities recognized through other comprehensive income	**(16,007)**	**(5,517)**
Net deferred tax balances in equity	**2 ,711**	**(4,381)**
Deferred taxes in equity attributable to equity holders of the bank	2,993	(4,027)
Deferred tax in equity attributable to non-controlling interests	(282)	(354)

NOTE 15
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 December 31,	
	2019	2018
	MCh$	MCh$
Deferred tax assets		
Interests and adjustments	9,531	9,384
Non-recurring charge-offs	15,325	13,389
Assets received in lieu of payment	2,933	2,467
Exchange rate adjustment	-	1,675
Property, plant and equipment	6,381	6,138
Provision for loan losses	198,990	168,320
Provision for expenses	89,098	63,134
Derivatives	-	3,924
Leased assets	116,226	107,897
Subsidiaries tax losses	5,416	5,314
Prepaid Expenses	-	156
Investment valuation	249	-
Total deferred tax assets	**444,149**	**381,798**
Deferred tax liabilities		
Valuation of investments	(17,341)	(42)
Anticipated Expenses	(20,347)	(349)
Provision for evaluation	(6,509)	(6,084)
Derivatives	(36,512)	(3,383)
Exchange rate adjustments	(2,817)	-
Other	(75)	(20)
Total deferred tax liabilities	**(83,601)**	**(9,878)**

f) Summary of deferred tax assets and liabilities

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

	As of December 31,	
	2019	2018
	MCh$	MCh$
Deferred tax assets		
Recognized through other comprehensive income	18,718	1,136
Recognized through profit or loss	444,149	381,798
Total deferred tax assets	**462,867**	**382,934**
Deferred tax liabilities		
Recognized through other comprehensive income	(16,007)	(5,517)
Recognized through profit or loss	(83,601)	(9,878)
Total deferred tax liabilities	**(99,608)**	**(15,395)**

NOTE 15
CURRENT AND DEFERRED TAXES, continued

g) Supplementary information related to the circular issued by internal tax service and the CMF.

For purposes of disclosure and accreditation of provisions and penalties, banks must include in the tax note of their states annual financial statements, a detail of the movements and effects generated by the application of article 31, No. 4 of the LIR, as established in the document attached to the joint circular.

g.1) Receivables and accounts receivable

	As of December 31,							
	2019				2018			
		Assets at tax value				Assets at tax value		
			Overdue Wallet				Overdue Wallet	
	Assets at financial value MCh$	Total MCh$	with Warranty MCh$	without Warranty MCh$	Assets at financial value MCh$	Total MCh$	with Warranty MCh$	without Warranty MCh$
Owed by banks	14,852	14,852	-	-	15,094	15,094	-	-
Comercial Placements	14,158,593	14,185,448	113,326	158,278	13,414,955	13,441,810	119,558	177,971
Consume Placements	5,091,801	5,136,406	1,393	16,691	4,872,131	4,878,008	1,372	22,127
Home mortgage Placements	11,262,995	11,273,701	63,944	1,445	10,150,981	10,200,415	63,121	1,031
Total	**30,528,241**	**30,610,407**	**178,663**	**176,414**	**28,453,161**	**28,535,327**	**184,051**	**201,129**

g.2) Provision on overdue portfolio without guarantees

	Balance as of January 1, 2019 MCh$	Punishment against provisions MCh$	Provisions constituted MCh$	Provisions free MCh$	Balance as of December 31, 2019 MCh$
Comercial Placements	177,971	(67,926)	325,245	(277,012)	158,278
Consume Placements	22,127	(144,962)	177,766	(38,240)	16,691
Home mortgage Placements	1,031	(1,727)	34,404	(32,263)	1,445
Total	**201,129**	**(214,615)**	**537,415**	**(347,515)**	**176,414**

	Balance as of January 1, 2018 MCh$	Punishment against provisions MCh$	Provisions constituted MCh$	Provisions free MCh$	Balance as of December 31, 2018 MCh$
Comercial Placements	157,106	(70,181)	487,325	(396,280)	177,971
Consume Placements	20,041	(198,534)	204,703	(4,082)	22,127
Home mortgage Placements	1,245	(9,128)	35,605	(26,693)	1,031
Total	**178,392**	**(277,843)**	**727,633**	**(427,055)**	**201,129**

NOTE 15
CURRENT AND DEFERRED TAXES, continued

g.3) Direct punishments and recoveries

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Direct Punishment Art, 31 No, 4, second paragraph	(32,709)	(38,549)
Condonations that originated liberation of provisions	-	-
Recoveries or renegotiations of credits written off	82,487	88,481
Total	**49,778**	**49,932**

g.4) Application Article 31 No, 4 paragraphs I and II

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Punishment according to first paragraph	-	-
Condonations according to third paragraph	5,602	5,974
Total	**5,602**	**5,974**

NOTE 16
OTHER ASSETS

Other assets include the following:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Assets for leasing (1)	**67,139**	**47,486**
Assets received or awarded in lieu of payment (2)		
Assets received in lieu of payment	12,387	11,297
Assets awarded at judicial sale	22,177	21,524
Provision on assets received in lieu of payment or awarded	(2,042)	(723)
Subtotal	**32,522**	**32,098**
Other assets		
Guarantee deposits (margin accounts) (3)	314,616	170,232
Non-current assets classified as held for sale (4)	22,394	-
Gold investments	680	522
VAT credit	22,663	9,097
Prepaid expenses	432,030	477,819
Assets recovered from leasing for sale	3,575	6,848
Valuation Adjustments by macrohedge (5)	210,867	9,414
Pension plan assets	670	846
Accounts and notes receivable	147,108	59,511
Notes receivable through brokerage and simultaneous transactions	43,354	78,330
Other receivable assets	44,262	48,612
Other assets	92,428	44,173
Subtotal	**1,334,647**	**905,404**
Total	**1,434,308**	**984,988**

(1) Correspondence to the assets available to be delivered under the financial lease modality.

(2) The goods received in payment correspond to the goods received as payment of debts due from the customers, The set of goods that remain acquired in this way must not exceed 20% of the Bank's effective equity at any time. These assets currently represent 0.29% (0.28% as of December 31, 2018) of the Bank's effective equity.

The assets awarded in judicial auction, correspond to assets that have been acquired at judicial auction in payment of debts previously contracted with the Bank. The assets acquired at judicial auction are not subject to the above mentioned margin, These properties are assets available for sale, For most assets, the sale can be completed within one year from the date the asset is received or acquired, In case the good is not sold within a year, it must be punished.

Additionally, a provision is recorded for the difference between the initial award value plus the additions and their estimated realizable value, when the former is higher.

(3) Corresponds to a guarantee thershold associated with a specific derivative contract. These guarantees operate when the valuation of the derivatives exceeds thresholds defined in the contract values and may be for or against the Bank.

(4) Corresponds to the interests in Redbanc S.A., Transbank S.A. and Nexus S.A., which have been reclassified as non-current assets classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations ", for additional information see Note 1 t) and Note 40.

(5) Net assets and liabilities fair value valuation subject to macro hedges. See Note 8 .

NOTE 17
DEPOSITS AND OTHER LIABILITIES

As of December 31, 2019 and 2018, the composition of the item time deposits and other liabilities is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Deposits and other demand liabilities		
Checking accounts	8,093,108	6,794,132
Other deposits and demand accounts	741,103	709,711
Other demand liabilities	1,463,221	1,237,574
Total	**10,297,432**	**8,741,417**
Time deposits and other time liabilities		
Time deposits	13,064,932	12,944,846
Time savings account	123,787	118,587
Other time liabilities	4,098	4,386
Total	**13,192,817**	**13,067,819**

NOTE 18
INTERBANK BORROWINGS

As of December 31, 2019 and 2018 the line item interbank borrowings is as follow:

	As of December 31	
	2019	2018
	MCh$	MCh$
Loans obtained from the Central Bank of Chile		
Other obligations with the Central Bank of Chile	-	-
Loans from financial institutions in the country	**286,603**	**-**
Loans from financial institutions abroad		
Bank of America N.A. Us Foreig	355,051	338,906
Citibank N.A.	269,841	-
Mizuho Bank Ltd Ny	269,404	223,829
Wells Fargo Bank N.A.	231,823	-
Sumitomo Mitsui Banking Corporation	179,415	278,765
Standard Chartered Bank	153,373	50,960
The Bank of Nova Scotia	134,819	163,927
The Bank of New York Mellon	119,616	69,921
Barclays Bank Plc London	98,803	34,965
Corporacion Andina De Fomento	75,097	52,371
Zürcher Kantonalbank	75,002	-
The Toronto Dominion Bank	71,191	-
Hsbc Bank Plc	69,786	34,936
Bank of Montreal	56,123	31
State Bank of India	28,231	331
Banco Latinoamericano De Comer	18,731	-
Banco Santander Brasil S.A.	7,873	8,040
Banco Santander Hong Kong	3,697	6,047
Standard Chartered Bank	3,613	843
Bank of China	952	7,777
Industrial and Commercial Bank	898	30
Banco Santander Central Hispano	848	1,295
Korea Exchange Bank	761	-
Hong Kong and Shanghai Banking	684	1,300
China Merchants Bank	597	-
Unicredito Italiano Spa	583	1,117
Banco Bilbao Vizcaya Argentaria	571	888
Rabobank, Hong Kong Branch	477	-
Bbva Bancomer, S.A.	553	-
Kbc Bank Nv	406	-
Bank of Communications	385	-
Bank of The West	261	-
Danske Bank A/S	224	-
Deutsche Bank A.G.	193	5,558
Kookmin Bank	185	-
Caixabank S.A.	166	-
E. Sun Commercial Bank Ltd.	159	-
Bank of Tokio Mitsubishi	156	1,032
Woori Bank	155	-
Agricultural Bank of China	152	106
Bank of Taiwan	135	127
Shinhan Bank	133	-
Taiwan Cooperative Bank	131	-
Keb Hana Bank	119	-
United Bank of India	113	378
Banca Di Credito Cooperativo A	112	-
Joint Stock Commercial Bank Fo.	110	33
Banca Nazionale Del Lavoro S.P	106	77
Hua Nan Commercial Bank Ltd.	102	164
Industrial Bank of Korea	96	195
Banco Bradesco S.A.	84	89
Bank of Ningbo	83	-
Bank of East Asia, Limited	82	205
Hdfc Bank Limited	72	-
China Everbright Bank	70	-
Cassa Di Risparmio Di Parma E	69	-
Mizuho Corporate Bank Ltd.	67	-
Banco Bpm Spa	66	21
Canara Bank	66	-
Banco Comercial Portugues	63	-
Caixa Destalvis I Pensions de Barcelona	63	-
Shanghai Pudong Development Ba	59	237
Subtotal	**2,232,856**	**984,501**

NOTE 18
INTERBANK BORROWINGS, continued

	As of December 31	
	2019	2018
	MCh$	MCh$
Loans from financial institutions in the country		
Banca Monte dei Paschi di Siena	58	179
Banca Commerciale Italiana S.P.	50	288
Fortis Bank S.A./N.V. Brussels	50	42
Habib Bank Limited	38	-
Kasikornbank Public Company Li	33	-
Banco Rio De La Plata S.A.	24	-
Australia And New Zealand Bank	23	-
Banco de la Republica Oriental	23	41
Citic Industrial Bank	19	-
Shangai Pudong Development Ban	14	-
Banco Caixa Geral	10	-
Bank of Baroda	9	37
Shanghai Commercial and Saving	6	33
Hsbc Bank USA	2	394
Akbank T.A.S.	-	106
Banca Lombarda E Piemontese S.	-	60
Banca Popolare Dell'Emilia Rom	-	31
Banca Popolare Di Milano S.C.A	-	6
Banco Commerzbank	-	19
Banco de Galicia Y Buenos Aires	-	231
Banco De Sabadell S.A.	-	20
Banco Internacional S.A.	-	33
Banco Itau S.A.	-	14
Banistmo S.A.	-	32
Bank of India	-	51
Bank of Shanghai	-	134
Bankinter S.A.	-	24
Banque Bruxelles Lambert S.A.	-	509
Bnp Paribas, Hong Kong Branch	-	3,554
Caixabank S.A.	-	44
Cajas Rurales Unidas	-	18
Canara Bank	-	237
Casa Di Risparmo De Padova E.R.	-	30
Cassa Di Risparmio In Bologna	-	21
Chang Hwa Commercial Bank Ltd.	-	18
China Construcción Bank	-	35
Citibank N.A.	-	241,041
Credit Agricole	-	106
Credit Lyonnais	-	139
Development Bank of Singapore	-	3
Dexia Bank SA	-	789
First Union National Bank	-	201
Hang Seng Bank (China) Limited	-	6
Hanvit Bank	-	58
Hdfc Bank Limited	-	28
Hsbc Bank Middle East	-	77
International Commercial Bank	-	70
Kbc Bank Nv	-	23
Keb Hana Bank	-	2,318
Kookmin Bank	-	78
Mega International Commercial	-	9
Metropolitan Bank Limited	-	170
Oriental Bank of Commerce	-	87
Rabobank, Hong Kong Branch	-	1,548
Raiffeisen Bank Polska S.A.	-	31
Shinhan Bank	-	380
Taiwan Business Bank	-	19
Taiwan Cooperative Bank	-	66
U.S. Bank (Formerly First Bank)	-	18
United World Chinese Commercial Bank	-	15
Wachovia Bank N.A.	-	33,499
Wells Fargo Bank N.A.	-	216,749
Woori Bank	-	356
Subtotal	**359**	**504,125**
Total	**2,519,818**	**1,788,626**

NOTE 18
INTERBANK BORROWINGS, continued

b) Obligation with Central Bank of Chile

Debts to the Central Bank of Chile include credit lines for renegotiation of loans and other borrowings, These credit lines were provided by the Central Bank of Chile for renegotiation of loans due to the need to refinance debt as a result of the economic recession and crisis of the banking system in the eaerly 1980s,

The outstanding amounts owed to the Central Bank of Chile under these credit lines are as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Totals Line of credit for renegotiation with Central Bank of Chile	-	-

c) Loans from domestic financial institutions

these obligations maturities are as follows:

	As of December,	
	2019	2018
	MCh$	MCh$
Due Within 1 year	158,855	-
Due Within 1 y 2 years	117,344	-
Due Within 2 y 3 years	8,167	-
Due Within 3 y 4 years	2,237	-
Due Within 5 years	-	-
Total loans from domestic financial institutions	**286,603**	**-**

d) Foreign obligations

	As of December	
	2019	2018
	MCh$	MCh$
Due Within 1 year	1,970,790	1,648,955
Due Within 1 y 2 years	225,025	139,671
Due Within 2 y 3 years	37,400	-
Due Within 3 y 4 years	-	-
Due Within 5 years	-	-
Total loans from foreign financial institutions	**2,233,215**	**1,788,626**

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of December 31, 2019 and 2018, the composition of this item is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Other financial liabilities		
Obligations to public sector	9,198	32,449
Other domestic obligations	204,705	175,210
Foreign obligations	12,455	7,741
Subtotal	**226,358**	**215,400**
Issued debt instruments		
Mortgage finance bonds	18,502	25,490
Senior bonds	8,574,213	7,198,865
Mortgage Bonds	89,924	94,921
Subordinated bonds	818,084	795,957
Subtotal	**9,500,723**	**8,115,233**
Total	**9,727,081**	**8,330,633**

Debts classified as current are either demand obligations or will mature in one year or less, All other debts are classified as non-current, The Bank's debts, both current and non-current, are summarized below:

	As of December 31, 2019		
	Current	Non-current	Total
	MCh$	MCh$	MCh$
Mortgage finance bonds	6,013	12,489	**18,502**
Senior bonds	2,078,202	6,496,011	**8,574,213**
Mortgage Bonds	5,137	84,787	**89,924**
Subordinated bonds	-	818,084	**818,084**
Issued debt instruments	**2,089,352**	**7,411,371**	**9,500,723**
Other financial liabilities	**226,033**	**325**	**226,358**
Total	**2,315,385**	**7,411,696**	**9,727,081**

	As of December 31, 2018		
	Current	Non-current	Total
	MCh$	MCh$	MCh$
Mortgage finance bonds	6,830	18,660	25,490
Senior bonds	844,898	6,353,967	7,198,865
Mortgage Bonds	4,833	90,088	94,921
Subordinated bonds	1	795,956	795,957
Issued debt instruments	**856,562**	**7,258,671**	**8,115,233**
Other financial liabilities	**205,871**	**9,529**	**215,400**
Total	**1,062,433**	**7,268,200**	**8,330,633**

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

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 5.39% as of December 31, 2019 (5.43% as of December 31, 2018),

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Due within 1 year	6,013	6,830
Due after 1 year but within 2 years	4.944	5.946
Due after 2 years but within 3 years	3.928	5.034
Due after 3 years but within 4 years	2.442	3.997
Due after 4 years but within 5 years	1.005	2.480
Due after 5 years	170	1.203
Total mortgage finance bonds	**18,502**	**25,490**

b) Senior bonds

The following table shows senior bonds by currency:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Santander bonds in UF	4,814,604	4,095,741
Santander bonds in USD	1,649,238	1,094,267
Santander bonds in CHF	499,485	386,979
Santander bonds in Ch$	1,242,633	1,291,900
Santander bonds in AUD	124,748	24,954
Santander bonds in JPY	77,797	191,598
Santander bonds in EUR	165,708	113,426
Total senior bonds	**8,574,213**	**7,198,865**

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

I, Placement of senior bonds:

During 2019 the Bank has placed bonds for UF 29,678,000, CLP 115,000,000,000, EUR 30,000,000, AUD 160,000,000 y en CHF 250,000,000, detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate	Issue date	Series Maximum amount	Maturity date
T7	UF	5,000,000	4	2,50%	01-02-2016	5,000,000	01-02-2023
T8	UF	5,678,000	4 y 6 months	2,55%	01-02-2016	5,678,000	01-08-2023
T14	UF	9,000,000	8	2,80%	01-02-2016	18,000,000	01-02-2027
T6	UF	5,000,000	10	1,70%	01-11-2018	5,000,000	01-05-2029
T10	UF	5,000,000	5 y 4 months	2,60%	01-02-2016	5,000,000	01-08-2024
Total	**UF**	**29,678,000**				**38,678,000**	
U9	CLP	75,000,000,000	2 y 8 months	ICP + 0,80%	01-11-2018	75,000,000,000	19-11-2021
P-5	CLP	75,000,000,000	2 y 6 months	5,3%	01-03-2015	150,000,000,000	01-03-2022
Total	**CLP**	**150,000,000,000**				**225,000,000,000**	
EUR	EUR	30,000,000	7	1,10%	01-02-2019	40,000,000	07-02-2026
EUR	EUR	25,000,000	15	1,25%	26-11-2019	25,000,000	26-11-2034
Total	**EUR**	**55,000,000**				**65,000,000**	
AUD	AUD	22,000,000	15	3,66%	20-05-2019	22,000,000	20-05-2034
AUD	AUD	20,000,000	5	1,13%	11-07-2019	20,000,000	11-07-2024
AUD	AUD	28,000,000	5	1,13%	17-07-2019	28,000,000	17-07-2024
AUD	AUD	15,000,000	5	1,13%	17-07-2019	15,000,000	17-07-2024
AUD	AUD	75,000,000	20	3,05%	30-08-2019	75,000,000	28-02-2039
AUD	AUD	12,000,000	15	3,16%	12-11-2019	12,000,000	20-11-2034
AUD	AUD	13,000,000	15	2,91%	21-11-2019	13,000,000	27-11-2034
Total AUD		**185,000,000**				**185,000,000**	
CHF	CHF	150,000,000	5 y 6 months	0,38%	12-03-2019	150,000,000	27-09-2024
CHF	CHF	100,000,000	10	0,14%	29-08-2019	100,000,000	29-08-2029
Total	**CHF**	**250,000,000**				**250,000,000**	

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2019 the Bank repurchased the following bonds:

Date	Type	Currency	Amount
12-02-2019	Senior	CLP	10,000,000,000
14-02-2019	Senior	CLP	30,000,000,000
19-02-2019	Senior	CLP	4,200,000,000
22-02-2019	Senior	CLP	14,240,000,000
22-02-2019	Senior	CLP	30,000,000
22-02-2019	Senior	CLP	10,000,000
01-03-2019	Senior	CLP	11,800,000,000
04-03-2019	Senior	CLP	40,080,000,000
05-03-2019	Senior	CLP	20,000,000,000
15-03-2019	Senior	UF	156,000
19-03-2019	Senior	UF	418,000
20-03-2019	Senior	CLP	6,710,000,000
20-03-2019	Senior	UF	154,000
21-03-2019	Senior	UF	100,000
25-03-2019	Senior	UF	100,000
26-03-2019	Senior	UF	90,000
08-04-2019	Senior	CLP	3,950,000,000
10-04-2019	Senior	UF	409,000
16-04-2019	Senior	UF	55,000
17-04-2019	Senior	CLP	130,000,000
18-04-2019	Senior	CLP	330,000,000
16-05-2019	Senior	CLP	14,880,000,000
16-05-2019	Senior	UF	9,000
13-06-2019	Senior	UF	1,000
01-10-2019	Senior	CLP	10,960,000,000
02-10-2019	Senior	CLP	100,000,000
04-10-2019	Senior	CLP	60,000,000
05-11-2019	Senior	CLP	15,220,000,000
07-11-2019	Senior	CLP	3,620,000,000
13-11-2019	Senior	CLP	5,320,000,000
14-11-2019	Senior	UF	2,977,000
28-11-2019	Senior	UF	340,000
02-12-2019	Senior	UF	105,000

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2018 the Bank has placed bonds for UF 23,000,000, CLP 225,000,000,000, USD 70,000,000, EUR 66,000,000, AUD 20,000,000, CHF 115,000,000, y en JPY 7,000,000,000, detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate (Annual)	Issue date	Amount	Maturity date
T1	UF	4,000,000	2	2,20%	01-02-2016	7,000,000	01-02-2020
T4	UF	4,000,000	3	2,35%	01-02-2016	8,000,000	01-08-2021
T11	UF	5,000,000	7	2,65%	01-02-2016	5,000,000	01-02-2025
T12	UF	5,000,000	7	2,70%	01-02-2016	5,000,000	01-08-2025
T15	UF	5,000,000	11	3,00%	01-02-2016	5,000,000	01-08-2028
Total	**UF**	**23,000,000**				**30,000,000**	
P5	CLP	75,000,000,000	4	5,30%	05-03-2015	150,000,000,000	01-03-2022
U4	CLP	75,000,000,000	3 y 4 months	ICP + 1,00%	10-01-2017	75,000,000,000	10-01-2022
U3	CLP	75,000,000,000	2 y 7 months	ICP + 1,00%	11-06-2018	75,000,000,000	11-06-2021
Total	**CLP**	**225,000,000,000**				**300,000,000,000**	
USD	USD	50,000,000	10	4,17%	10-10-2018	50,000,000	10-10-2028
USD	USD	20,000,000	2	0,03%	16-11-2018	20,000,000	16-11-2020
Total	**USD**	**70,000,000**				**70,000,000**	
EUR	EUR	26,000,000	7	1,00%	04-05-2018	26,000,000	28-05-2025
EUR	EUR	40,000,000	12	1,78%	07-06-2018	40,000,000	15-06-2030
Total	**EUR**	**66,000,000**				**66,000,000**	
AUD	AUD	20,000,000	5	3,56%	13-11-2018	20,000,000	13-11-2023
Total	**AUD**	**20,000,000**				**20,000,000**	
CHF	CHF	115,000,000	5 y 3 months	0,44%	21-09-2018	115,000,000	21-12-2023
Total	**CHF**	**115,000,000**				**115,000,000**	
JPY	JPY	4,000,000,000	10 y 6 months	0,65%	13-07-2018	4,000,000,000	13-01-2029
JPY	JPY	3,000,000,000	5	56,00%	30-10-2018	3,000,000,000	30-10-2023
Total	**JPY**	**7,000,000,000**				**7,000,000,000**	

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2018, the Bank repurchased the following bonds:

Date	Type	Currency	Amount
04-01-2018	Senior	CLP	12,890,000,000
04-01-2018	Senior	CLP	4,600,000,000
22-01-2018	Senior	UF	24,000
05-04-2018	Senior	UF	484,000
06-04-2018	Senior	UF	184,000
23-04-2018	Senior	UF	216,000
24-04-2018	Senior	UF	4,000
25-04-2018	Senior	UF	262,000
10-05-2018	Senior	UF	800,000
07-06-2018	Senior	USD	3,090,000
11-12-2018	Senior	USD	250,000,000

ii, Maturities of senior bonds are as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Due within 1 year	2,078,202	844,898
Due after 1 year but within 2 years	1,147,825	1,331,255
Due after 2 years but within 3 years	1,221,393	1,073,847
Due after 3 years but within 4 years	742,338	1,104,547
Due after 4 years but within 5 years	1,278,746	421,918
Due after 5 years	2,105,809	2,422,400
Total senior bonds	**8,574,213**	**7,198,865**

c) Mortgage bonds

Detail of mortgage bonds per currency is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Mortgage bonds in UF	89,924	94,921
Total mortgage bonds	**89,924**	**94,921**

i, Placement of Mortgage bonds

During 2019 and 2018, the Bank has not placed any mortgage bonds,

NOTE 19
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

ii, Maturities of mortgage bonds is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Due within 1 year	5,137	4,833
Due after 1 year but within 2 years	8,248	7,758
Due after 2 years but within 3 years	8,514	8,008
Due after 3 years but within 4 years	8,788	8,267
Due after 4 years but within 5 years	9,072	8,534
Due after 5 years	50,165	57,521
Total mortgage bonds	**89,924**	**94,921**

d) Subordinated bonds

Detail of subordinated bonds per currency is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Subordinated bonds denominated in Ch$	-	1
Subordinated bonds denominated in USD	-	-
Subordinated bonds denominated in UF	818,084	795,956
Total subordinated bonds	**818,084**	**795,957**

i, Placement of subordinated bonds

During 2019 and 2018, the Bank has not placed any mortgage bonds,

The maturity of subordinated bonds considered long-term is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Due within 1 year	-	1
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	818,084	795,956
Total subordinated bonds	**818,084**	**795,957**

NOTE 19
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 December 31	
	2019	**2018**
	MCh$	**MCh$**
Non-current portion:		
Due after 1 year but within 2 years	40	9,221
Due after 2 year but within 3 years	43	40
Due after 3 year but within 4 years	47	44
Due after 4 year but within 5 years	52	48
Due after 5 years	143	176
Non-current portion subtotal	**325**	**9,529**
Current portion:		
Amounts due to credit card operators	151,984	172,425
Acceptance of letters of credit	5,709	2,894
Other long-term financial obligations, short-term portion	68,340	30,552
Current portion subtotal	**226.033**	**205.871**
Total other financial liabilities	**226,358**	**215,400**

NOTE 20
MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2019 and 2018, the detail of the maturities of assets and liabilities is as follows:

As of December 31, 2019	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	3,554,520	-	-	-	**3,554,520**	-	-	-	**-**	**3,554,520**
Cash items in process of collection	355,062	-	-	-	**355,062**	-	-	-	**-**	**355,062**
Trading investments	-	38,644	-	645	**39,289**	181,705	37,659	11,551	**230,915**	**270,204**
Investments under resale agreements	-	-	-	-	**-**	-	-	-	**-**	**-**
Financial derivatives contracts	-	371,775	400,196	1,543,446	**2,315,417**	1,383,493	1,346,329	3,103,369	**5,833,191**	**8,148,608**
Interbank loans (1)	-	13,647	919	286	**14,852**	-	-	-	**-**	**14,852**
Loans and accounts receivables from customers (2)	315,191	2,958,221	2,408,280	5,658,557	**11,340,249**	6,004,493	3,610,620	11,761,521	**21,376,634**	**32,716,883**
Available for sale investments	-	1,131,500	3,752	52,130	**1,187,382**	508,596	725,419	1,588,875	**2,822,890**	**4,010,272**
Held to maturity investments	-	-	-	-	**-**	-	-	-	**-**	**-**
Guarantee deposits (margin accounts)	314,616	-	-	-	**314,616**	-	-	-	**-**	**314,616**
Total financial assets	**4,539,389**	**4,513,787**	**2,813,147**	**7,255,064**	**19,121,387**	**8,078,287**	**5,720,027**	**16,465,316**	**30,263,630**	**49,385,017**
Financial Liabilities										
Deposits and other demand liabilities	10,297,432	-	-	-	**10,297,432**	-	-	-	-	**10,297,432**
Cash items in process of collection	198,248	-	-	-	**198,248**	-	-	-	**-**	**198,248**
Obligations under repurchase agreements	-	380,055	-	-	**380,055**	-	-	-	**-**	**380,055**
Time deposits and other time liabilities	142,273	5,184,567	4,905,414	2,417,703	**12,649,957**	357,856	163,121	21,883	**542,860**	**13,192,817**
Financial derivatives contracts	-	422,749	427,825	951,684	**1,802,258**	1,253,280	1,180,948	3,154,168	**5,588,396**	**7,390,654**
Interbank borrowings	94	363,560	624,167	1,141,824	**2,129,645**	387,936	2,237	-	**390,176**	**2,519,818**
Issued debts instruments	-	285,159	759,519	1,044,674	**2,089,352**	2,394,850	2,042,291	2,974,229	**7,411,371**	**9,500,723**
Other financial liabilities	161,021	5,155	30,969	28,888	**226,033**	83	99	143	**325**	**226,358**
Obligations for lease agreements	-	-	-	26,601	**26,601**	45,978	36,393	50,062	**132,433**	**158,494**
Guarantees received (margin accounts)	994,714	-	-	-	**994,714**	-	-	-	-	**994,714**
Total financial liabilities	**11,793,782**	**6,641,245**	**6,747,894**	**5,610,834**	**30,793,755**	**4,439,983**	**3,425,089**	**6,200,485**	**14,065,558**	**44,859,313**

(1) Interbank loans are presented on a gross basis, The amount of allowances is Ch$19 million,

(2) Loans and accounts receivables from customers are presented on a gross basis, Provisions amounts according to type of loan are detailed as follows: Commercial loans Ch$512,442 million, Mortgage loans Ch$68,461 million, Consumer loans Ch$312,245 million,

NOTE 20
MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2018	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	2,065,441	-	-	-	**2,065,441**	-	-	-	**-**	**2,065,441**
Cash items in process of collection	353,757	-	-	-	**353,757**	-	-	-	**-**	**353,757**
Trading investments	-	1,064	-	11,642	**12,706**	16,331	20,080	27,924	**64,335**	**77,041**
Investments under resale agreements	-	-	-	-	**-**	-	-	-	**-**	**-**
Financial derivatives contracts	-	111,268	128,024	543,722	**783,014**	723,622	552,133	1,041,866	**2,317,621**	**3,100,635**
Interbank loans (1)	-	9,427	3,220	2,447	**15,094**	-	-	-	**-**	**15,094**
Loans and accounts receivables from customers (2)	238,213	3,285,576	2,320,222	4,946,887	**10,790,898**	5,474,289	3,236,349	10,765,393	**19,476,031**	**30,266,929**
Available for sale investments	-	2,391,329	-	1	**2,391,330**	86	-	2,907	**2,993**	**2,394,323**
Held to maturity investments	-	-	-	-	**-**	-	-	-	**-**	**-**
Guarantee deposits (margin accounts)	170,232	-	-	-	**170,232**	-	-	-	**-**	**170,232**
Total assets	**2,827,643**	**5,798,664**	**2,451,466**	**5,504,699**	**16,582,472**	**6,214,328**	**3,808,562**	**11,838,090**	**21,860,980**	**38,443,452**
Liabilities										
Deposits and other demand liabilities	8,741,417	-	-	-	**8,741,417**	-	-	-	**-**	**8,741,417**
Cash items in process of collection	163,043	-	-	-	**163,043**	-	-	-	**-**	**163,043**
Obligations under repurchase agreements	-	48,545	-	-	**48,545**	-	-	-	**-**	**48,545**
Time deposits and other time liabilities	122,974	5,248,418	4,108,556	3,326,199	**12,806,147**	191,547	6,137	63,988	**261,672**	**13,067,819**
Financial derivatives contracts	-	131,378	120,361	349,551	**601,290**	495,789	471,185	949,464	**1,916,438**	**2,517,728**
Interbank borrowings	39,378	16,310	404,575	1,188,692	**1,648,955**	139,671	-	-	**139,671**	**1,788,626**
Issued debts instruments	-	71,465	39,267	745,830	**856,562**	2,431,849	1,549,743	3,277,079	**7,258,671**	**8,115,233**
Other financial liabilities	179,681	934	2,412	22,844	**205,871**	9,261	92	176	**9,529**	**215,400**
Guarantees received (margin accounts)	540,091	-	-	-	**540,091**	-	-	-	**-**	**540,091**
Total liabilities	**9,786,584**	**5,517,050**	**4,675,171**	**5,633,116**	**25,611,921**	**3,268,117**	**2,027,157**	**4,290,707**	**9,585,981**	**35,197,902**

(1) Interbank loans are presented on a gross basis, The amount of allowances is Ch$86 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$462,865 million, Mortgage loans Ch$69,066 million, Consumer loans Ch$283,756 million,

NOTE 21
PROVISIONS

a) As of December 31, 2019 and 2018, the detail for the provisions is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Provision for employee salaries and expenses	101,223	93,379
Provision for mandatory dividends	165,628	177,571
Provision for contingent loan risks:		
Provision for lines of credit of immediate disponibility	21,411	14,666
Other provisions for contingent loans	17,195	14,741
Provision for contingencies	15,388	8,963
Provision additional	16,000	20,000
Provision for foreign bank loans	552	620
Total	**337,397**	**329,940**

b) Below is the activity regarding provisions during the year ended December 31, 2019 and 2018:

	Provision						
	Benefits and remuneration s to the staff MCh$	**Minimum dividends MCh$**	**Risk of credits quotas MCh$**	**Contingent MCh$**	**Additional MCh$**	**Risk country MCh$**	**Total MCh$**
Balances as of January 1, 2019	**93,379**	**177,571**	**29,407**	**8,963**	**20,000**	**620**	**329,940**
Provision established	78,316	165,628	15,879	27,975	16,000	398	**304,196**
Application of provisions	(70,385)	(177,571)	-	(155)	-	-	**(248,111)**
Provisions relased	(552)	-	(6,680)	(21,395)	(20,000)	(466)	**(49,093)**
Reclasification	-	-	-	-	-	-	**-**
Other	465	-	-	-	-	-	**465**
Balances as of December 31, 2019	**101,223**	**165,628**	**38,606**	**15,388**	**16,000**	**552**	**337,397**
Balances as of January 1, 2018	**97,576**	**169,444**	**29,407**	**27,303**	**-**	**599**	**324,329**
Provision established	80,912	177,571	5,011	19,447	20,000	200	**303,141**
Application of provisions	(72,975)	(169,444)	-	(4,431)	-	-	**(246,850)**
Provisions relased	(3,195)	-	(5,011)	(33,356)	-	(179)	**(41,741)**
Reclasification	-	-	-	-	-	-	**-**
Other	(8,939)	-	-	-	-	-	**(8,939)**
Balances as of December 31, 2018	**93,379**	**177,571**	**29,407**	**8,963**	**20,000**	**620**	**329,940**

NOTE 21
PROVISIONS, continued

c) Provisions for personal salaries and expenses

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Provision for seniority compensation	6,797	9,531
Provision for stock-based personal benefits	-	-
Provision for performance bonds	68,595	59,633
Provision for vacation	23,864	22,792
Provision for other personal benefits	1,967	1,423
Total	**101,223**	**93,379**

d) Compensation year of services

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Balances as of January, 2018	**9,531**	**17,874**
Increase in the provision	3,782	10,753
Payments made	(6,435)	(8,414)
Advance payments	-	-
Released of provisions	(84)	(2,858)
Other movements	3	(7,824)
Total	**6,797**	**9,531**

e) Movement of the provision for compliance bonds:

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Balances as of January 1, 2018	**59,633**	**53,947**
Provisions constituted	61,808	58,229
Provisioning application	(52,839)	(51,954)
Release of provisions	(468)	(337)
Other movements	461	(252)
Total	**68,595**	**59,633**

f) Movement of holyday provition

	As of December 31, 2019 MCh$	As of December 31, 2018 MCh$
Balances as of January 1, 2018	**22,792**	**23,039**
Provisions constituted	11,644	11,167
Provisioning application	(10,572)	(10,551)
Release of provisions	-	-
Other movements	-	(863)
Total	**23,864**	**22,792**

NOTE 22
OTHER LIABILITIES

Other liabilities consist of:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Accounts and notes payable	214,216	163,216
Income received in advance	640	673
Valuation Adjustments by macrohedge	-	7,039
Guarantees received (margin accounts) (1)	994,714	540,091
Notes payable through brokerage and simultaneous transactions (2)	1,418,340	50,807
Other payable obligations	61,555	94,779
Withheld VAT	8,147	1,990
Accounts payable by insurance companies	9,510	8,424
Other liabilities	99,203	33,389
Total	**2,806,325**	**900,408**

(1) Guarantee deposits thershold (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.

(2) In December 2019, Santander Corredora de Bolsa acted as an intermediary in the public offering of shares held between Latam and Delta, which was passed to the shareholders on January 3, 2020.

NOTE 23
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 December 31, 2019, the Banks and its subsidiaries have provisions for this item of Ch$1,274 million (Ch$923 million as of December 31, 2018) which is included in "Provisions" in the Consolidated Statement of Financial Position as provisions for contingencies.

As of December 31, 2019, the following legal situations are pending:

Santander Corredores de Bolsa Limitada

Judgment "Echeverría with Santander Corredora" (currently Santander Corredores de Bolsa Ltda,), followed before the 21st Civil Court of Santiago, Case C-21,366-2014, on compensation for damages for faults in the purchase of shares, With regard to its actual situation as of December 31, 2019, Santander Corredores de Bolsa Limitada requested the Court to declare the proceeding abandoned due to the pending actions of the plaintiff, a situation that is pending for the Court to resolve.

Santander Corredora de Seguros Limitada

There are lawsuits amounting to 15,947,44 corresponding to processes mainly for goods delivered in leasing, Our lawyers have not estimated additional material losses for these trials.

Santander Consumer Chile S.A.

Trial "Salgado con Santander Consumer Chile S.A.", followed by the 3rd Civil Court of Santiago, Role C-35865-2018, on the Prescription of promissory notes, the amount of the claim is for $ 11,270,414.

"Hawas con Santander Consumer Chile S.A." trial, followed by the 30th Civil Court of Santiago, Role C-890-2019, on Compensation for damages, the amount of the claim is for $ 55,000,000.

Judgment "Morales con Santander Consumer Chile S.A.", followed before the 5th Local Police Court of Santiago, Role 21.309-M-2018, on Violation of Law No. 19.496.

b) Contingent loans

To meet customer needs, the Bank acquired several irrevocable commitments and contingent liabilities, although these obligations should not be recognized in the Consolidated Statement of Financial Position, these contain credit risks and are therefore part of the Bank's overall risk.

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

	As of December 31,	
	2019 MCh$	**2018 MCh$**
Letters of credit issued	140,572	223,420
Foreign letters of credit confirmed	70,192	57,038
Performance guarantees	1,929,894	1,954,205
Personal guarantees	451,950	133,623
Subtotal	**2,592,608**	**2,368,286**
Available on demand credit lines	8,732,422	8,997,650
Other irrevocable credit commitments	485,991	327,297
Total	**11,811,021**	**11,693,223**

NOTE 23
CONTINGENCIES AND COMMITMENTS, continued

c) Held securities

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

	As of December 31,	
	2019 MCh$	**2018 MCh$**
Third party operations		
Collections	90,966	99,784
Transferred financial assets managed by the Bank	21,507	26,262
Assets from third parties managed by the Bank and its affiliates	1,592,845	1,630,431
Subtotal	**1,705,318**	**1,756,477**
Custody of securities		
Securities held in custody	9,731,894	11,160,488
Securities held in custody deposited in other entity	1,206,541	861,405
Issued securities held in custody	21,636,819	12,335,871
Subtotal	**32,575,254**	**24,357,764**
Total	**34,280,572**	**26,114,241**

During 2019, 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 December 2019, the balance for this was Ch$1,592,810 million (Ch$1,630,396 million at December 31, 2018),

d) Guarantees

Banco Santander Chile has an integral bank policy of coverage of Official Loyalty N°5014196 in force with the company Compañía de Seguros Chilena Consolidada SA, Coverage USD 50,000,000 per claim with an annual limit of USD 100,000,000, which covers both the Bank and its subsidiaries, with an expiration date of June 30, 2020.

Santander Asesorias Financieras Limitada

In order to ensure the correct and full compliance of all its obligations as securities agent in accordance with the provisions of articles N° 30 and following of Law N° 18,045, on Stock Market, the company constituted a guarantee for UF4,000 with insurance policy N°217112981- taken with the Insurance Company of Crédito Continental SA and whose maturity is December 19, 2020.

Santander Corredores de Bolsa Limitada

i) As of December 31, 2019 the Company has comprehensive guarantees in the Santiago Stock Exchange to cover simultaneous operations carried out through its own portfolio, for a total of Ch$ 6,360 (Ch$ 20,509 as of December 31, 2018).

ii) Additionally, as of December 31, 2019, the Company holds a guarantee in CCLV Contraparte Central S,A,, in cash, for an amount of MCh$9,300 (MCh$ 5,000 as of December 31, 2018).

iii) In order to ensure the correct and full compliance of all its obligations as Brokerage Broker, in accordance with the provisions of articles 30 and following of Law N°18,045 on Securities Market, the Company has delivered fixed-income securities to the Santiago Stock Exchange for a present value of MCh$1,010 as of December 31, 2019 (MCh$ 1,015 as of December 31, 2018).

iv) As of December 31, 2019, the company has a guarantee for equity loans in the amount of $ 3,542 million ($ 5,960 million as of December 31, 2018).

v) As of December 31, 2018, the Company has a guarantee voucher N° B013383 from Banco Santander Chile to comply with the provisions of general rule N° 120 of the Commission for the Financial Market (Ex-SVS) with respect to the placement, transfer and redemption of the Morgan Stanley funds in the amount of USD $ 300,000, which covers the participants who acquire quotas of foreign open funds Morgan Stanley Sicav and whose maturity is 21 February 2020.

NOTE 23
CONTINGENCIES AND COMMITMENTS, continued

Santander Corredora de Seguros Limitada

i) In accordance with those established in Circular N° 1,160 of the Superintendency of Securities and Insurance, the company has contracted an insurance policy to respond to the correct and full compliance with all obligations arising from its operations as an intermediary in the hiring insurance.

ii) The insurance policy for insurance brokers N ° 4790718, which covers UF 500, and the professional liability policy for insurance brokers N° 4790716 for an amount equivalent to UF 60,000, were contracted with the Compañía de Seguros Generales Chilena Consolidada S,A, both are valid from April 15, 2019 to April 15, 2020.

iii) The Company maintains a guarantee slip with Banco Santander Chile to guarantee the faithful fulfillment of the public bidding rules of the tax and deductibility insurance plus ITP 2/3 of the mortgage portfolio for the housing of Banco Santander Chile, The amount amounts to UF 10,000 for each portfolio respectively, both with an expiration date as of July 31, 2021. For the same reason, the Company maintains a guarantee voucher in compliance with the public tender for fire and earthquake insurance, the amount of which amounts to UF 200 and UF 10,000 with the same financial institution, both with an expiration date as of December 31, 2020.

NOTE 24
EQUITY

a) Capital

As of December 31, 2019 and 2018 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 2019 and 2018 is as follows:

	Shares As of December 31,	
	2019	**2018**
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 December 31, 2019 and 2018 the Bank does not own any of its shares in treasury, nor do any of the consolidated companies,

As of December 31, 2019 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	-	24,822,041,271	24,822,041,271	13,17
Banks on behalf of third parties	15,957,137,883	-	15,957,137,883	8,47
Pension funds (AFP) on behalf of third parties	9,995,705,956	-	9,995,705,956	5,30
Stock brokers on behalf of third parties	5,551,024,270	-	5,551,024,270	2,95
Other minority holders	5,527,216,146	-	5,527,216,146	2,93
Total	**163,624,085,523**	**24,822,041,271**	**188,446,126,794**	**100,00**

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

NOTE 24
EQUITY, continued

As of December 31, 2018 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	-	26,486,000,071	26,486,000,071	14,05
Banks on behalf of third parties	15,451,106,985	-	15,451,106,985	8,20
Pension fund (AFP) on behalf of third parties	9,033,172,896	-	9,033,172,896	4,79
Stock brokers on behalf of third parties	4,773,558,507	-	4,773,558,507	2,53
Other minority holders	6,109,287,067	-	6,109,287,067	3,25
Total	**161,960,126,723**	**26,486,000,071**	**188,446,126,794**	**100,00**

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

b) Reserves

During 2019, on the Shareholders Meeting held in April, it is agreed to capitalize on reserves 40% of retained earnings from previous years, equivalent to $236,761 million ($141,204 million in the year 2018, 25% of retained earnings from previous years). As a result of the purchase of Santander Consumer S.A., the Bank has recorded negative equity effect of MCh$38,635, since the Bank apply “predecessor accounting method”, and the difference between the consideration transferred and the acquired net asset is recorded in equity, within reserves. Note 3.

c) Dividends

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

d) Diluted earnings per share and basic earnings per share

As of December 31, 2019 and 2018, the composition of diluted earnings per share and basic earnings per share are as follows:

	As of December 31,	
	2019 MCh$	2018 MCh$
a) Basic earnings per share		
Total attributable to equity holders of the Bank	552,093	591,902
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch$)	2,930	3,141
Basic earnings per share from continuing operations (in Ch$)	2,921	3,121
b) Diluted earnings per share		
Total attributable to equity holders of the Bank	552,093	591,902
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Assumed conversion of convertible debt	-	-
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch$)	2,930	3,141
Basic earnings per share from continuing operations (in Ch$)	2,921	3,121

As of December 31, 2019 and 2018, the Bank does not own instruments with dilutive effects.

NOTE 24
EQUITY, continued

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

	As of December 31,	
	2019 MCh$	2018 MCh$
Available for sale investments		
As of January 1,	**6,424**	**1,855**
Gain (losses) on the re-valuation of available for sale investments, before tax	(16,023)	6,071
Reclassification from other comprehensive income to net income for the year	-	-
Net income realized	39,997	(1,502)
Subtotal	**23,974**	**4,569**
Total	**30,398**	**6,424**
Cash flow hedges		
As of January 1,	**9,803**	**(3,562)**
Gains (losses) on the re-valuation of cash flow hedges, before tax	(49,163)	14,048
Reclassification and adjustments on cash flow hedges, before tax	(1,075)	(683)
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	**(50,238)**	**13,365**
Total	**(40,435)**	**9,803**
Other comprehensive income, before tax	**(10,037)**	**16,227**
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	(8,208)	(1,735)
Income tax relating to cash flow hedges	10,919	(2,646)
Total	**2,711**	**(4,381)**
Other comprehensive income, net of tax	**(7,326)**	**11,846**
Attributable to:		
Equity holders of the Bank	(8,093)	(10,890)
Non-controlling interest	767	956

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 24
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 FMC 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 FMC's Recopilación Actualizada de Normas [Updated Compilation of Rules] effective January 2010, the FMC 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%

NOTE 25
CAPITAL REQUIREMENTS (BASEL), continued

The levels of basic capital and effective net equity as of December 31, 2019 and 2018, are as follows:

	Consolidated assets		Risk-weighted assets	
	As of December 31,		As of December 31,	
	2019 MCh$	2018 MCh$	2019 MCh$	2018 MCh$
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	3,554,520	2,065,441	-	-
Cash in process of collection	355,062	353,757	112,948	105,421
Trading investments	270,204	77,041	26,825	10,704
Investments under resale agreements	-	-	-	-
Financial derivative contracts (*)	1,355,786	1,226,892	964,623	868,578
Interbank loans, net	14,833	15,065	14,833	15,064
Loans and accounts receivables from customers, net	31,823,735	29,470,370	27,316,050	25,403,426
Available for sale investments	4,010,272	2,394,323	258,958	172,859
Investments in associates and other companies	10,467	32,293	10,467	32,293
Intangible assets	73,389	66,923	73,389	66,923
Property, plant, and equipment	197,833	253,586	197,833	253,586
Current taxes	11,648	-	1,165	-
Deferred taxes	462,867	382,934	46,287	38,293
Other assets	1,434,308	984,988	1,421,361	983,299
Off-balance-sheet assets				
Contingent loans	4,938,194	4,624,073	2,823,713	2,649,730
Total	**48,723,618**	**41,947,686**	**33,478,952**	**30,600,176**

(*)"Financial derivative contracts" are presented at their "Credit Equivalent Risk" value as established in Chapter 12-1 of the Updated Compilation of Rules issued by the CMF.

	Ratio			
	As of December 31,		As of December 31,	
	2019 MCh$	2018 MCh$	2019 %	2018 %
Basic capital	3,390,823	3,239,546	6.96%	7.72
Effective net equity	4,304,401	4,101,664	12.86%	13.40

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

NOTE 26
NON-CONTROLLING INTEREST

a) It reflects the net amount of equity of dependent entities attributable to capital instruments which do not belong, directly or indirectly, to the Bank, including the portion of the income for the period that has been attributed to them.

The non-controlling interest included in the equity and the income from the subsidiaries is summarized as follows:

As of December 31, 2019	Non-controlling interest	Equity	Income	Other comprehensive income			
				Available for sale investments	Deferred tax	Total other comprehensive income	Comprehensive income
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	178	6	1	-	1	7
Santander Corredores de Bolsa Limitada	49.41	22,301	625	(261)	71	(190)	435
Santander Asesorias Financieras Limitada (*)	0.97	498	9	-	-	-	9
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Klare Corredora de Seguros S.A.	49.90	3,782	(503)	-	-	-	(503)
Santander Consumer Chile S.A. (**)	49.00	24,425	1,405	-	-	-	1,405
Subtotal		**51,186**	**1,542**	**(260)**	**71**	**(189)**	**1,353**
Entities controlled through other considerations:							
Santander Gestion de Recaudacion y Cobranzas Limitadas	100.00	3,777	1,031	-	-	-	1,031
Bansa Santander S.A.	100.00	20,051	(486)	-	-	-	(486)
Multiplica Spa	100.00	4,480	(4)	-	-	-	(4)
Subtotal		**28,308**	**541**	**-**	**-**	**-**	**541**
Total		**79,494**	**2,083**	**(260)**	**71**	**(189)**	**1,894**

(1) Ex Santander Agente de Valores Limitada.
(2) On November27, 2019, the Bank acquired the 51% of Santander Consumer S.A., the remaining 49% is accounted as non-controlling interest.

As of December 31, 2018	Non-controlling interest	Equity	Income	Other comprehensive income			
				Available for sale investments	Deferred tax	Total other comprehensive income	Comprehensive income
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	172	4	(2)	-	(2)	2
hugoSantander Corredores de Bolsa Limitada	49.41	21,673	755	(84)	2	(82)	673
Santander Agente de Valores Limitada	0.97	488	99	-	-	-	99
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Subtotal		**22,335**	**858**	**(86)**	**2**	**(84)**	**774**
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100,00	3,777	852	-	-	-	852
Bansa Santander S.A. (1)	100,00	20,051	2,650	-	-	-	2,650
Subtotal		**23,828**	**3,502**	**-**	**-**	**-**	**3,502**
Total		**46,163**	**4,360**	**(86)**	**2**	**(84)**	**4,276**

(1) In December 2018, the company Bansa Santander S.A., held a legal assignment of rights by leasing contract, which resulted in a result of $ 2,122 million before taxes ($20,663 million net of taxes).

NOTE 26
NON-CONTROLLING INTEREST, continued

b) A summary of the financial information of subsidiaries included in the consolidation with non-controlling interests (before consolidation or conforming adjustments) is as follows:

	As of December 31,							
	2019				2018			
	Assets	Liabilities	Capital	Net Income	Assets	Liabilities	Capital	Net Income
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Santander Corredora de Seguros Limitada	82,918	12,372	68,159	2,387	77,764	9,595	66,374	1,795
Santander Corredores de Bolsa Limitada	1,479,974	1,434,843	43,866	1,265	102,228	57,999	42,691	1,538
Santander Asesorias Financieras Limitada (*)	51,505	51	50,481	973	50,552	71	40,177	10,304
Santander S.A. Sociedad Securitizadora	636	88	639	(91)	704	66	728	(90)
Klare Corredora de Seguros S.A.	8,303	724	8,586	(1,007)	-	-	-	-
Santander Consumer Chile S.A.	505,059	452,528	39,951	12,580	-	-	-	-
Santander Gestión de Recaudación y Cobranzas Limitada	8,200	3,392	3,777	1,031	6,932	3,155	2,925	852
Bansa Santander S.A.	87,607	68,042	20,051	(486)	20,437	386	17,401	2,650
Multiplica Spa	4,480	4	4,480	(4)	-	-	-	-
Total	**2,228,682**	**1,972,044**	**239,990**	**16,648**	**258,617**	**71,272**	**170,296**	**17,049**

NOTE 27
INTEREST INCOME

This item refers to interest earned in the period from the financial assets whose return, whether implicitly or explicitly, is determined by applying the effective interest rate method, regardless of the value at fair value, as well as the effect of hedge accounting,

a) For the periods ended December 31, 2019 and 2018, the income from interest income, not including income from hedge accounting, is attributable to the following items:

	As of December 31,							
	2019				2018			
Items	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$
Resale agreements	718	-	-	**718**	903	-	-	**903**
Interbank loans	1,263	-	-	**1,263**	897	-	-	**897**
Commercial loans	780,284	160,462	16,478	**957,224**	771,405	153,851	11,008	**936,264**
Mortgage loans	349,663	283,820	455	**633,938**	330,055	266,691	909	**597,655**
Consumer loans	593,592	384	8,107	**602,083**	579,929	439	6,166	**586,534**
Investment instruments	71,150	26,169	-	**97,319**	75,423	24,790	-	**100,213**
Other interest income	18,387	3,592	-	**21,979**	16,644	4,013	-	**20,657**
Interest income less income from hedge accounting	**1,815,057**	**474,427**	**25,040**	**2,314,524**	**1,775,256**	**449,784**	**18,083**	**2,243,123**

b) As indicated in section i) of Note 1, suspended interest relates to loans with payments over 90 days overdue, which are recorded in off-balance sheet accounts until they are effectively received.

As of December 31, 2019 and 2018, the suspended interest and adjustments income consists of the following:

	As of December 31,					
	2019			2018		
Items	Interest MCh$	Inflation adjustments MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Total MCh$
Commercial loans	13,675	9,248	**22,923**	13,453	8,904	**22,357**
Mortgage loans	3,729	284	**4,013**	3,030	6,304	**9,334**
Consumer loans	4,238	7,439	**11,677**	4,172	333	**4,505**
Total	**21,642**	**16,971**	**38,613**	**20,655**	**15,541**	**36,196**

NOTE 27
INTEREST INCOME, continued

c) For the period ended December 31, 2019 and 2018, the expenses from interest expense, excluding expense from hedge accounting, are as follows:

	As of December 31,					
	2019			2018		
Items	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation adjustments MCh$**	**Total MCh$**
Demand deposits	(14,018)	(1,508)	**(15,526)**	(14,914)	(1,371)	**(16,285)**
Repurchase agreements	(9,710)	-	**(9,710)**	(6,439)	-	**(6,439)**
Time deposits and liabilities	(335,307)	(27,172)	**(362,479)**	(317,061)	(35,284)	**(352,345)**
Interbank borrowings	(50,354)	-	**(50,354)**	(39,971)	-	**(39,971)**
Issued debt instruments	(250,512)	(145,487)	**(395,999)**	(241,455)	(133,227)	**(374,682)**
Other financial liabilities	(1,310)	(33)	**(1,343)**	(2,698)	(110)	**(2,808)**
Other interest expense	(2,965)	-	**(2,965)**	(6,929)	(10,497)	**(17,426)**
Interest expense less expenses from hedge accounting	**(16,651)**	**(11,300)**	**(27,951)**	**(629,467)**	**(180,489)**	**(809,956)**

d) For the periods ended December 31, 2019 and 2018, the income and expense from interest is as follows:

	As of December 31,	
Items	**2019 MCh$**	**2018 MCh$**
Interest income less income from hedge accounting	2,314,524	2,243,123
Interest expense less expense from hedge accounting	(866,327)	(809,956)
Net Interest income (expense) from hedge accounting	**1,448,197**	**1,433,167**
Hedge accounting (net)	(31,346)	(18,799)
Total net interest income	**1,416,851**	**1,414,368**

NOTE 28
FEES AND COMMISSIONS

a) Fees and commissions includes the value of fees earned and paid during the year, except those which are an integral part of the financial instrument`s effective interest rate:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Fee and commission income		
Fees and commissions for lines of credits and overdrafts	10,315	6,624
Fees and commissions for guarantees and letters of credit	35,039	33,654
Fees and commissions for card services	225,702	218,903
Fees and commissions for management of accounts	35,949	33,865
Fees and commissions for collections and payments	33,355	40,077
Fees and commissions for intermediation and management of securities	10,154	10,147
Insurance brokerage fees	49,664	39,949
Office banking	13,655	15,921
Fees for other services rendered	47,331	45,633
Other fees earned	37,494	39,690
Total	**498,658**	**484,463**

	As of December 31,	
	2019	2018
	MCh$	MCh$
Fee and commission expense		
Compensation for card operations	(171,513)	(163,794)
Fees and commissions for securities transactions	(1,001)	(936)
Office banking	(1,860)	(4,096)
Other fees	(37,198)	(24,752)
Total	**(211,572)**	**(193,578)**
Net fees and commissions income	**287,086**	**290,885**

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

NOTE 28
FEES AND COMMISSIONS

b) The income and expenses for the commissions of the business segments are presented below and the calendar for the recognition of income from ordinary activities is opened.

As of December 31, 2019	Segments					Revenue recognition calendar for ordinary activities		
	Individuals and PYMEs MM$	Companies and institutional MM$	Global Corporate Banking MM$	Others MM$	Total MM$	Transferred over time MM$	Transferred at a specific time MM$	Accrual model MM$
Fee income								
Commissions by credit lines and overdrafts	6,123	935	3,240	17	**10,315**	10,315	-	-
Commissions for endorsements and letters of credit	11,553	17,531	5,842	113	**35,039**	35,039	-	-
Commissions for card services	218,635	6,042	950	75	**225,702**	41,347	184,355	-
Commissions for account management	32,608	2,515	823	3	**35,949**	35,949	-	-
Commissions for collections, collections and payments	36,129	2,185	464	(5,423)	**33,355**	-	12,854	20,501
Commissions for intermediation and management of values	3,219	245	8,301	(1,611)	**10,154**	-	10,154	-
Remuneration for insurance commercialization	49,664	-	-	-	**49,664**	-	-	49,664
Office Banking	9,280	3,782	606	(13)	**13,655**	-	13,655	-
Other remuneration for services rendered	42,499	3,748	839	245	**47,331**	-	47,331	-
Other commissions earned	12,462	10,727	14,293	12	**37,494**	-	37,494	-
Total	**422,172**	**47,710**	**35,358**	**(6,582)**	**498,658**	**122,650**	**305,843**	**70,165**
Commission expenses								
Remuneration for card operation	(168,024)	(3,475)	(321)	307	**(171,513)**	-	(171,513)	-
Commissions for operation with securities	-	-	(33)	(968)	**(1,001)**	-	(1,001)	-
Office banking	(1,186)	(389)	(282)	(3)	**(1,860)**	-	(1,860)	-
Other commissions	(22,335)	(5,134)	(5,619)	(4,110)	**(37,198)**	-	(37,198)	-
Total	**(191,545)**	**(8,998)**	**(6,255)**	**(4,774)**	**(211,572)**	-	**(211,572)**	-
Total income and expenses for net commissions	**230,627**	**38,712**	**29,103**	**(11,356)**	**287,086**	**122,650**	**(94,271)**	**70,165**

NOTE 28
FEES AND COMMISSIONS

The income and expenses for the commissions of the business segments are presented below and the calendar for the recognition of income from ordinary activities is opened.

As of December 31, 2018	Segments					Revenue recognition calendar for ordinary activities		
	Individuals and PYMEs MM$	Companies and institutional MM$	Global Corporate Banking MM$	Others MM$	Total MM$	Transferred over time MM$	Transferred at a specific time MM$	Accrual model MM$
Fee income								
Commissions by credit lines and overdrafts	5,901	271	453	(1)	**6,624**	6,624	-	-
Commissions for endorsements and letters of credit	11,099	16,258	6,239	58	**33,654**	33,654	-	-
Commissions for card services	211,615	6,193	1,036	59	**218,903**	34,856	184,047	-
Commissions for account management	30,386	2,678	799	2	**33,865**	33,865	-	-
Commissions for collections, collections and payments	66,780	1,693	458	(28,854)	**40,077**	-	15,719	24,358
Commissions for intermediation and management of values	4,050	134	7,221	(1,258)	**10,147**	-	10,147	-
Remuneration for insurance commercialization	-	-	-	39,949	**39,949**	-	-	-
Office Banking	11,420	3,893	608	-	**15,921**	-	15,921	-
Other remuneration for services rendered	40,901	3,833	819	80	**45,633**	-	45,633	39,949
Other commissions earned	6,908	9,743	23,320	(281)	**39,690**		39,690	-
Total	**389,060**	**44,696**	**40,953**	**9,754**	**484,463**	**108,999**	**311,157**	**64,307**
Commission expenses								
Remuneration for card operation	(159,817)	(3,186)	(134)	(657)	**(163,794)**	-	(163,794)	-
Commissions for operation with securities	(169)	(3)	(419)	(345)	**(936)**	-	(936)	-
Office banking	(2,374)	(985)	(722)	(15)	**(4,096)**	-	(4,096)	-
Other commissions	(6,168)	(3,776)	(4,614)	(10,194)	**(24,752)**	-	(24,752)	-
Total	**(168,528)**	**(7,950)**	**(5,889)**	**(11,211)**	**(193,578)**	**-**	**(193,578)**	**-**
Total income and expenses for net commissions	**220,532**	**36,746**	**35,064**	**(1,457)**	**290,885**	**108,999**	**117,579**	**64,307**

NOTE 29
NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

Includes the amount of the adjustments from the financial instruments variation, except those attributable to the interest accrued by the application of the effective interest rate method of the value adjustments of the assets, as well as the results obtained in their sale,

For the periods ended December 31, 2019 and 2018, the detail of income from financial operations is as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Profit and loss from financial operations		
Trading derivatives	(162,183)	38,217
Trading investments	11,878	9,393
Sale of loans and accounts receivables from customers		
Current portfolio	63	(309)
Charged-off portfolio	3,248	709
Available for sale investments	63,672	8,479
Repurchase of issued bonds	3,265	(840)
Other profit and loss from financial operations	1,892	(2,475)
Total	**(78,165)**	**53,174**

(1) During 2019, the bank has repurchased bonds, note 03,

NOTE 30
NET FOREIGN EXCHANGE INCOME

Net foreign exchange income includes the income earned from foreign currency trading, differences arising from converting monetary items in a foreign currency to the functional currency, and those generated by non-monetary assets in a foreign currency at the time of their sale.

For the period ended December 31, 2019 and 2018, net foreign exchange income is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Net foreign exchange gain (loss)		
Net gain (loss) from currency exchange differences	(84,566)	(212,618)
Hedging derivatives	362,374	252,275
Income from assets indexed to foreign currency	7,376	12,151
Income from liabilities indexed to foreign currency	-	-
Total	**285,184**	**51,908**

NOTE 31
PROVISIONS FOR LOAN LOSSES

a) The movement in provisions for loan losses for the periods ended Diciembre 31, 2019 and 2018 is as follows:

As of December 31, 2019		Loans and accounts receivable from customers							
		Commercial loans		Mortgage loans	Consumer loans	Contingent loans			
	Interbank loans Individual	Individual	Group	Group	Group	Individual	Group	Additional Provisions	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$		MCh$
Charged-off of loans	**-**	**(18,198)**	**(47,514)**	**(13,965)**	**(70,588)**	**-**	**-**	**-**	**(150,259)**
Provisions established	(55)	(93,556)	(118,187)	(17,462)	(246,530)	(7,709)	(10,865)	(16,000)	**(510,364)**
Total provisions and charge-offs	**(55)**	**(111,747)**	**(165,701)**	**(31,427)**	**(317,118)**	**(7,709)**	**(10,865)**	**(16,000)**	**(660,622)**
Provisions released (*)	65	58,084	12,100	8,263	49,576	5,916	3,458	20,000	**157,462**
Recovery of loans previously charged-off	-	11,336	15,293	13,652	42,433	-	-	-	**82,714**
Net charge to income	**10**	**(42,328)**	**(138,308)**	**(9,512)**	**(225,109)**	**(1,793)**	**(7,407)**	**4,000**	**(420,447)**

As of December 31, 2018		Loans and accounts receivable from customers							
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans			
	Individual	Individual	Group	Group	Group	Individual	Group		Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$		MCh$
Charged-off of loans		**(20,203)**	**(16,118)**	**(9,496)**	**(79,517)**	**-**	**-**	**-**	**(125,334)**
Provisions established	(45)	(68,302)	(83,979)	(22,683)	(190,868)	(8,026)	(3,439)	(20,000)	**(397,342)**
Total provisions and charge-offs	**(45)**	**(88,505)**	**(100,097)**	**(32,179)**	**(270,385)**	**(8,026)**	**(3,439)**	**(20,000)**	**(522,676)**
Provisions released (*)	102	35,301	8,764	8,446	45,031	6,303	5,163	-	**109,110**
Recovery of loans previously charged-off	-	11,399	19,535	17,367	40,180	-	-	-	**88,481**
Net charge to income	**57**	**(41,805)**	**(71,798)**	**(6,366)**	**(185,174)**	**(1,724)**	**1,794**	**(20,000)**	**(325,085)**

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

As of December 31, 2019	Loans and accounts receivable from customers				
	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Charge-off of loans	59,712	108,574	18,944	227,978	**415,208**
Provision applied	(41,520)	(61,060)	(4,979)	(157,390)	**(264,949)**
Net charge offs of individually significant loans	**18,192**	**47,514**	**13,965**	**70,588**	**150,259**

As of December 31, 2018	Loans and accounts receivables from customers				
	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Charge-off of loans	54,399	80,127	28,558	249,668	**412,752**
Provision applied	(34,196)	(64,009)	(19,062)	(170,151)	**(287,418)**
Net charge offs of individually significant loans	**20,203**	**16,118**	**9,496**	**79,517**	**125,334**

NOTE 32
PERSONNEL SALARIES AND EXPENSES

a) Composition of personnel salaries and expenses:

For the periods ended December 31, 2019 and 2018, the composition of personnel salaries and expenses is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Personnel compensation	260,445	259,354
Bonuses or gratuities	78,534	72,728
Stock-based benefits	(315)	(337)
Seniority compensation:	25,006	21,869
Pension plans	566	1,069
Training expenses	4,918	3,782
Day care and kindergarden	2,731	2,778
Health and welfare funds	6,644	6,040
Other personnel expenses	31,628	30,281
Total	**410,157**	397,564

Benefits based on equity instruments (settled in cash)

The Bank provides certain executives of the Bank and its affiliates with a benefit of payments based on shares, which are settled in cash in accordance with the requirements of IFRS 2, The Bank measures the services received and the liability incurred, at fair value.

Until the settlement of the liability, the Bank determines the fair value of the liability at the end of each reporting period, as well as on the settlement date, recognizing any change in fair value in profit or loss for the year.

The balance corresponding to profits based on equity instruments, as of December 31, 2019 and 2018 was $ 315 million and $ 337 million, respectively.

NOTE 33
ADMINISTRATIVE EXPENSES

For the periods ended December 31, 2019 and 2018, the composition of administrative expenses is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
General administrative expenses	**124,896**	**145,241**
Maintenance and repair of property, plant and equipment	19,214	20,962
Office lease	-	29,761
Equipment lease	-	55
Short-term lease contracts expenses	4,177	-
Insurance premiums	3,848	3,439
Office supplies	5,126	5,070
IT and communication expenses	52,017	44,209
Lighting, heating, and other utilities	2,848	4,849
Security and valuables transport services	12,187	12,168
Representation and personnel travel expenses	4,109	3,444
Judicial and notarial expenses	1,277	1,148
Fees for technical reports and auditing	7,643	10,020
Other general administrative expenses	12,450	10,116
Outsourced services	**71,572**	**65,358**
Data processing	31,921	32,360
Archive service	3,518	3,401
Valuation service	3,644	3,167
Outsourced staff	10,139	9,936
Other	22,350	16,494
Board expenses	**1,356**	**1,297**
Marketing expenses	**20,891**	**19,286**
Taxes, payroll taxes, and contributions	**14,897**	**13,907**
Real estate taxes	1,936	1,730
Patents	1,913	1,896
Other taxes	5	7
Contributions to SBIF	11,043	10,274
Total	**233,612**	**245,089**

NOTE 34
DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) The values of depreciation and amortization during December 31, 2019 and 2018 are detailed below:

	As December 31, 2019 MCh$	2018 MCh$
Depreciation and amortization		
Depreciation of property, plant, and equipment	(44,957)	(54,987)
Amortizations of intangible assets	(26,348)	(24,293)
Total depreciation and amortization	(34,787)	**-**
	(106,092)	**(79,280)**
Impairments		
Impairment of property, plant and equipment	(1,013)	(39)
Impairment of intangible assets	(1,713)	-
Total Impairments	**(2,726)**	**(39)**
Totales	**(108,818)**	**(79,319)**

b) The changes in book value due to depreciation and amortization for the nine month period ended December 31, 2019 and 2018 are as follows:

	Depreciation and amortization 2019			
	Property, plant, and equipment MCh$	Intangible assets MCh$	Right of use assets MCh$	Total MCh$
Balances as of January 1, 2019	**(230,327)**	**(151,492)**	**(68,145)**	**(449,964)**
Depreciation and amortization for the period	(44,957)	(26,348)	(34,787)	**(106,092)**
Sales and disposals in the period	8,389	1,227	-	**9,616**
Other	-	-	-	**-**
Balance as of December 31, 2019	**(266,895)**	**(176,613)**	**(176,613)**	**(546,440)**

	Depreciation and amortization 2018			
	Property, plant, and equipment MCh$	Intangible assets MCh$	Right of use assets MCh$	Total MCh$
Balances as of January 1, 2018	**(290,932)**	**(261,828)**	**-**	**(552,760)**
Depreciation and amortization for the period	(54,987)	(24,293)	-	(79,280)
Sales and disposals in the period	77	-	-	77
Other	-	-	-	-
Balance as of December 31, 2018	**(345,842)**	**(286,121)**	**-**	**(631,963)**

NOTE 35
OTHER OPERATING INCOME AND EXPENSES

a) Other operating income is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Income from assets received in lieu of payment		
Income from sale of assets received in lieu of payment	5,613	7,106
Recovery of charge-offs and income from assets received in lieu of payment	10,933	14,987
Other income from assets received in lieu of payment	664	1,410
Subtotal	**17,210**	**23,503**
Provisions released due to country risk	67	-
Provisions released due to contingencies	-	12,020
Subtotal	**67**	**12,020**
Other income		
Leases	-	222
Income from sale of property, plant and equipment	2,456	2,490
Recovery of provisions for contingencies	-	-
Compensation from insurance companies due to damages	4,681	144
Other	184	1,147
Subtotal	**7,321**	**4,003**
Total	**24,598**	**39,526**

b) Other operating expenses are as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Allowances and expenses for assets received in lieu of payment		
Charge-offs of assets received in lieu of payment	17,638	15,037
Provisions on assets received in lieu of payment	1,809	816
Expenses for maintenance of assets received in lieu of payment	2,072	1,721
Subtotal	**21,519**	**17,574**
Credit card expenses	**1,077**	**3,151**
Customer services	**2,456**	**3,635**
Other expenses		
Operating charge-offs	973	798
Life insurance and general product insurance policies	21,205	9,964
Gain (Loss) for sale of PP&E	67	62
Provisions for contingencies	120	21
Expense for the Retail Association	343	898
Expense on sale of participation on associates	126	-
Other	13,135	9,637
Subtotal	**35,969**	**21,380**
Total	**61,021**	**45,740**

NOTE N°36
TRANSACTIONS WITH RELATED PARTIES

Associated and dependent entities are the Bank's "related parties", However, this also includes its "key personnel" from the executive staff (members of the Bank's Board of Directors and Managers of Banco Santander Chile and its affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also includes those companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, 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 N°36
TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties

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

	As of December 31,							
	2019				2018			
	Santander Group companies	Associated companies	Key personnel	Other	Santander Group companies	Associated companies	Key personnel	Other
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Loans and accounts receivables:								
Commercial loans	246,868	375	2,986	685	122,289	459	4,298	233
Mortgage loans	-	-	20,473	-	-	-	18,814	-
Consumer loans	-	-	5,781	-	-	-	5,335	-
Loans and account receivables:	**246,868**	**375**	**29,240**	**685**	**122,289**	**459**	**28,447**	**233**
Provision for loan losses	(122)	(182)	(179)	(10)	(308)	(9)	(116)	(5)
Net loans	**246,746**	**193**	**29,061**	**675**	**121,981**	**450**	**28,331**	**228**
Guarantees	462,513	-	23,918	288	442,854	-	22,893	7,171
Contingent loans								
Personal guarantees	-	-	-	-	-	-	-	-
Letters of credit	4,112	-	-	63	5,392	-	2,060	44
Performance guarantees	464,691	-	-	-	445,064	-	3,364	-
Contingent loans	**468,803**	**-**	**-**	**63**	**450,456**	**-**	**5,424**	**44**
Provision for contingent loans	(835)	-	-	-	(1)	-	(18)	-
Net contingent loans	**467,968**	**-**	**-**	**63**	**450,455**	**-**	**5,406**	**44**

Loans regarding activity with related parties during the periods ended December 31, 2019 and 2018 is as follows:

	As of December 31,							
	2019				2018			
	Santander Group companies	Associated companies	Key personnel	Other	Santander Group companies	Associated companies	Key personnel	Other
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Opening balances as of January 1,	**572,745**	**459**	**33,871**	**7,899**	**476,906**	**771**	**27,051**	**7,826**
Loans granted	193,798	167	4,826	500	200,657	39	16,574	773
Loan payments	(50,646)	(251)	(9,457)	(7,651)	(104,818)	(351)	(9,754)	(700)
Total	**715,897**	**375**	**29,240**	**748**	**572,745**	**459**	**33,871**	**7,899**

NOTE 36
TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of December 31							
	2019				2018			
	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	171,816	-	-	-	189,803	-	-	-
Trading investments	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-
Financial derivative contracts	2,058,715	218,610	-	55	748,632	105,358	-	9
Available for sale investments	-	-	-	-	-	-	-	-
Other assets	185,317	210,579	-	-	38,960	51,842	-	-
Liabilities								
Deposits and other demand liabilities	25,261	93,761	4,624	566	27,515	(21,577)	2,493	(480)
Obligations under repurchase agreements	138,498	5,000	270	80	6,501	-	329	68
Time deposits and other time liabilities	1,183,235	282,171	4,246	2,204	2,585,337	-	3,189	(838)
Financial derivative contracts	2,159,660	288,013	-	3	770,624	112,523	-	-
Bank obligation	-	-	-	-	-	-	-	-
Issued debts instruments	363,154	-	-	-	335,443	-	-	-
Other financial liabilities	6,231	-	-	-	6,807	-	-	-
Other liabilities	8,130	146,164	-	-	60,884	89,817	-	-

c) Recognized income (expense) with related parties

	As of December 31,							
	2019				2018			
	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	(41,181)	(5,235)	1,151	26	(53,256)	(156)	1,252	508
Fee and commission income and expenses	28,274	14,499	232	28	91,178	7,826	305	22
Net income (expense) from financial operations and foreign exchange transactions (*)	(586,318)	(84,236)	-	-	(566,677)	65,727	27	(12)
Other operating income and expenses	406	(2,026)	-	-	42	1,388	-	-
Key personnel compensation and expenses	-	-	(9,548)	-	-	-	(11,761)	-
Administrative and other expenses	(11,877)	(47,757)	-	-	(43,035)	(50,764)	-	-
Total	**(610,696)**	**(124,755)**	**(8,165)**	**54**	**(571,748)**	**24,022**	**(10,177)**	**518**

(*) 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 36
TRANSACTIONS WITH RELATED PARTIES, continued

d) Payment to Board members and key management personnel

The compensation received by key management personnel, including Board members and all the executives holding Manager positions, is shown in the "Personnel salaries and expenses" and/or "Administrative expenses" of the Consolidated Statements of Income, and detailed as follows:

	As of December 31,	
	2019	2018
	MCh$	MCh$
Personnel compensation	16,264	16,924
Board member`s salaries and expenses	1,358	1,230
Bonuses or gratuity	16,104	16,243
Compensation in stock	(315)	(337)
Training expenses	37	210
Seniority compensation	2,378	4,202
Health funds	273	284
Other personnel expenses	567	858
Pension Plans (*)	711	1,069
Total	**37,377**	**40,683**

(*) Part of the executives who qualified for this benefit ceased to belong to the Group for various reasons without meeting the requirements to obtain the benefit, for which the amount of the obligation decreased, generating an income for the reversal of provisions,

e) Composition of key personnel

As of December 31, 2019 and 2018, the composition of the Bank's key personnel is as follows:

Position	N° of executives	
	As of December 31,	
	2019	2018
Director	11	11
Division manager	13	12
Manager	106	108
Total key personnel	**130**	**131**

NOTE 37
PENSION PLANS

The Bank has an additinal benefit available to its principal executives, consisting of a pension plan, The purpose of the pension plan is to endow the executives with funds for a better supplementary pension upon their retirement,

For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pension with an equivalent contribution, The executives will be entlited to recive this benefit only when they fulfill the following conditions:

a. Aimed at the Bank's management
b. The general requisite to apply for this benefit is that the employee must be carrying out his/her duties when turning 60 years old,
c. The Bank will create a pension fund, with life insurance, for each beneficiary in the plan, Periodic contributions into this fund are made by the manager and matched by the Bank,
d. The Bank will be responsible for garanting the benefits directly,

If the working relationship between the manager and the respective company ends, before s/he fulfills the abovementioned requirements, s/he will have no rights under this benefit plan,

In the event of the executive's death or total or partial disability, s/he will be entitled to recive this benefit,

The Bank will make contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank, The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company,

Plan Assets owned by the Bank at the end of 2019 totaled Ch$7,195 million (Ch$6,804 million in 2018).

The amount of the defined benefit plans has been quantified by the Bank, based on the following criteria:

Calculation method

Use of the projected unit credit method which considers each working year as generating an additional amount of rights over benefits and values each unit separately, It is calculated based primarily on fund contribution, as well as other factors such as the legal annual pension limit, seniority, age and yearly income for each unit valued individualy,

Actuarial hypothesis assumptions:

Actuarial assumption with respect to demographic and financial variables are non-biased and mutually compatible with each other, The most significant actuarial hypotheses considered in the calculation were,

Assets related to the pension fund contributed by the Bank into the Seguros Euroamérica insurance company with respect to defined benefit plans are presented as net of associated commitments,

	Plans post–employment 2019	**Plans post–employment 2018**
Mortality chart	RV-2014	RV-2014
Terminarion of contract rates	5,0%	5,0%
Impairment chart	PDT 1985	PDT 1985

NOTE N°37
PENSION PLANS, continued

Activity for post-employment benefits is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
Plan assets	7,195	6,804
Commitments for defined-benefit plans		
For active personnel	(6,525)	(5,958)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balances at year end	**670**	**846**

Year's cash flow for post-employment benefits is as follows:

	As of December 31,	
	2019	**2018**
	MCh$	**MCh$**
a) Fair value of plan assets		
Opening balance	**6,804**	7,919
Expected yield of insurance contracts	333	353
Employer contributions	859	836
Actuarial (gain) losses	-	-
Premiums paid	-	-
Benefits paid	(801)	(2,304)
Fair value of plan assets at year end	**7,195**	**6,804**
b) Present value of obligations		
Present value of obligation opening balance	**(5,958)**	**(6,998)**
Net incorporation of Group companies	-	-
Service cost	(567)	(1,069)
Interest cost	-	-
Curtailment/settlement effect	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gain) losses	-	-
Other	-	2,109
Present value of obligations at year end	**(6,525)**	**(5,958)**
Net balance at year end	**670**	**846**

NOTE N°37
PENSION PLANS, continued

Plan expected profit:

	As of December 31,	
	2019	**2018**
Type of expected yield from the plan's assets	UF + 2,50% annual	UF + 2,50% annual
Type of yield expected from the reimbursement rights	UF + 2,50% annual	UF + 2,50% annual

Plan associated expenses:

	For the years ended December 31,	
	2019	**2018**
	MCh$	**MCh$**
Current period service expenses	566	1,069
Interest cost	-	-
Expected yield from plan's asset	-	-
Expected yield of insurance contracts linked to the Plan:	**(333)**	**(353)**
Extraordinary allocations	-	-
Actuarial (gain)/losses recorded in the period	-	-
Past service cost	-	-
Other	-	-
Total	**233**	**716**

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the main market (or the most advantageous) at the measurement date in the current market conditions (in other words, an exit price) regardless of whether that price is directly observable or estimated by using a different valuation technique, The measurement of fair value assumes the sale transaction of an asset or the transference of the liability happens within the main asset or liability market, or the most advantageous market for the asset or liability.

For financial instruments with no available market prices, fair values have been estimated by using recent transactions in analogous instruments, and in the absence thereof, the present values or other valuation techniques based on mathematical valuation models sufficiently accepted by the international financial community, In the use of these models, consideration is given to the specific particularities of the asset or liability to be valued, and especially to the different kinds of risks associated with the asset or liability.

These techniques are significantly influenced by the assumptions used, including the discount rate, the estimates of future cash flows and prepayment expectations, Hence, the fair value estimated for an asset or liability may not coincide exactly with the price at which that asset or liability could be delivered or settled on the date of its valuation, and may not be justified in comparison with independent markets.

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2019 and December 31, 2018:

	As of December 31, 2019		As of December 31, 2018	
	Book value MCh$	Fair value MCh$	Book value MCh$	Fair value MCh$
Assets				
Trading investments	270,204	270,204	77,041	77,041
Financial derivative contracts	8,148,608	8,148,608	3,100,635	3,100,635
Loans and accounts receivable from customers and interbank loans, (net)	31,838,568	34,668,858	29,485,435	30,573,611
Investments available for sale	4,010,272	4,010,272	2,394,323	2,394,323
Guarantee deposits (margin accounts)	314,616	314,616	170,232	170,232
Liabilities				
Deposits and interbank borrowings	26,010,067	26,200,921	23,597,863	23,770,106
Financial derivative contracts	7,390,654	7,390,654	2,517,728	2,517,728
Issued debt instruments and other financial liabilities	9,727,081	10,718,997	8,330,633	8,605,135
Guarantees received (margin accounts)	994,714	994,714	371,512	371,512

Fair value is approximated to book value in the following accounts, due to their short-term nature in the following cases: cash and bank deposits, operations with liquidation in progress and buyback contracts as well as security loans.

In addition, the fair value estimates presented above do not attempt to estimate the value of the Bank's profits generated by its business activity, nor its future activities, and accordingly, they do not represent the Bank's value as a going concern.

Below is a detail of the methods used to estimate the financial instruments' fair value.

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

a) Financial instruments for trading investments and available for sale investment

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.

b) Loans and accounts receivable from customers and interbank loans

Fair value of commercial, mortgage and consumer loans and credit cards is measured through a discounted cash flow (DCF) analysis. To do so, we use current market interest rates considering product, term, amount and similar loan quality. Fair value of loans with 90 days or more of delinquency are measured by means of the market value of the associated guarantee, minus the rate and term of expected payment. For variable rate loans whose interest rates change frequently (monthly or quarterly) and that are not subjected to any significant credit risk change, the estimated fair value is based on their book value.

c) Deposits

Disclosed fair value of deposits that do not bear interest and saving accounts is the amount payable at the reporting date and, therefore, equals the recorded amount. Fair value of time deposits is calculated through a discounted cash flow calculation that applies current interest rates from a monthly calendar of scheduled maturities in the market.

d) Short and long term issued debt instruments

The fair value of these financial instruments is calculated by using a discounted cash flow analysis based on the current incremental lending rates for similar types of loans having similar maturities.

e) Financial derivative contracts

The estimated fair value of financial derivative contracts is calculated using the prices quoted on the market for financial instruments having similar characteristics.

The fair value of interest rate swaps represents the estimated amount that the Bank expects to receive to cancel the contracts or agreements, considering the term structures of the interest curve , volatility of the underlying asset and credit risk of counterparties.

If there are no quoted prices from the market (either direct or indirect) for any derivative instrument, the respective fair value estimates have been calculated by using models and valuation techniques such as Black-Scholes, Hull, and Monte Carlo simulations, taking into consideration the relevant inputs/outputs such as volatility of options, observable correlations between underlying assets, counterparty credit risk, implicit price volatility, the velocity with which the volatility reverts to its average value, and the straight-line relationship (correlation) between the value of a market variable and its volatility, among others.

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.

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

• 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.

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.

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following financial instruments are classified under Level 3:

Type of financial instrument	Model used in valuation	Description
· Caps/ Floors/ Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
	Black – Scholes	There is no observable input of implicit volatility.
	Hull-White	Hybrid HW model for rates and Brownian motion for FX, There is no observable input of implicit volatility.
	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.
	Present Value of Cash Flows Model	Valued by using similar instrument prices plus a charge-off rate by liquidity.

The Bank does not believe that any change in unobservable inputs with respect to level 3 instruments would result in a significantly different fair value measurement.
The following table presents the assets and liabilities that are measured at fair value on a recurring basis, as of December 31, 2019 and 2018:

As of December 31,	Fair value measurement			
	2019 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	270,204	270,204	-	-
Available for sale investments	4,010,272	3,992,421	17,146	705
Derivatives	8,148,608	-	8,133,700	14,908
Guarantee deposits (margin accounts)	314,616	-	314,616	-
Total	**12,743,700**	**4,262,625**	**8,465,462**	**15,613**
Liabilities				
Derivatives	7,390,654	-	7,387,704	2,950
Guarantees received (margin accounts)	994,714	-	994,714	-
Total	**8,385,368**	**-**	**8,382,418**	**2,950**

As of December 31,	Fair value measurement			
	2018 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	77,041	71,158	5,883	-
Available for sale investments	2,394,323	2,368,768	24,920	635
Derivatives	3,100,635	-	3,089,077	11,558
Guarantee deposits (margin accounts)	170,232	-	170,232	-
Total	**5,742,321**	**2,439,926**	**3,290,112**	**12,193**
Liabilities				
Derivatives	2,517,728	-	2,516,933	795
Guarantees received (margin accounts)	371,512	-	371,512	-
Total	**2,889,240**	**-**	**2,888,445**	**795**

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the assets and liabilities that are not measured at fair value in the consolidated statement of financial position, as of December 31, 2019 and 2018:

As of December 31,	2019 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Loans and accounts receivables from customers and Interbank loans	34,668,858	-	-	34,668,858
Total	**34,668,858**	**-**	**-**	**34,668,858**
Liabilities				
Deposits and Interbank borrowing	26,200,921	-	15,903,489	10,297,432
Issued debt instruments and other financial liabilities	10,718,997	-	10,718,997	-
Total	**36,919,918**	**-**	**26,622,486**	**10,297,432**

As of December 31,	2018 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Loans and accounts receivables from customers and Interbank loans	30,573,611	-	-	30,573,611
Total	**30,573,611**	**-**	**-**	**30,573,611**
Liabilities				
Deposits and Interbank borrowing	23,770,106	-	15,028,689	8,741,417
Issued debt instruments and other financial liabilities	8,605,135	-	8,605,135	-
Total	**32,375,241**	**-**	**23,633,824**	**8,741,417**

There was no transfer between level 1 and 2 for the period ended December 31, 2019 and 2018.

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of December 31, 2019 and 2018:

	Assets MCh$	Liabilities MCh$
As of January 1, 2019	**12,193**	**795**
Total realized and unrealized profits (losses)		
Included in statement of income	3,350	2,155
Included in other comprehensive income	70	-
Purchases, issuances, and loans (net)	-	-
As of December 31, 2019	**15,613**	**2,950**
Total profits or losses included in comprehensive income at December 31, 2019 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2018	**3,420**	**2,155**

	Assets MCh$	Liabilities MCh$
As of January 1, 2018	**22,987**	**7**
Total realized and unrealized profits (losses)	(10,769)	(802)
Included in statement of income	25	
Included in other comprehensive income		
Purchases, issuances, and loans (net)	-	-
As of December 31, 2018	**12,193**	**795**
Total profits or losses included in comprehensive income at December 31, 2019 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2018	**(10,794)**	**(802)**

The realized and unrealized profits (losses) included in comprehensive income for 2019 and 2018, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Statement of Comprehensive Income in the associate line item.

The potential effect as of December 31, 2019 and 2018 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 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following tables show the financial instruments subject to compensation in accordance with IAS 32, for 2019 and 2018:

	As of December 31, 2019				
	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	**MCh$**	**MCh$**	**MCh$**	**MCh$**	
Financial derivative contracts	8,148,151	-	**8,148,151**	**457**	**8,148,608**
Investments under resale agreements	-	-	-	-	-
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	**31,838,567**	**31,838,567**
Total	**8,148,151**	**-**	**8,148,151**	**31,839,024**	**39,987,175**
Liabilities					
Financial derivative contracts	7,388,145	-	**7,388,145**	**2,509**	**7,390,654**
Investments under resale agreements	380,055	-	**380,055**	**-**	**380,055**
Déposits and interbank borrowings	-	-	-	**26,010,067**	**26,010,067**
Total	**7,768,200**	**-**	**7,768,200**	**26,012,576**	**33,780,776**

	As of December 31, 2018				
	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	**MCh$**	**MCh$**	**MCh$**	**MCh$**	
Financial derivative contracts	1,947,726	-	**1,947,726**	**1,152,909**	**3,100,635**
Investments under resale agreements	-	-	-	-	-
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	**29,485,435**	**29,485,435**
Total	**1,947,726**	**-**	**1,947,726**	**30,683,344**	**32,586,070**
Liabilities					
Financial derivative contracts	1,735,555	-	**1,735,555**	**782,173**	**2,517,728**
Investments under resale agreements	48,545	-	**48,545**	**-**	**48,545**
Déposits and interbank borrowings	-	-	-	**23,597,862**	**23,597,862**
Total	**1,784,100**	**-**	**1,784,100**	**24,380,035**	**26,164,135**

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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

Below are the financial derivatives contracts, according to their collateral agreement :

	As of December 31,			
	2019		2018	
Financial derivatives contracts	**Asset MCh$**	**Liabilities MCh$**	**Asset MCh$**	**Liabilities MCh$**
Derivatives contracts with threshold collateral agreement equal to zero	7.478.837	6.748.219	2.639.835	2.133.149
Derivatives contracts with non-zero threshold collateral agreement	532,298	517,814	344,520	262,683
Derivatives contracts without collateral agreement	137,472	124,621	116,280	121,896
Total Financial derivatives contracts	**8,148,608**	**7,390,654**	**3,100,635**	**2,517,728**

NOTE 39
RISK MANAGEMENT

Introduction and general description

The Bank, due to its activities with financial instruments is exposed to several types of risk, The main risks related to financial instruments that apply to the Bank are as follow:

Market risk: rises from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:

- **a.** Foreign excharge risk: this arises as a consequence of fluctuations in market interest rates,
- **b.** Interest rate risk: this arises as a consequence of fluctuations in market interest rates,
- **c.** Price risk: this arises as a consequence of changes in market prices, either due to factor specific to the instrument itself or due to factors that affect all the instruments negotiated in the market,
- **d.** Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UF.

Credit risk: this is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reason of insolvency or inability of the individuals or legal entitles in question to continue as a going concern, causing a financial loss to the other party.

Liquidity risk: is the possibility that an entity may be unable to meet its payment commitments, or that in order to meet them, it may have to raise funds with onerous terms or risk damage to its image and reputation.

Operating risk: this is a risk arising from human errors, system error, fraud or external events which may damage the Bank's reputation, may have legal or regulatory implication, or cause financial losses.

This note includes information on the Bank's exposure to these risk an on its objetives, policies, and processes involved in their measurement and management.

Risk management structure

The Board of Directors is responsible for the establishment and monitoring of the Bank's risk management structure and, to this end, has a corporate governance system in line with international recommendations and trends, adapted to the Chilean regulatory reality and adapted to best practices, advanced markets in which it operates, To better exercise this function, the Board of Directors has established the Comprehensive Risk Committee ("CIR"), whose main mission is to assist in the development of its functions related to the Bank's control and risk management, Complementing the CIR in risk management, the Board also has 3 key committees: Assets and Liabilities Committee (CAPA), Markets Committee ("CDM") and the Directors and Audit Committee ("CDA"), Each of the committees is composed of directors and executive members of the Bank's management.

The CIR is responsible for developing Bank risk management policies in accordance with the guidelines of the Board of Directors, the Global Risk Department of Santander Spain and the regulatory requirements issued by the FMC, These policies have been created mainly to identify and analyze the risk faced by the Bank, establish risk limits and appropriate controls, and monitor risks and compliance with limits, The Bank's risk management policies and systems are regularly reviewed to reflect changes in market conditions, and the products or services offered, The Bank, through the training and management of standards and procedures, aims to develop a disciplined and constructive control environment, in which all its employees understand their duties and obligations.

NOTE 39
RISK MANAGEMENT, continued

Market risk

Market risk arises as a consequence of the activity maintained in the markets, through financial instruments whose value may be affected by variations in market conditions, reflected in changes in the different assets and financial risk factors, The risk can be mitigated through hedges through other products (assets / liabilities or derivatives), or by undoing the operation / open position, The objective of market risk management is the management and control of exposure to market risk within acceptable parameters.

There are four major risk factors that affect market prices: interest rates, exchange rates, price, and inflation, Additionally, and for certain positions, it is also necessary to consider other risks, such as spread risk, base risk, commodity risk, volatility or correlation risk.

Market risk management

The internal management of the Bank to measure market risk is mainly based on the procedures and standards of Santander Spain, which are based on analyzing management in three main components:

- trading portfolio;
- local financial management portfolio;
- portfolio of foreign financial management,

The trading portfolio consists mainly of those investments valued at their fair value, free of any restriction for immediate sale and that are often bought and sold by the Bank with the intention of selling them in the short term in order to benefit from the short-term price variations, The financial management portfolios include all financial investments not considered in the trading portfolio.

The general responsibility for market risk lies with the ALCO, The Bank's risk / finance department is responsible for the preparation of detailed management policies and their application in the Bank's operations in accordance with the guidelines established by the ALCO and by the Global Risk Department of Banco Santander de España.

The functions of the department in relation to the trading portfolio entail the following:

i, apply "Value at Risk" (VaR) techniques to measure interest rate risk.
ii, adjust the trading portfolios to the market and measure the profit and daily loss of commercial activities.
iii, compare the real VAR with the established limits.
iv, establish procedures to control losses in excess of predetermined limits and
v, Provide information on the negotiation activities for the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander – Spain.

The functions of the department in relation to the financial management portfolios entail the following:

i, apply sensitivity simulations (as explained below) to measure the interest rate risk of activities in local currency and the potential loss foreseen by these simulations and
ii, provides the respective daily reports to the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander – Spain,

Market risk - Negotiation portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio, The Bank has a consolidated commercial position composed of fixed income investments, foreign currency trading and a minimum equity investment position, The composition of this portfolio consists essentially of bonds of the Central Bank of Chile, mortgage bonds and locally issued low-risk corporate bonds, At the end of the year, the trading portfolio did not present investments in stock portfolios.

NOTE 39
RISK MANAGEMENT, continued

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the losses and gains that would have occurred with the current portfolio if the market conditions of a certain historical period were in force, , from that information, infer the maximum loss with a certain level of confidence, The methodology has the advantage of accurately reflecting the historical distribution of market variables and of not requiring any specific probability distribution assumption, All VaR measures are intended to determine the distribution function for the change in the value of a given portfolio, and once this distribution is known, to calculate the percentile related to the level of confidence needed, which will be equal to the value at risk in virtue of those parameters, As calculated by the Bank, the VaR is an estimate of the maximum expected loss of the market value of a given portfolio within a 1-day horizon at a confidence level of 99,00%, It is the maximum loss of a day in which the Bank could expect to suffer in a certain portfolio with a 99,00% confidence level, In other words, it is the loss that the Bank would expect to exceed only 1,0% of the time, The VaR provides a single estimate of market risk that is not comparable from one market risk to another, The returns are calculated using a 2 year time window or at least 520 data obtained from the reference date of VaR calculation backwards in time.

The Bank does not calculate three separate VaRs, A single VaR is calculated for the entire trading portfolio, which, in addition, is segregated by type of risk, The VaR program performs a historical simulation and calculates a profit and loss statement (G & P) for 520 data points (days) for each risk factor (fixed income, currencies and variable income), The G & P of each risk factor is added and a consolidated VaR calculated with 520 data points or days, At the same time, the VaR is calculated for each risk factor based on the individual G & P calculated for each factor, Moreover, a weighted VaR is calculated in the manner described above but which gives a weight greater than the 30 most recent data points, The largest of the two VaRs is reported, In 2015 and 2014, the same VaR model was still used and there has been no change in methodology.

The Bank uses the VaR estimates to deliver a warning in case the statistically estimated losses in the trading portfolio exceed the prudent levels and, therefore, certain predetermined limits exist.

Limitations of the VaR model

When applying this calculation methodology no assumption is made about the probability distribution of changes in risk factors, simply use the changes observed historically to generate scenarios for the risk factors in which each of the positions will be valued, in portfolio.

It is necessary to define a valuation function fj (xi) for each instrument j, preferably the same one that it uses to calculate the market value and results of the daily position, This valuation function will be applied in each scenario to generate simulated prices of all the instruments in each scenario.

In addition, the VaR methodology must be interpreted considering the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, nor may they have a normal distribution, In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;

- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in risk factors in the future, and any modification of the data may be inadequate, In particular, the use of historical data may fail to capture the risk of possible extreme and adverse market fluctuations regardless of the period of time used;

- a 1-day time horizon may not fully capture those market risk positions that can not be liquidated or hedged in one day, It would not be possible to liquidate or cover all positions in a day;

- VaR is calculated at the close of business, however trading positions may change substantially during the trading day;

- The use of 99% confidence level does not take into account, nor does it make any statement about, the losses that may occur beyond this level of trust, and

- The model as such VaR does not capture all the complex effects of the risk factors on the value of the positions or portfolios, and therefore, could underestimate the potential loss.

NOTE 39
RISK MANAGEMENT, continued

At no time in 2019 and 2018, the Bank exceeded the VaR limits in relation to the 3 components that make up the trading portfolio: fixed income investments, variable income investments and investments in foreign currency.

The Bank performs daily back-testing and, in general, it is discovered that trading losses exceed the estimated VaR almost one in every 100 trading days, At the same time, a limit was established for the maximum VaR that is willing to accept on the trading portfolio, In both 2019 and 2018, the Bank has remained within the maximum limit established for the VaR, even in those instances in which the real VaR exceeded the estimate.

The high, low and average levels for each component and for each year were the following:

VAR	2019 MMUSD	2018 MMUSD
Consolidated:		
High	15.78	5.23
Low	1.33	1.21
Average	3.06	2.01
Fixed income investments:		
High	9.77	2.54
Low	1.18	1.19
Average	2.33	1.71
Variable income investments:		
High	-	0.01
Low	0.01	0.00
Average	-	0.00
Foreign currency investments		
High	6.05	4.29
Low	0.10	0.09
Average	1.60	1.14

Market risk – local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's assets and non-trading liabilities, including the loan / loan portfolio, For these portfolios, investment and financing decisions are heavily influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currency (not included in the trading portfolio), The Bank performs a scenario simulation which will be calculated as the difference between the present value of the flows in the chosen scenario (curve with parallel movement of 100 bp in all its tranches) and its value in the base scenario (current market) , All positions in local currency indexed to inflation (UF) are adjusted by a sensitivity factor of 0,57, which represents a change in the rate curve at 57 basis points in real rates and 100 basis points in nominal rates, The same scenario is carried out for net foreign currency positions and interest rates in US dollars, The Bank has also established limits regarding the maximum loss that these types of movements in interest rates may have on capital and net financial income budgeted for the year.

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial loss limit and the capital and reserve loss limit, using the following formula:

Bound limit = square root of a2 + b2 + 2ab
a: limit in national currency.
b: limit in foreign currency.
Since it is assumed that the correlation is 0. 2ab = 0.

NOTE 39
RISK MANAGEMENT, continued

Limitation of the sensitivity models

The most important assumption is the use of a change of 100 basis points in the yield curve (57 basis points for real rates), The Bank uses a change of 100 basis points given that sudden changes of this magnitude are considered realistic, The Global Risk Department of Santander Spain has also established comparable limits by country, in order to be able to compare, monitor and consolidate the market risk by country in a realistic and orderly manner.

In addition, the methodology of sensitivity simulations should be interpreted considering the following limitations:

- The simulation of scenarios assumes that the volumes remain in the Bank's Consolidated Statement of Financial Position and that they are always renewed at maturity, omitting the fact that certain considerations of credit risk and prepayments may affect the maturity of certain positions.

- This model assumes an equal change in the entire performance curve of everything and does not take into account the different movements for different maturities.

- The model does not take into account the sensitivity of volumes resulting from changes in interest rates.

- The limits to the losses of budgeted financial income are calculated on the basis of expected financial income for the year that can not be obtained, which means that the actual percentage of financial income at risk could be greater than expected.

Market risk – Financial management portfolio – December 31, 2019 and 2018

	2019		2018	
	Effect on financial income	Effect on capital	Effect on financial income	Effect on capital
Financial management portfolio – local currency (MCh$)				
Loss limit	100,000		48,000	192,001
High	36,518		43,742	189,725
Low	13,138		27,854	170,450
Average	26,308		37,569	180,972
Financial management portfolio – foreign currency (Th$US)				
Loss limit	30		30	75
High	20		12	38
Low	5		4	(10)
Average	12		9	22
Financial management portgolio (MCh$)				
Loss limit	100,000		48,000	192,002
High	38,616		45,492	192,848
Low	15,779		29,167	168,766
Average	29,653		38,908	182,557

To fulfill its functions, the CIR works directly with the Bank's risk and control departments, whose joint objectives include:

- evaluate those risks that, due to their size, could compromise the solvency of the Bank, or that present potentially significant operational or reputation risks;
- ensure that the Bank is provided with the means, systems, structures and resources in accordance with the best practices that allow for the implementation of the strategy in risk management;
- ensure the integration, control and management of all Bank risks;
- execute the application throughout the Bank and its businesses of homogeneous risk principles, policies and metrics;
- develop and implement a risk management model in the Bank, so that the risk exposure is properly integrated in the different decision-making processes;
- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantify sensitivities and the foreseeable impact of different scenarios on the positioning of risks; Y
- manage the structural liquidity risks, interest rates and exchange rates, as well as the Bank's own resources base.

NOTE 39
RISK MANAGEMENT, continued

To comply with the aforementioned objectives, the Bank (Administration and ALCO) carries out several activities related to risk management, which include: calculating the risk exposures of the different portfolios and / or investments, considering mitigating factors (guarantees, netting , collaterals, etc,); calculate the probabilities of expected loss of each portfolio and / or investments; assign the loss factors to the new operations (rating and scoring); measure the risk values of the portfolios and / or investments according to different scenarios through historical simulations; establish limits to potential losses based on the different risks incurred; determine the possible impacts of structural risks in the Consolidated Statements of Results of the Bank; set the limits and alerts that guarantee the Bank's liquidity; and identify and quantify operational risks by business lines and thus facilitate their mitigation through corrective actions.

The CDA is primarily responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks the Bank faces.

Credit risk

Credit risk is the risk that one of the parties to the financial instrument contract fails to comply with its contractual obligations due to insolvency or disability of natural or legal persons and causes a financial loss in the other party, For purposes of credit risk management, the Bank consolidates all the elements and components of credit risk exposure (eg risk of individual default by creditor, innate risk of a line of business or sector, and / or geographical risk).

Mitigation of credit risk for loans and accounts receivable

The Board of Directors has delegated responsibility for credit risk management to the Comprehensive Risk Committee (CIR) and the Bank's risk departments whose roles are summarized as follows:

- Formulation of credit policies, in consultation with the business units, covering the requirements of guarantee, credit evaluation, risk rating and presentation of reports, documents and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.

- Establish the structure of the authorization for the approval and renewal of credit applications, The Bank structures levels of credit risk by placing limits on the concentration of that risk in terms of individual debtors, groups of debtors, segments of industries and countries, The authorization limits are assigned to the respective officers of the business unit (commercial, consumption, PYMEs) to be monitored permanently by the Administration, In addition, these limits are reviewed periodically, The risk assessment teams at branch level interact regularly with clients, however for large operations, the risk teams of the parent company and even the CIR, work directly with clients in the evaluation of credit risks and preparation of credit risk, credit applications, Inclusively, Banco Santander España participates in the process of approving the most significant loans, for example to clients or economic groups with debt amounts greater than US $ 40 million.

- Limit concentrations of exposure to customers, counterparts, in geographic areas, industries (for accounts receivable or credits), and by issuer, credit rating and liquidity (for investments).

- Develop and maintain the Bank's risk classification in order to classify the risks according to the degree of exposure to financial loss faced by the respective financial instruments and with the purpose of focusing the management or risk management specifically on the associated risks.

- Review and evaluate credit risk The risk divisions of the Administration are largely independent of the commercial division of the bank and evaluate all credit risks in excess of the designated limits, prior to the approval of credits to customers or prior to the acquisition of specific investments, Credit renewals and revisions are subject to similar processes.

In the preparation of a credit request for a corporate client, the Bank verifies several parameters such as the debt service capacity (including, generally, projected cash flows), the client's financial history and / or projections for the economic sector in which it operates, The risk division is closely involved in this process, All requests contain an analysis of the client's strengths and weaknesses, a rating and a recommendation, The credit limits are not determined based on the outstanding balances of the clients, but on the direct and indirect credit risk of the financial group, For example, a limited company would be evaluated together with its subsidiaries and affiliates.

NOTE 39
RISK MANAGEMENT, continued

Consumer loans are evaluated and approved by their respective risk divisions (individuals, PYMEs) and the evaluation process is based on an evaluation system known as Garra (Banco Santander) and Syseva of Santander Banefe, both processes are decentralized, automated and they are based on a scoring system that includes the credit risk policies implemented by the Bank's Board of Directors, The credit application process is based on the collection of information to determine the client's financial situation and ability to pay, The parameters that are used to assess the credit risk of the applicant include several variables such as: income levels, duration of current employment, indebtedness, reports of credit agencies.

Mitigation of credit risk of other financial assets (investments, derivatives, commitments)

As part of the process of acquiring financial investments and financial instruments, the Bank considers the probability of uncollectibility of issuers or counterparties using internal and external evaluations such as independent risk evaluators of the Bank, In addition, the Bank is governed by a strict and conservative policy which ensures that the issuers of its investments and counterparties in transactions of derivative instruments are of the highest reputation.

In addition, the Bank operates with various instruments that, although they involve exposure to credit risk, are not reflected in the Consolidated Statement of Financial Position, such as: guarantees and bonds, documentary letters of credit, guarantee slips and commitments to grant loans.

The guarantees and bonds represent an irrevocable payment obligation, In the event that a guaranteed client does not fulfill its obligations with third parties who are liable to the Bank, the latter will make the corresponding payments, so that these transactions represent the same exposure to credit risk as a common loan.

Documentary letters of credit are commitments documented by the Bank on behalf of the client that are guaranteed by the merchandise shipped to which they are related and, therefore, have a lower risk than direct indebtedness, Guarantee slips correspond to contingent commitments that are made effective only if the client does not comply with the performance of works agreed with a third party, guaranteed by them.

When it comes to commitments to grant credit, the Bank is potentially exposed to losses in an amount equivalent to the unused total of the commitment, However, the probable amount of loss is less than the unused total of the commitment, The Bank monitors the maturity of credit lines because generally long-term commitments have a higher credit risk than short-term commitments.

Maximun credit risk exposure

For financial assets recognized in the Consolidated Statement of Financial Position, exposure to credit risk is equal to their book value, For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantee were executed.

NOTE 39
RISK MANAGEMENT, continued

Below is the distribution by financial asset and off-balance a sheet commitments of the Bank's maximum exposure to credit risk as of December 31, 2019 and 2018, without deduction of collateral, security interests or credit improvements recived:

		As of December 31,	
	Note	2019 Amount of exposure MCh$	2018 Amount of exposure MCh$
Deposits in banks	5	2,693,342	1,240,578
Cash ítems in process of collection	5	355,062	353,757
Trading investments	6	270,204	77,041
Investments under resale agreements	7	-	-
Financial derivative contracts	8	8,148,608	3,100,635
Loans and accounts receivable from customers and interbank loans, net	9 y 10	31,838,568	29,485,435
Available for sale investments	11	4,010,272	2,394,323
Off-balance commitments:			
Letters of credit issued		140,572	223,420
Foreign letters ofcredit confirmed		70,192	57,038
Guarantees		1,929,894	1,954,205
Available credit lines		8,732,422	8,997,650
Personal guarantees		451,950	133,623
Other irrevocable credit commitments		485,991	327,297
Total		**59,127,077**	**48,345,002**

NOTE 39
RISK MANAGEMENT, continued

Regarding the quality of the credits, these are classified in accordance with what is described in the compendium of regulations of the FMC as of December 31, 2019 and 2018:

Category Comercial Portfolio	As of December 31,							
	2019				2018			
	Individual	Percentage	Allowance	Percentage	Individual	Percentage	Allowance	Percentage
	MCh$	%	MCh$	%	MCh$	%	MCh$	%
A1	99,042	0.31	34	0.00	29,998	0.10	9	0.00
A2	907,696	2.78	572	0.06	1,074,789	3.55	735	0.09
A3	2,213,921	6.77	3,434	0.38	2,746,323	9.07	3,811	0.48
A4	3,514,637	10.74	19,937	2.23	3,222,102	10.64	18,697	2.35
A5	2,226,246	6.81	29,599	3.31	1,796,864	5.93	21,455	2.69
A6	1,134,045	3.46	23,568	2.67	981,170	3.24	15,159	1.90
B1	603,202	1.85	10,689	1.21	495,102	1.64	11,550	1.45
B2	83,341	0.25	3,428	0.38	82,112	0.27	5,561	0.70
B3	85,851	0.27	4,590	0.51	67,703	0.22	2,943	0.37
B4	133,701	0.41	23,797	2.66	93,133	0.31	21,871	2.75
C1	158,437	0.48	3,169	0.35	154,708	0.51	3,094	0.39
C2	75,830	0.24	7,583	0.85	55,611	0.18	5,562	0.70
C3	48,601	0.14	12,150	1.36	45,171	0.15	11,293	1.42
C4	41,372	0.12	16,549	1.85	36,005	0.12	14,402	1.81
C5	44,904	0.13	29,188	3.27	65,465	0.22	42,552	5.34
C6	53,646	0.16	48,262	5.40	71,035	0.23	63,932	8.03
Subtotal	**11,424,472**	**34.92**	**236,549**	**26.49**	**11,017,291**	**36.38**	**242,626**	**30.47**

	Individual	Percentage	Allowance	Percentage	Individual	Percentage	Allowance	Percentage
	MCh$	%	MCh$	%	MCh$	%	MCh$	%
Commercial								
Normal Portfolio	4,027,776	12.31	76,918	8.61	3,793,923	12.53	60,255	7.56
Impaired portfolio	462,583	1.41	198,975	22.27	443,539	1.46	170,024	21.34
Subtotal	**4,490,359**	**13.72**	**275,893**	**30.88**	**4,237,462**	**13.99**	**230,279**	**28.90**
Mortgage								
Normal Portfolio	10,733,871	32.81	21,078	2.36	9,678,316	31.96	20,979	2.63
Impaired portfolio	529,124	1.62	47,383	5.31	472,665	1.56	43,262	5.43
Subtotal	**11,262,995**	**34.43**	**68,461**	**7.67**	**10,150,981**	**33.52**	**64,241**	**8.06**
Mortgage								
Normal Portfolio	5,258,137	16.07	124,054	13.89	4,601,694	15.20	103,020	12.93
Impaired portfolio	280,920	0.86	188,191	21.07	274,595	0.91	156,422	19.64
Subtotal	**5,539,057**	**16.93**	**312,245**	**34.96**	**4,876,289**	**16.11**	**259,442**	**32.57**
Total	**32,716,883**	**100.00**	**893,148**	**100.00**	**30,282,023**	**100.00**	**796,588**	**100.00**

NOTE 39
RISK MANAGEMENT, continued

Regarding the individual evaluation portfolio, the different categories correspond to:

- Categories A or Portfolio in Normal Compliance, is one that is made up of debtors whose ability to pay them it allows compliance with its financial obligations and commitments, and that according to the evaluation of its economic-financial situation, it is not seen that this condition changes in the short term.

- Categories B or Substandard Portfolio, is one that contemplates debtors with financial difficulties or significant worsening of their ability to pay and over which there are reasonable doubts about the total reimbursement of principal and interest in the terms agreed upon, showing a low slack to meet with your financial obligations in the short term.

- Categories C or Portfolio in Default, is made up of those debtors whose recovery is considered remote, since they show a deteriorated or no capacity to pay.

As for the group evaluation portfolios, a joint evaluation of the operations that compose it is carried out.

Refer to Note 31 for details of impaired Bank loans and their respective provisions, Also refer to the Note 20 for a breakdown of the maturities of the Bank's financial assets.

Exposure to credit risk in derivative contracts with abroad

As of December 31, 2019, the Bank's foreign exposure, including the counterparty risk in the derivative portfolio, was USD 2,309 million or 3,65% of the assets, In the table below, the exposure to derivative instruments is calculated using the equivalent credit risk, which is equal to the net value of the replacement plus the maximum potential value, considering the collateral in cash, which mitigates the exposure.

Below, additional details are included regarding our exposure to those countries that have a rating of 1 and that correspond to the largest exposures, The following is the exposure as of December 31, 2019, considering the fair value of the derivative instruments.

Country	Clasification	Derivative instrument (adjusted to market) M USD	Deposits M USD	Loans MUSD	Financial investments M USD	Total exposure M USD
China	2	0.00	0.00	7.23	0.00	7.23
Colombia	2	1.24	0.00	0.00	0.00	1.24
Italia	2	0.00	1.36	0.32	0.00	1.68
México	2	9.42	0.04	0.00	0.00	9.46
Panamá	2	1.50	0.00	0.00	0.00	1.50
Perú	2	2.20	0.00	0.00	0.00	2.20
Uruguay	2	0.00	0.00	0.10	0.00	0.10
Total		**14.36**	**1.40**	**7.65**	**0.00**	**23.41**

The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the exposure to net loans is USD $ 0.

NOTE 39
RISK MANAGEMENT, continued

Our exposure to Spain within the group is as follows:

Counterpart	Country	Clasification	Derivative intruments (adjusted to market) M USD	Deposits M USD	Loans M USD	Financial investments M USD	Total exposure M USD
Banco Santander España (*)	España	1	319.0	54.8	0.4	0.0	374.20
Santander UK	UK	1	24.0	2.0	0.0	0.0	26.00
Banco Santander Mexico	Mexico	2	9.4	0.0	0.0	0.0	9.4

The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the exposure to net loans is USD $0,
(*) We include our exposure to the Santander branches in New York and Hong Kong as exposure to Spain.

Impairment of other financial instruments

As of December 31, 2019 and 2018, the Bank did not have significant impairments in its financial assets other than credits and / or accounts receivable.

Security interests and credit improvements

The maximum exposure to credit risk, in some cases, is reduced by guarantees, credit enhancements and other actions that mitigate the Bank's exposure, Based on this, the constitution of guarantees is a necessary but not sufficient instrument in the granting of a loan; therefore, the acceptance of risk by the Bank requires the verification of other variables or parameters such as the ability to pay or generate resources to mitigate the risk incurred.

The procedures for the management and valuation of guarantees are included in the internal risk management policy, These policies establish the basic principles for the management of credit risk, which includes the management of guarantees received in transactions with customers, In this sense, the risk management model includes assessing the existence of appropriate and sufficient guarantees that allow the recovery of the loan to be carried out when the debtor's circumstances do not allow it to meet its obligations.

The procedures used for the valuation of the guarantees are in accordance with the best practices of the market, which involve the use of valuations in real estate guarantees, market price in stock values, value of the shares in an investment fund, etc, All the collateral received must be properly instrumented and registered in the corresponding registry, as well as having the approval of the Bank's legal divisions.

The Bank also has rating tools that allow ordering the credit quality of operations or clients, In order to study how this probability varies, the Bank has historical databases that store the information generated internally, The qualification tools vary according to the segment of the analyzed client (commercial, consumption, SMEs, etc,).

The following is a breakdown of impaired and non-impaired financial assets that have collateral, collateral or credit enhancements associated with the Bank as of December 31, 2019 and 2018:

	As of December	
	2019	2018
	MCh$	MCh$
Non-impaired financial assets:		
Properties/mortgages	23,371,510	22,047,354
Investments and others	2,785,219	2,200,776
Impaired financial assets:		
Properties/mortgages	101,456	119,181
Investments and others	525	865
Total	**26,258,710**	**24,368,176**

NOTE 39
RISK MANAGEMENT, continued

Liquidity risk

Liquidity risk is the risk that the Bank has difficulties in complying with the obligations associated with its financial obligations.

Liquidity risk management

The Bank is exposed daily to requirements of cash funds from several banking transactions such as current account drafts, payments of term deposits, guarantee payments, disbursements of derivative operations, etc, As is inherent in banking activity, the Bank does not hold funds in cash to cover the balance of those positions, since experience shows that only a minimum level of these funds will be withdrawn, which can be foreseen with a high degree of certainty.

The Bank's approach to liquidity management is to ensure, to the extent possible, that it always has sufficient liquidity to meet its obligations at maturity, under normal circumstances and stress conditions, without incurring unacceptable losses or risking risk, of damage to the reputation of the Bank, The Board sets limits on a minimum portion of funds to be made available to meet such payments and on a minimum level of inter-bank operations and other lending facilities that should be available to cover drafts at unexpected levels of demand, which is reviewed periodically, On the other hand, the Bank must comply with regulatory limits dictated by the FMC for the mismatches of terms.

These limits affect the mismatches between future income and expenditure flows of the Bank considered individually and are the following:

i, Mismatches of up to 30 days for all currencies, up to once the basic capital;
ii, mismatches of up to 30 days for foreign currencies, up to once the basic capital; Y
iii, mismatches of up to 90 days for all currencies, twice the basic capital.

The treasury department receives information from all the business units on the liquidity profile of its financial assets and liabilities and details of other projected cash flows derived from future businesses, According to this information, treasury maintains a portfolio of liquid assets in the short term, composed largely of liquid investments, loans and advances to other banks, to ensure that the Bank maintains sufficient liquidity, The liquidity needs of the business units are met through short-term transfers from treasury to cover any short-term fluctuation and long-term financing to address all structural liquidity requirements.

The Bank monitors its liquidity position on a daily basis, determining the future flows of its expenses and revenues, In addition, stress tests are carried out at the end of each month, for which a variety of scenarios are used, covering both normal market conditions and fluctuation conditions, The liquidity policy and procedures are subject to review and approval by the Bank's Board of Directors, Periodic reports are generated detailing the liquidity position of the Bank and its affiliates, including any exceptions and corrective measures adopted, which are regularly reviewed by the ALCO.

The Bank is based on client (retail) and institutional deposits, bonds with banks, debt instruments and time deposits as its main sources of financing, Although most of the obligations with banks, debt instruments and time deposits have maturities of more than one year, customer and retail deposits tend to have shorter maturities and a large proportion of them are payable within 90 days, days, The short-term nature of these deposits increases the liquidity risk of the Bank and therefore the Bank actively manages this risk by constantly monitoring market trends and price management.

Exposure to liquidity risk

One of the key measures used by the Bank to manage liquidity risk is the proportion of net liquid assets to customer deposits, For this purpose, the net liquid assets must include cash / cash, cash equivalents and debt investments for which there is an active and liquid market minus the deposits of the banks, fixed income securities issued, loans and other commitments maturing in next month, A similar measure, but not identical, is used as a calculation to measure the Bank's compliance with the liquidity limit established by the SBIF, where the Bank determines the mismatch between its rights and obligations according to maturity according to the estimated performance.

NOTE 39
RISK MANAGEMENT, continued

The proportions of the mismatches at 30 days in relation to capital and 90 days in relation to 2 times the capital are shown in the following table:

	As of December 31,	
	2019	2018
	%	%
30 days	63	(20)
30 days foreign	-	-
90 days	79	(37)

Following is a breakdown, by contractual maturities, of the balances of the Bank's assets and liabilities as of December 31, 2019 and 2018, considering also those unrecognized commitments:

As of December 31, 2019	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$
Asset expiration (Note 20)	4,539,389	4,513,787	2,813,147	7,255,064	8,078,287	5,720,027	16,465,316	**49,385,017**
Expiration of liabilities (Note 20)	(11,793,782)	(6,641,245)	(6,747,894)	(5,610,834)	(4,439,984)	(3,425,089)	(6,200,485)	**(44,859,313)**
Net expiration	**(7,254,393)**	**(2,127,458)**	**(3,934,747)**	**1,644,230**	**3,638,303**	**2,294,938**	**10,264,831**	**4,525,704**
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(30,356)	(9,009)	(318,024)	(93,814)	(747)	-	**(451,950)**
Letters of credit from abroad confirmed	-	(25,492)	(1,808)	(11,305)	(31,587)	-	-	**(70,192)**
Letters of documentary credits issued	-	(33,207)	(347)	(33,438)	(73,580)	-	-	**(140,572)**
Guarantee	-	(144,363)	(546,369)	(902,737)	(216,472)	(97,661)	(22,292)	**(1,929,894)**
Net maturity, including commitments	**(7,254,393)**	**(2,360,876)**	**(4,492,280)**	**378,726**	**3,222,850**	**2,196,530**	**10,242,548**	**1,933,096**

As of December 31, 2018	A la vista	Hasta 1 mes	Entre 1 y 3 meses	Entre 3 y 12 meses	Entre 1 y 3 años	Entre 3 y 5 años	Más de 5 años	Total
	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$
Asset expiration (Note 20)	2,827,643	5,798,664	2,451,466	5,504,699	6,214,328	3,808,562	11,838,090	**38,443,452**
Expiration of liabilities (Note 20)	(9,786,584)	(5,517,050)	(4,675,171)	(5,633,116)	(3,268,117)	(2,027,157)	(4,290,707)	**(35,197,902)**
Net expiration	**(6,958,941)**	**281,614**	**(2,223,705)**	**(128,417)**	**2,946,211**	**1,781,405**	**7,547,383**	**3,245,550**
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(22,128)	(63,230)	(41,637)	-	(6,628)	-	**(133,623)**
Letters of credit from abroad confirmed	-	(3,842)	(9,128)	(33,177)	(212)	(10,679)	-	**(57,038)**
	-	(12,469)	(110,970)	(54,015)	-	(45,937)	(2)	**(223,393)**
Letters of documentary credits issued Guarantee	-	(663,642)	(188,147)	(905,554)	(75,909)	(87,597)	(33,356)	**(1,954,205)**
Net maturity, including commitments	**(6,958,941)**	**(420,467)**	**(2,595,180)**	**(1,162,800)**	**2,870,090**	**1,630,564**	**7,514,025**	**877,291**

The above tables show the undiscounted cash flows of the Bank's financial assets and liabilities on the estimated maturity basis, The expected cash flows of the Bank from these instruments can vary considerably compared to this analysis, For example, demand deposits are expected to remain stable or have an increasing trend, and unrecognized loan commitments are not expected to be executed all that have been arranged, In addition, the above breakdown excludes available lines of credit, since they lack contractual defined maturities.

NOTE 39
RISK MANAGEMENT, continued

Operating risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes related to the Bank's processes, personnel, technology and infrastructure, and external factors that are not credit, market or liquidity, such as those related to legal or regulatory requirements, Operating risks arise from all Bank operations.

The objective of the Bank is the management of operational risk in order to mitigate economic losses and damages to the Bank's reputation with a flexible structure of internal control.

The Bank's Administration has the primary responsibility for the development and application of controls to deal with operational risks, This responsibility is supported by the overall development of the Bank's standards for operational risk management in the following areas:

- Requirements for the proper segregation of functions, including the independent authorization of operations
- Requirements for reconciliation and supervision of transactions
- Compliance with applicable legal and regulatory requirements
- Documentation of controls and procedures
- Requirements for the periodic evaluation of the applicable operational risks, and the adequacy of the controls and procedures to deal with the identified risks
- Requirements for the disclosure of operating losses and the proposed corrective measures
- Development of contingency plans
- Training and professional development / training
- Establishment of business ethics standards
- Reduction or mitigation of risks, including contracting insurance policies if they are effective.

Compliance with Bank regulations is supported by a program of periodic reviews carried out by the Bank's internal audit and whose examination results are presented internally to the management of the business unit examined and to the Directors and Audit Committee.

Capital risk

The Group defines capital risk as the risk that the Group or any of its companies may have an insufficient amount and/or quality of capital to: meet the minimum regulatory requirements in order to operate as a bank; respond to market expectations regarding its creditworthiness; and support its business growth and any strategic possibilities that might arise, in accordance with its strategic plan.

The objectives in this connection include most notably:

- To meet the internal capital and capital adequacy targets.
- To meet the regulatory requirements.
- To align the Bank’s strategic plan with the capital expectations of external agents (rating agencies, shareholders and investors, customers, supervisors, etc.)
- To support the growth of the businesses and any strategic opportunities that may arise.

The Group has a capital adequacy position that surpasses the levels required by regulations,

Capital management seeks to optimize value creation at the Bank an at its different business segment, The Bank continuously evaluates it risk-return ratios through its basic capital, effective net equity, economic capital and return on equity, With regard to capital adequacy, the Banks conducts its internal process based on the FMC standards which are based on Basel Capital Accord (Basel I), Economic capital is the capital required to support all the risk of the business activity with a given solvency level.

Capital is managed according to the risk environment, the economic performance of Chile and the business cycle, Board may modify our current equity policies to address changes in the mentioned risk environment.

NOTE 39
RISK MANAGEMENT, continued

Capital minimum

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch$22,053 million or U,S,$ 31,6 million as of December 31, 2019) of paid-in capital and reserves, calculated in accordance with Chilean GAAP.

Capital requirement

Chilean banks are required by the General Banking Law to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves ("basic capital") of at least 3% of total assets, net of required loan loss allowances, Regulatory capital and basic capital are calculated based on the consolidated financial statements prepared in accordance with the Compendium of Accounting Standards issued by the FMC, As we are the result of the merger between two predecessors with a relevant market share in the Chilean market, we are currently required to maintain a minimum regulatory capital to risk-weighted assets ratio of 11%, As of December 31, 2019, the ratio of our regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, was 12.86% and our core capital ratio was 6.96%.

Regulatory capital is defined as the aggregate of:
• a bank's paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches or basic capital;
• its subordinated bonds, valued at their placement price (but decreasing by 20,0% for each year during the period commencing six years prior to maturity), for an amount up to 50,0% of its basic capital; and
• its voluntary allowances for loan losses for an amount of up to 1,25% of risk weighted-assets.

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

	As of December 31,		Ratio As of December 31,	
	2019 MCh$	2018 MCh$	2019 %	2018 %
Basic capital	3,390,823	3,239,546	6.96	7.72
Regulatory capital	4,304,401	4,101,664	12.86	13.40

Concentration of risk

The Bank operates mainly in Chile, so most of its financial instruments are concentrated in that country, Refer to Note 10 of the financial statements for a breakdown of the concentration by industry of the Bank's receivables and accounts receivable.

NOTA N°40
NON CURRENT ASSETS HELD FOR SALE

Banco Santander has decided to implement its own acquisition network, therefore the Bank is in process to dispose-of the investment in the companies who provide such services. Accordingly, the Bank management is engaged in search plan for a buyer.

As required by IFRS 5, the Bank has reclassified to assets held for sale under the heading Other assets in the Consolidated Statement of Financial Position as of December 31, 2019 and in the same way it has presented in the income statements the effects associated with those investments as discontinued operations for all years presented.

The following investments in associates were classified to Other assets as assets held for sale:

As of December 31		2019		2018
	Participation %	Assets MCh$	income MCh$	Income MCh$
Transbank	25.00	19,093	1,442	284
Nexus	1.94	357	136	3,118
Redbanc	33.43	2,944	121	368
Totales		**22,394**	**1,699**	**3,770**

NOTE 41
SUBSEQUENT EVENTS

Bond issuance and repurchase

On January 7, 2020 Banco Santander Chile placed a bond with a 5 year term for an amounted of U.S.$750 million under the Rule 144-A of Securities Exchange Commission of United States.

On January 21, 2020, the Bank placed a Subordinated bond for an amount of U.S.$200 million.

On February 4, 2020, the Bank placed a Senior bond for an amount of UF2,000,000.

The Bank has performed the following bond repurchases during 2020:

Date	UF
01-02-2020	357.000
01-14-2020	131.000
01-21-2020	171.000
01-21-2020	181.000
01-24-2020	2.000
02-17-2020	15,000
02-17-2020	2,000
02-18-2020	50,000
02-18-2020	4,000
02-20-2020	350,000
02-20-2020	115,000
02-21-2020	57,000
02-21-2020	24,000
02-24-2020	10,000
02-24-2020	250,000

Date	Ch$
01-13-2020	50.000.000
01-14-2020	9.820.000.000
01-15-2020	400.000.000
01-21-2020	330.000.000
01-22-2020	11.430.000.000

Investment in associated and affiliates

a. Nexus

On January 22, 2020 Banco Itau-Corpbanca purchased the remaining shares held by Banco Santander in Nexus (79,577 shares), whit this, the sale process of Nexus has conclude. The investment in this company was classified as assets held for sale in June 2019.

b. Santander Consumer S.A. (“Consumer”)

On January 7, 2020 at the Extraordinary Shareholders Meeting, the members agreed to modify the business structure of Santander Consumer Chile to a limited liability company (responsabilidad limitada), which will operate under the corporate name Santander Consumer Finance Limitada.

c. Santander S.A. Sociedad Securitizadora

On January, 16, 2020, the company sent a “Material Fact” (Hecho Esencial) notifying that at the Extraordinary Shareholder Meeting held on January 15, 2020, the members agreed to modify the capital increase agreement dated on November 27, 2018, without changing the number of shares (280 ordinary registered shares, with a singles series and without nominal value).

NOTE 41
SUBSEQUENT EVENTS, continued

New regulations

On January 27, 2020, Financial Market Commission (FMC) issued two papers draft for comments related to credit-risk weighted assets and capital buffer requirements for the framework of modernization of the Chilean Banking Law (LGB), in accordance with new Basel III requirements.

On February 24, 2020 was published in the "Diario official" Law 21,210 which will be effective from the first quarter of 2020. The modification includes changes to income tax law, VAT tax and Tax Code. The Bank is reviewing any potential impact on the implementation of the new tax regulations.

There are no other subsequent events to be disclosed that occurred between January 1, 2020 and the date of issuance of these Financial Statements (February 27, 2020).

Jonathan Covarrubias H. **Chief Accounting Officer**	**Miguel Mata Huerta** **Chief Executive Officer**

Santander