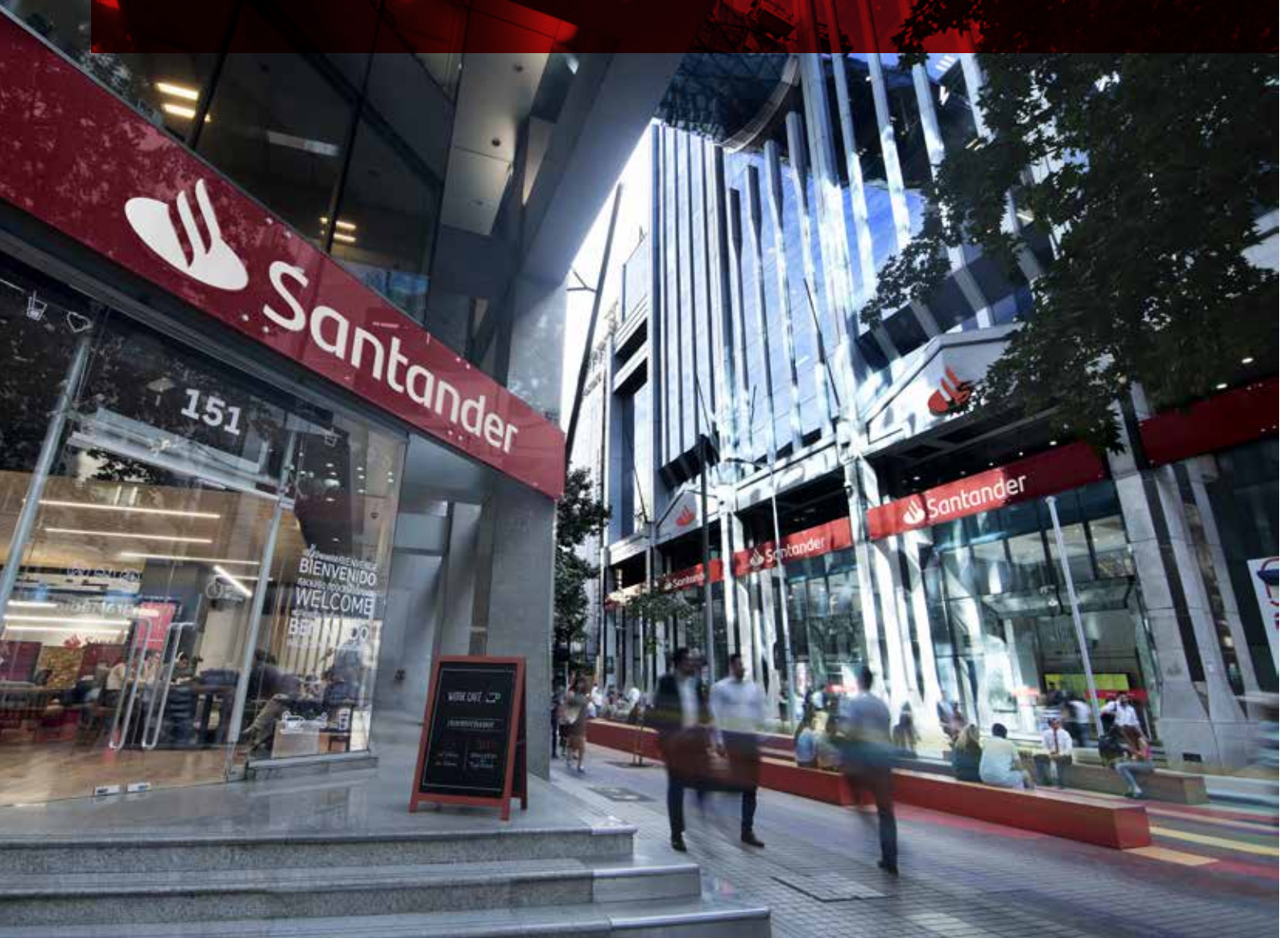


Annual
Report
2017

FINANCIAL / SUSTAINABILITY



#contribute to the progress
of people and businesses

Annual
Report
2017

FINANCIAL / SUSTAINABILITY

Annual Report 2017

1



04	Santander Chile today
06	Awards 2017
10	Letter from the Chairman of the Board
14	Letter from the CEO and Country Head
20	Board of Directors
24	Administration

2



26	Corporate governance
36	Business environment
42	Strategic plan and value creation
44	Business model
47	Business areas
50	Technology and innovation
52	Sustainability at Santander Chile

3



58	Risk management
66	Compliance
72	Financial results



This annual report is also
available online at
www.santander.cl

4



92	Our team
102	Client at the center
114	Value creation for shareholders
120	Sustainable management of the supply chain
122	Our commitment to society
131	Environmental management

5



134	Banco Santander around the world
136	Value creation at Santander Group
138	Santander Group's vision

6



140	Glossary
142	General information
148	About this annual report
149	GRI indicators
156	Financial statements

Santander Chile Today

11%

core capital ratio

19.2%

ROE

11,068

employees

58,198

US\$ million in
assets

926

ATMs

3.5

million
clients

Banco Santander has maintained a leading position adjusting its strategy to a changing and demanding environment.

The commercial transformation started by the institution has allowed it to achieve positive results and outstanding advances on the client side. Each one of the initiatives and efforts undertaken are coherent with the Bank's mission to contribute to the progress of people and businesses.

Environmental sustainability

	2015	2016	2017
Paper consumption (tons.)	2,191	2,124	1,662
Energy consumption (Kwh)	33,404,726	30,865,037	29,604,845
Water consumption (m3)	210,439	154,068	107,074
Total CO2 emissions	18,477	19,044	18,557
Land travel (mills. kms.)	3.3	2.5	2.5
Air travel (mills. kms.)	9,2	13,2	14,9
Electronic waste recycling (tons.)	22,4	47,8	132

Social sustainability

	2015	2016	2017	
Santander Universities	Nº grants	451	461	496
	Nº collaboration agreements	52	52	52
Universia	Employments for university students	59,666	49,142	42,195
Sanodelucas	Visits to web portal	785,836	962,234	994,668
Community	Nº corporate volunteers	1,051	225	492

Balance sheet and results (MM\$)	2017	2016	Change 17/16
Balance sheet			
Commercial loans	13,908,642	13,867,465	0.3%
Residential mortgage loans	9,096,895	8,619,356	5.5%
Consumer loans	4,557,692	4,446,803	2.5%
Loans and accounts receivable from customers	27,563,229	26,933,624	2.3%
Provisions	(815,687)	(820,139)	(0.5%)
Total loans, net ¹	26,747,542	26,113,485	2.4%
Financial investments ²	3,785,893	3,785,893	0.0%
Total assets	35,804,279	37,006,645	(3.2%)
Total deposits	19,682,111	20,691,024	(4.9%)
Issued debt instruments	7,093,653	7,326,372	(3.2%)
Equity	3,108,063	2,898,047	7.2%
Results			
Net interest income	1,326,691	1,281,366	3.5%
Net fee and commission income	279,063	254,424	9.7%
Total financial transactions, net	129,752	140,358	(7.6%)
Net operating profit before provisions for loan losses	1,822,669	1,694,447	7.6%
Provisions for loan losses	(299,205)	(343,286)	(12.8%)
Total operating expenses	(806,551)	(772,337)	4.4%
Operating income	716,913	578,824	23.9%
Net income	577,263	474,716	21.6%
Net income attributable to equity holders	564,815	472,351	19.6%
Profitability and efficiency			
Net interest margin	4.42%	4.45%	-3 pb
Return over average equity	19.2%	17.0%	+ 228 pb
Return over average assets	1.58%	1.33%	+ 25 pb
Efficiency (cost / income)	41.0%	42.7%	- 173 pb
Recurrence (commissions / costs)	39.6%	37.0%	+ 255 pb
Portfolio quality			
Cost of credit (provision expense / total loans)	1.08%	1.26%	- 18 pb
Non-performing loans / total loans	2.28%	2.07%	+ 21 pb
Provisions / total loans (expected loss)	2.94%	3.02%	- 7 pb
Provisions / non-performing loans (coverage)	128.8%	145.4%	- 1,663 pb
Capitalization and balance sheet structure			
Effective equity / risk weighted assets	13.9%	13.4%	+ 48 pb
Basic capital / risk weighted assets	11.0%	10.5%	+ 45 pb
Basic capital / total assets	7.9%	7.2%	+ 70 pb
Loans / deposits ³	100.7%	92.1%	+ 857 pb
Loans / total assets	74.7%	70.6%	+ 414 pb
Structure			
Branches	385	434	(11.3%)
Automatic teller machines (ATMs)	926	1,295	(28.5%)
Employees	11,068	11,354	(2.5%)
Customers ⁴	3,512,502	3,516,113	(0.1%)

1. Does not include interbank loans. Gross of provisions./ 2. Includes trading and available for sale investments./ 3. Adjusted by the portion of mortgage loans financed with issued debt instruments./ 4. Latest available information.

Awards 2017

Different organizations and specialized media, in Chile and abroad, distinguished Banco Santander acknowledging a management of excellency in several areas.

1

BEST BANK IN THE WORLD, ACCORDING TO THE BANKER

Prestigious British magazine The Banker –leader in banking and international finance information– chose Banco Santander not only as Global Bank of the Year, but also as Best Bank in Chile, Latin America, Spain, Brazil, and Portugal. Advances in commercial banking, benefits for customers and the innovative use of technology, especially in relation with the offer of products more attuned with client’s needs, were determinant for the award in our country, as well as for the other distinctions.

2

NUMBER 1 IN CHILE, BY EUROMONEY

Banco Santander was awarded as Best Bank in Chile by reputed English magazine Euromoney. It’s the fifth time over the last ten years in which the Bank is awarded as the most distinguished in the local banking industry. Santander Group also obtained the award as Best Bank in Latin America in Wealth Management and Best Bank in the World for SMEs.

3

BEST BANK IN CHILE BY LATINFINANCE

LatinFinance magazine named Santander Chile as Bank of the Year in the country. The publication highlighted the efforts on the corporate segment, which allowed the Bank to participate in the largest infrastructure deals, and especially the advances in retail banking with the deployment of the Work Café branches and digital developments such as the digital Onboarding.



1



3

4

EXCELLENENCY IN DIVERSITY MANAGEMENT

Universidad de La Frontera together with El Mercurio newspaper presented Santander Chile with the Excelencia Sin Frontera award, in attention to diversity management. This for the launching of programs oriented towards talented youth and international mobility initiatives for our employees.

5

BANCO SANTANDER IN THE DOW JONES SUSTAINABILITY INDEX 2017

For the third consecutive year Santander was included among the 27 companies that integrate the Dow Jones Sustainability index Chile (DJSI Chile). The Bank’s permanent commitment with sustainability through the respect

6



2

for the environment and promotion of stable relations with customers, employees, shareholders, and the society, validated this distinction.

6

SANTANDER CHILE IN THE DOW JONES SUSTAINABILITY INDEX MILA 2017

Thanks to the high total sustainability score (TSS) from RobecoSAM, Banco Santander Chile also integrated the Dow Jones Sustainability Index MILA (Integrated Latin American Markets), first index of the Pacific Alliance that measures economic, environmental and social performance of Chilean, Colombian, Peruvian and Mexican companies. From the 150 companies invited to the DJSI MILA, only 42 entered the definitive list, Santander Chile being one of the seven listed banks in the 2017 index.

7

TRANSPARENCY RECOGNITION

For the fifth consecutive year, Banco Santander was chosen among the most transparent companies in Chile. The ranking prepared by KPMG, Chile Transparente, Universidad del



8

Desarrollo and Inteligencia de Negocios placed the Bank on the third place among 43 institutions that reached the global corporate transparency standard.

8

GREAT PLACE TO WORK

Banco Santander moved from fourth to second place among companies with over 5,000 employees, and from 18th to 12th place on the general raking in a total of 50 companies.

9

TOP TEN IN BUSINESS SUSTAINABILITY

Banco Santander was the only bank to qualify in the Business Sustainability Ranking PROhumana 2017, which recognizes

institutions that stand out for their commitment and economic, social and environmental behavior. Santander obtained ninth place being distinguished with the Bronze Seal.

10

KORN FERRY EMPLOYEE ENGAGEMENT AWARDS 2017

The Bank was presented with the Employee Compromise award by the international consultant, based on a global study and an analysis of the employees of the organizations.

11

CARLOS VIAL ESPANTOSO AWARD

In the last version of this important award, Santander received a special distinction for the implementation of a culture that privileges employee's professional development through the Santander Academy.

12

SANTANDER ANNUAL REPORT DISTINGUISHED

According to Informe Reporta, Banco Santander's Annual Report was awarded with the second place in the ranking prepared by DEVA, that highlights leading companies part of the Indice de Precio Selectivo de Acciones (IPSA). As well, the Bank obtained the highest score of the financial industry and was awarded with the first place in financial transparency.



6

13

BEST INVESTOR RELATIONS

A survey conducted by El Mercurio Inversiones determined that Banco Santander has the best Investor Relations department (in the category of over US \$1,500 in market capitalization). The survey was conducted among 32 research managers, portfolio managers, local equity analysts and *family office managers*.

14

AN INNOVATIVE BANK

Best Place to Innovate ranking –based on a perception study prepared by GfK Adimark, with the sponsorship of the Centro de Innovación, Emprendimiento y Tecnología (CIET) from the Universidad Adolfo Ibáñez, Microsoft, XPGConsultNet and America Retail- placed Banco Santander, for second year in a row, among the 50 companies that best manage innovation in Chile.

15

LEADER IN DIGITAL BANKING

Santander was nominated as the number 1 digital bank in Chile by the Customer Satisfaction Study 2017



16

prepared by GfK Adimark. Clients value that the Bank is permanently adapting to their demands and highlighted its App as the best in the market.

16

BEST OF THE BEST

An important distinction that recognizes Banco Santander's commitment with its employee's wellbeing and financial future was received by the Bank from Principal, in collaboration with People First and La Tercera newspaper, during the Best Company for Employee Financial Future award ceremony. Santander was chosen as "Best of the Best". The score was calculated based on the delivery of benefits and incentives in four areas: financial and pension, insurance, health and wellbeing, and organizational culture.

17

SANTANDER PRIVATE BANKING AWARDED

For the fifth consecutive year, Euromoney presented Santander Private Banking as the Best Private Bank in Chile in 2017. The award was given as recognition to the specialized advisory model implemented by the Bank, and that has allowed to consolidate long standing trust relations with customers. Together with the same distinction for the Portugal subsidiary, the Group entered the list of the ten best global private banks as well as being awarded as the best entity in Latin America in two service categories.

18

AMONG THE MOST SECURE BANKS IN THE WORLD

Global Finance Magazine once more included Santander Chile among the most secure banks in the world. It is the only Chilean among the top fifty most secure commercial banks in the world and the first privately owned among the most secure in Latin America.

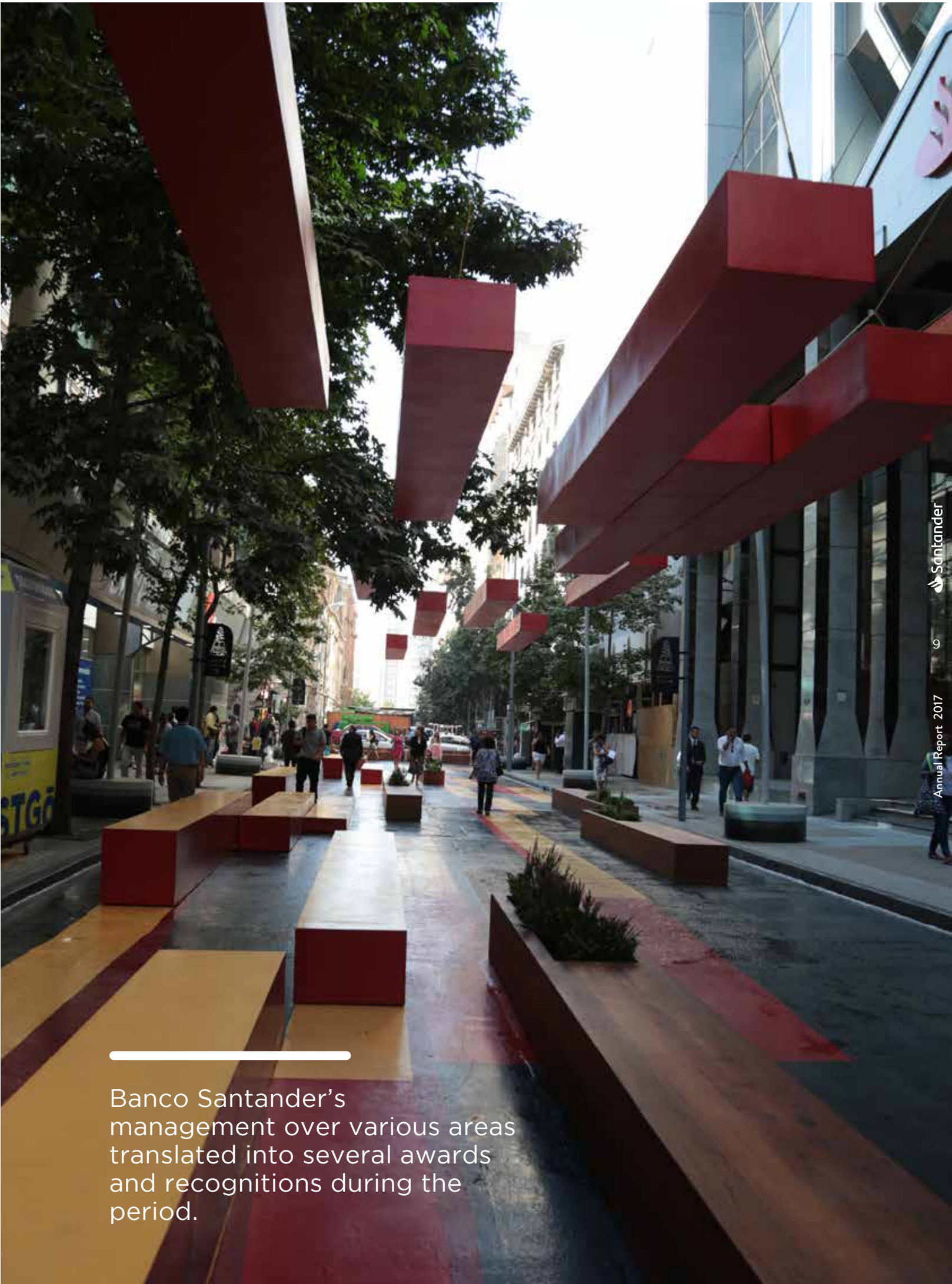
19

BEST BANK IN CHILE FOR TRADE FINANCE

Global Finance Magazine named Banco Santander as the best Trade Finance bank in Latin America, Argentina, Mexico, Portugal and Chile.



14



Banco Santander's management over various areas translated into several awards and recognitions during the period.

Letter from the Chairman of the Board

Vittorio Corbo Lioi



At the end of the year Santander is positioned as the largest bank in the country in terms of total assets, and the stock trades on the Santiago Stock Exchange and the NYSE.

Dear shareholders,

I have the honor to present you with the Annual Report and Financial Statements corresponding to the 2017 exercise of Banco Santander Chile. Net income attributable to shareholders reached \$564,815 million, which translates into a profit of \$3.0 per share and US\$1.95 per ADR. At the end of the year Santander is the largest bank in the country in terms of total assets, and the stock trades in the Santiago Stock Exchange and the NYSE. As of that date the Bank has a market cap of US\$14,732 million, total assets reach US\$58,198 million, equity at book value of US\$5,052 million, Core capital (Tier I) is 11%, and a solid structural liquidity position in

excess of US\$2,300 million makes it stand out within the Chilean banking system and abroad.

The Chilean economy expanded 1.5% in 2017, advancing once more below its potential growth and, as a result, capacity gaps continued to increase, marking a fourth year of low growth with an average increase of only 1.7% for the period between 2014 and 2017. Nevertheless, throughout the year activity went from less to more, fostered by a better external scenario –the world economy grew 3.7% backed by the developed world's impulse and China's dynamism– which raised copper prices and underpinned the mining activity, and by sustained favorable financial conditions, both locally

and internationally. Thus activity moved from falling 0.4% in the first quarter to grow 3.3% in the fourth, reversing the trend shown last year.

The larger expansion exhibited obeys to a resilient household consumption that tended to accelerate during the last months of the year, mainly driven by the purchase of durable goods. As a result, private consumption increased 2.4% but fixed capital formation completed a fourth year of contraction, closing the period with a 1.1% drop. In addition, despite the better global environment thanks to the recuperation of world trade and better exchange terms for Chile, the external sector did not evidence a big dynamism in part due to specific phenomena as the strike at Escondida mine. Thus, exports fell 0.9% while imports increased 4.7%.

The peso strengthened throughout the year with a 7% appreciation against the United States dollar, moving from \$/US\$ 670 at the beginning of the year to \$/US\$ 615 at the end of the period. This translated into an appreciation of the real exchange rate and an additional negative pressure on inflation, which continued to descend and settled in the lower part of the Central Bank of Chile's (BCCh) tolerance range. In response to the low inflation figures evidenced at the beginning of the year, the BCCh reduced the monetary policy rate from 3.5% in January to 2.5% in May, with the aim of increasing the stimulus on the economy.

The labor market showed signs of an increased dynamism with employment growing 2.0%,

although the average annual unemployment rate of 6.7% was slightly higher than that of previous years (6.5% in 2016). The latter reflects an important increase in the work force driven by job creation in the public sector as well as self-employment. Nevertheless, wage-earners increased mainly driven by the impulse of the public sector, while private wage-earning jobs registered a very low expansion.

Regarding growth expectations for 2018, the external scenario suggests a positive environment. Growth projections for developed countries continue to be revised upwards and a larger development than in 2017 is expected. As well, the largest countries in Latin America, Brazil and Argentina, emerged from recession and should show a positive evolution during this exercise. With respect to the internal scenario, the presidential elections held at the end of last year generated an important change in the expectations for the following years. The latter added to a positive external scenario, favorable exchange terms, contained inflation and a sustained monetary stimulus until the end of the year, should lead activity to resume a larger growth path. However, the new government has to face important challenges. Foremost, it will have to undertake important efforts to reduce the fiscal deficit, which will limit public consumption growth, while at the same time create the necessary conditions to resume investment growth and recuperate the sovereign rating. All in all, internal demand would grow around 4.0% (3.1% in 2017), while GDP would

increase close to 3.5%, backed by the country's solid macro fundamentals.

With respect to normative changes that will have an impact on the industry, in June 2017 was sent to Congress a bill that changes the General Banking Law (GBL). The main goal of this initiative, which is the first big change to the GBL since 1997, is to adequate the local bank's capital requirements to Basel III standards (Chile is currently in Basel I). In addition it includes changes to the supervision institutionality and to the administration of critical situations. The bill proposes a six year implementation period once the law has been passed.

Also, in February 2017 Congress approved the bill that creates the Financial Market Commission (FMC). In August, the five commissioners were appointed while the implementation period started on mid-December and ended with the integration of the Superintendency of Securities and Insurance (SVS) into the FMC on January 15, 2018, with the FMC assuming all of its functions. The FMC represents a big advance towards a consolidated supervision of financial risks, constituting itself as a collegiate body with an institutional design that looks after its autonomy and independence. Its regulatory attributions include: a systemic vision of the financial market; proposal of solutions to prevent financial stability risks; to seek for regulatory efficiency; coordination and collaboration; and interaction with other organisms with regulatory attributions (e.g. the Central Bank of Chile).

Once approved the bill that modernizes the General Banking Law, the FMC will absorb the Superintendency of Banks (SBIF), which will simplify the global supervision and regulation of the financial industry. This is in line with the global trend of integration of the financial supervisors, as financial markets increase in depth and entities become more complex and interconnected. The collegiate structure of the FMC-that counts with a Chairman and four commissioners- together with the strengthening of critical situation management –as a result of giving the supervisor tools that allow it to act in a more timely and early manner- will make normative decisions more flexible and objective. The proposed modernization is necessary for Chile to obtain regulatory equivalence at an international level, while at the same time is fundamental to maintain a robust banking system that stimulates growth.

By the end of October, and after three years of deliberation, the bill that modifies the Consumer Protection Agency (SERNAC) was approved. The new law reduces response times and existing barriers to complaints, increases fines set on the previous law, empowers consumer associations, and maintains the competence of local law courts, moving to higher courts those situations of diffuse or collective interest, as well as those derived from pre-formulated standard contracts. The latter should translate into more consistent rulings, as the civil justice is a more competent instance in technical terms. As a way to adapt to the new regulation, Santander is preparing itself detecting client's most common complaints and developing mechanisms through which it may offer a satisfactory answer that avoids potential law suits.

Finally, in March 2017, the government sent to Congress a new bill that proposes to change the way personal data is protected. The proposal seeks to balance especially the respect for, and protection of, privacy, with the free flow of information, guaranteeing that established authorization rules do not prevent the legitimate usage of data by people, organizations and companies. One of the main innovations appears on the automatized treatment of large volumes of data (Big Data), protecting the owner's control over its information, but also recognizing the legality of access and usage of third party information and particularly from companies. With respect to the new responsibilities of companies that manage databases, a new regulation for personal data processing will impose a series of new obligations regarding communication, custody, security and elimination, together with an audit that is expected to be strong. As well, these same companies will have to certify their prevention models with the Data Protection Agency with a three-year renewal period. If the bill is approved, the usage of Big Data for commercial actions might be limited, even preventing the development of personalized services. All in all, the integration of databases with information of debtors in the financial system remains pending. This would allow to have consolidated information to enhance risk measurements and thus contribute to improve the access to, and reduce the cost of, credit.

During 2017 the Board implemented several initiatives to strengthen the Bank's Corporate Governance, always taking into account the best national and international practices. One of them was the development of Board Bylaws to strengthen and

streamline its functioning. As well, another document titled New Board Member Induction was incorporated, its goal being to make more expeditious and efficient the incorporation of new members to the Board. Also, the composition of Board Supporting Committees saw substantial changes, mainly increasing the number of independent directors in the majority of the committees. For its part, the Human Resources Committee doubled the frequency of its annual meetings from two to four, and it was resolved that the appointment and compensation functions could not be on the same committee, which should imply additional changes in the future. Finally, in 2017 Amrop MV Consulting advised the Board on a self-assessment process –an international good corporate governance practice and included within the norms provisioned by the Chilean banking authority- as it has been done over the last six years with positive results.

On other matters, Law 20,945 published in August 2016 and that modified the Decreto Ley 211 that regulates free competition in Chile, came into force during the first half of 2017. One of the most important changes relates to the incorporation as an anti-competitive behavior of interlocking of board members and senior officers (the simultaneous participation of one person in senior executive positions or as a board member in two or more companies that compete against each other). As a sign of transparency, Banco Santander resolved that no Board member or relevant senior executive may participate in another company –with the exception of Santander Group companies. It should be noted that, as well as the other members of the organization, Board members adhere to the

Banco Santander Chile stands in a leading position in the industry fruit of a management of excellency, adhering to the highest corporate governance standards.

General Code of Conduct and the Code of Conduct in Securities Markets, including the procedures to avoid potential conflicts of interest in its functioning.

In regards to the relation with the Bank's stakeholders, during 2017 the Investor Relations area together with the Shareholder's Department deployed an active agenda to keep shareholders, analysts, and retail and institutional investors duly informed about the developments of the Bank and the country. This implied over 800 communications over ten countries including meetings, webcasts, phone conferences and other events. These efforts were recognized by the market. In a survey conducted by El Mercurio Inversiones among 32 research managers, portfolio managers, local equity analysts and family office managers, Banco Santander was determined to have the best investor relations department in the category above US\$1,500 million in market capitalization. On the same line, according to the Informe Reporta, Santander's Annual Report 2016 was awarded with the second place in the ranking prepared by DEVA, which highlights leading companies within the IPSA. Also, for the third consecutive year, Banco Santander

was included among the 27 companies that make up the Dow Jones Sustainability Index (DJSI) of the Santiago Stock Exchange. As well, thanks to the high total sustainability score (TSS) from RobecoSAM, the Bank was one of the 42 companies, among 150 invited to participate, selected to integrate the DJSI MILA (Integrated Latin American Markets), first index of the Pacific Alliance. In addition, for the fifth consecutive year, Santander was recognized among the most transparent companies in Chile according to the ranking prepared by KPMG, Chile Transparente, Universidad del Desarrollo and Inteligencia de Negocios. It was also the only bank that qualified in the Business Sustainability Ranking PROhumana 2017, being awarded ninth place and distinguished with the Bronze Seal. Finally, Global Finance Magazine once more included Santander Chile among the most secure banks in the world. It should be noted that it is the only Chilean bank among the top 50 most secure banks in the planet and the first among privately owned banks in Latin America. Undoubtedly, these recognitions make us pride and motivate us to continue deploying our best efforts to keep

up with the challenges reflected here.

Banco Santander Chile stands in a leading position in the industry fruit of a management of excellency, adhering to the highest corporate governance standards. We have a clear vision reflected in a demanding Strategic Plan that responds to current demands, and that will allow us to adequately face the continuous changes in the environment and the new challenges that this entails. For the latter its fundamental to count with the performance of a first-class team led by the Bank's senior management, a professional Board with recognized achievements and mainly external, and the support of Santander Group thanks to its 160 years of experience in the business.

Cordially,



Vittorio Corbo Lioi
CHAIRMAN OF THE BOARD

Letter from the CEO and Country Head

Claudio Melandri Hinojosa



14

It is with great pride and satisfaction that I present you with the developments in the strategy and main results of Banco Santander Chile for the 2017 exercise, a year of consolidation of our goals, and in which the fruits of our efforts during the last years have become tangible in an ostensible way.

Last year, and always guided by our mission to contribute to the progress of people and companies and setting the client at the center, financial results showed a significant increase and shareholder's attributed net income reached a record figure in the history of the Bank, increasing loans and deposits in a demanding environment, without sacrificing quality of service.

As well, we continued to lead innovation in customer service launching a new model for the retail segment that changes relationship paradigms. Also, 2017 was a year of recognitions for our Bank, both for its financial results and solvency, as well as for its commitment to sustainability and good labor relations.

Therefore, I daresay that during 2017 Banco Santander Chile continued to contribute to the country in a sustained manner and consolidate its financial results in a decelerating economic environment, with lower inflation and more uncertainty. And as has been a constant, said goals were achieved maintaining an adequate risk and return relation (reflected

The Bank's financial results showed a significant increase and shareholder's attributed net income reached a record figure in the history of the Bank, increasing loans and deposits in a demanding environment, without sacrificing quality of service.

in a solid capital base and high return over equity) and with results that place Santander in an outstanding position in the Chilean banking system and among the most profitable and efficient at the international level.

Before going over the significant achievements in terms of financial results, I would like to highlight the key milestones in the consolidation of our Strategic Plan: substantially improve customer experience; develop new ways to relate with customers through the continuous transformation of retail banking; deepen the relationship in the middle-market segment; and promote and manage a cultural change, incorporating the new Simple, Personal Fair (SPF) style.

Regarding the first objective, substantially improve customer experience, the coordinated work between the different areas and teams marked this period with milestones of great relevance in order to face the challenging scenario in which the industry is currently moving. In 2017 Santander Chile consolidated its relative position in customer satisfaction compared to the competition, reducing complaints presented at the SERNAC (customer protection agency) by 17.7% as they dropped from 11.5 to 9.5 complaints per 10,000 debtors according to the latest available figures, and significantly increasing customer satisfaction in relation to claims and complaints. Per service channel, the branch network and VOX maintained satisfaction levels around 95%, while the Web channel surpassed 98%. One of the most outstanding initiatives on this front

was the Conecta program, which brings employees from Central Services closer to customer requirements and expectations. The main executives participate on the program contacting clients by phone to learn about their opinion regarding offered services, an experience that is part of their recurring activities.

In relation to the second objective, the continuous transformation of retail banking, during 2017 the Bank continued to move from a carterized model -in which an account executive is responsible for a client portfolio- to an integrated model, in which each client has the Bank at his disposal, wherever he is. In this line, one of the most important developments was the consolidation of the Work Café branch model, ending the period with 20 of these branches across the country, and becoming an icon for the Bank as well as a recognized competitive advantage. Also, VOX adopted a 24/7 attention model available for all customer segments, becoming a facilitator for digital access and a powerful support for the other attention channels. Moreover, 84% of incoming calls were closed with a positive resolution for customers, while over 60% of complaints were solved immediately.

No doubt that one of the most important milestones in the period was the launch of Life, an unprecedented value proposition that changes the client relationship and accompaniment paradigm for the middle income segments. The model takes charge of the customer's fundamental motivations such as: the desire

to progress; the need to be recognized and that their efforts are worthwhile; time saving; and the availability of products and services that work correctly. The new attention model is completely digital, and rewards good financial behavior through exclusive recognitions such as discounts at supermarkets, no interest installments, payment flexibility or discounts on installments. At December 31, a few days after being launched, the model registered 482 new clients with the Life Plan and 300 clients with a Life credit card.

Throughout the year, Santander Chile continued to expand and improve its digital banking capabilities over four basic conditions: mobile first, developments and innovations are oriented towards mobility, hence all designs are originally developed for the mobile platform; omnichannel, all attention channels are integrated and offer customers a uniform experience; contextual, personalized and relevant offers in the customer's context, wherever and whenever he requires; and completely transactional and digital, customers can conduct any type of transactions and operations, not only financial, without human intervention. In this line a relevant milestone was the launch of digital On Barding, the first 100% digital platform for non-clients to become customers of Banco Santander online (non presential), either from a desktop computer or a mobile device, being able to contract plans or single products such as a credit card. Additional tools were also implemented. Multipago is a tool that allows the simultaneous

The coordinated work between the different areas and teams marked this period with milestones of great relevance in order to face the challenging scenario in which the industry is currently moving.

16 payment of several bills in one single transaction, either on the Web or App, while Multioferta is an initiative that after an upfront online risk assessment allows clients to manage their credit availability, assigning it among different products such as a credit card, an overdraft line or a consumer loan. In addition, a tool to block and unblock credit and debit cards was implemented, both on the Web and App, adding up to the capability of issuing credit and debit cards in 10 minutes directly on a branch. These cards are activated immediately.

These initiatives seek to satisfy the needs of customers that increasingly migrate towards digital channels, which is evident in the 80 million monthly transactions that the Santander Chile App registered in 2017, four times as much as in 2016. Despite this, the Bank maintained high service quality levels with availability and performance indicators of 99.3% and 97.9%, respectively. All in all, during 2017 the one million digital client mark was passed, anticipating a goal that was set for 2018.

Another highlight was the implementation of NEO Evolution, an update of NEOCRM to which the Bank's new incentives model

has been incorporated. The update also features the usage of predictive patterns backed on neural networks models that learn from customer interactions with each of the Bank's contact points. We expect this change to generate a positive impact on customer service, as well as an increase in productivity thanks to the optimization of account executive's management times.

Finally, new plans were launched, standing out the Limited Santander LATAM Pass Plan for individuals and four new plans for SMEs, each with different characteristics based on client needs, and seeking to strengthen the Bank's role as a strategic partner for SMEs. This translated into a 58% increase in the number of plans sold.

Regarding the third objective of the Strategic Plan, deepen the relationship model in the middle-market segment, throughout the period diverse initiatives were implemented allowing the Bank to continue advancing in the development and consolidation of the integral customer attention model, leveraging on the Company Centers located across the country. The Bank allied with the Mide UC Centre to detect gaps in the executive's knowledge and improve training

plans. In addition, a Digital Office was launched. This is a tablet for executives loaded with NEO Connect BEI, a mobile version of NEOCRM, improving the mobility and efficiency of the commercial teams and encouraging visits and proximity to clients. Also, the value offer on international trade was improved leveraging on the new Mercury platform and the international coverage of Santander Group, translating into a 6% increase in the number of customers using these products. Finally, Office Banking, the online platform for companies, continued to be strengthened, obtaining a four point increase in customer satisfaction with the platform, with the attributes Security, Stability and Variety of operations that can be conducted, standing out.

Regarding the fourth and last point of the Strategic Plan, advance in the consolidation of an internal culture centered on clients, the cultural change process started in 2015 was focused in the internalization of concepts relative to the Simple, Personal and Fair (SPF) style and its eight behaviors. A highlight is the Inconsistencies initiative, a program in which 70% of the Bank's teams participated seeking to identify everything that prevents us from being more SPF. Also, StarMeUp was launched,

a global platform that allows employees to recognize those that stand out in the fulfillment of the eight SPF behaviors. An important milestone was the beginning of a branch renovation program to make them more accessible to all customers with any type of disability. The latter will demand a \$10,000 million investment of which 10% has already been committed in 2017. During this period over 91% of employees participated in training programs that added up to 194 thousand lecture hours and a \$2,440 million investment. As well it should be noted that, as part of its corporate values and basic action principles, Santander Chile adheres to the respect of fundamental rights, equal opportunities and non-discrimination. Lastly, the Commitment and Organizational Support survey's results maintained their high levels reflecting the satisfaction of employees. The compromise dimension reached 86% in 2017 (87% in 2016), while the organizational support dimension increased to 80% (79% in 2016).

As in the previous year, our annual report complies with the Global Reporting Initiative (GRI) guidelines to adequately account for the Bank's performance on the economic, social and

environmental areas. It also constitutes our Communication on Progress (COP) from the Global Compact, initiative to which we adhere since 2003.

Net income attributable to shareholders reached \$564,815 million, 19.6% higher year-on-year. ROE, or return over average equity, climbed to 19.2%, above last year's 17% and the 12.4% posted by the banking system as a whole in 2017. The efficiency ratio improved from 42.7% in 2016 to 41% at the close of the year, while Core Capital increased 45 basis points (bp) to 11% by year-end and the Basel ratio reached 13.91%, 48bp above the figure for the previous exercise. All this ratios surpass with ease those of the industry.

Net contribution from the business segments -understood as the sum of net interest income plus fees and commissions, total financial transactions, net, and less loan loss provisions and operating expenses- that reflects the performance of the Bank's core business, increased 15.4% in twelve months. These results are a combination of a higher commercial activity thanks to a good increase in the loyal client base, a better funding mix, lower loan loss provision expenses, a continuous increase in fee income

and an effective control over operating expenses.

Regarding the Bank's commercial performance, total loans (excluding interbank loans) grew 2.3% during the period. By product, consumer and credit card loans increased 2.5% driven by the former with a 6.5% expansion. Mortgage loans grew 5.5% while commercial loans increased 0.3%. Commercial focus was maintained on middle and high-income individuals and middle and large-sized companies, which expanded above 5%, and especially on increasing the number of loyal clients. On the rest of the segments growth was selective.

Commercial activity during the period allowed Santander to retain its leading position in the system increasing the distance with its main competitors. Adjusted by credit investments held abroad by some local banks, Santander's total loan market share (excluding interbank loans and loan loss reserves) climbed to 18.7%. Although this figure is lower than the 19.1% of 2016, the Bank grew more than the competition's average increasing the distance with its main competitor from 110bp to 144bp.

Regarding the funding base, the Bank strived to improve the local

funding mix taking advantage of the low interest rate environment as well as from the lower inflation, and a comfortable liquidity position due to the issuances conducted in 2016. This drove a 4.9% reduction in the total deposit base during the year, as a result of a 3% increase in demand deposits (non-yielding funds for the bank) and a 9.4% decrease in time deposits. The latter is a direct consequence of the low interest rate and inflation environment, as it reduces the attractiveness for customers of this savings product. Nevertheless, the Bank followed the same strategy as last year preferring mutual fund growth over time deposits, thus benefiting clients with higher returns and yielding a larger fee income for the Bank. As a result, the average total deposit cost dropped from 2.32% in 2016 to 1.87% in 2017. All in all, and adjusting by investments held abroad by some local banks, Santander Chile's market share in total deposits reached 16.6%, standing out as the main private bank in the country.

As mentioned before, during 2016 the Bank built a comfortable liquidity position, in part due to debt issuances in the local and international markets for close to US\$3,800 million. This, together with a moderate loan growth in the

year, allowed the Bank to optimize the funding base taking advantage of specific opportunities during the period. One such opportunity was a US\$500 million three-year issue in the US market, anticipating the FED's interest rate hike and securing the lowest coupon rate ever for a Chilean issuer in the US market for such tenor. These transactions reaffirm the Bank's capability to access markets in advantageous conditions, maintaining an adequate diversification of the funding base. As well, they reflect the positive perception of international and local investors about Santander Chile.

Thus, the Bank maintains a competitive funding cost compared to the industry, partly compensating the negative pressure on spreads due to the loan growth mix change towards less risky segments, but also less profitable, and the lower inflation. At the same time, the Bank kept a comfortable structural liquidity level -understood as the difference between liquid financial assets and non-structural financial liabilities- that reached US\$2,307 million at year-end. We believe that all these figures reflect our strong competitive position, resulting from a well planned and executed strategy.

Regarding our financial results, net interest income increased 3.5% as a consequence of larger loan volumes and good funding cost management, partially compensated by the lower inflation during the year. All in all, net interest margin -this is net interest income divided by average earning assets- remained stable at 4.42% (4.45% in 2016).

Fee income climbed 9.7% in 2017, above the 7.1% of 2016. The good performance answered to the sustained work on the relation with wholesale clients, the constant focus on non-credit activities in the corporate segment leveraging on the Bank's strong execution capabilities, and a larger use of the products offered to retail clients, in line with higher loyalty and transaction levels. Highlights are the increase in credit card transactions (+6.2%) and in the total amount (+8.8%). In effect, loyal customers -those that hold and use more the Bank's products- grew 9.5% in the high income segment, 4% in SMEs and 3% in the middle-market segment.

Loan loss provision expenses were down by 12.8% year-on-year thanks to lower provisions and charge-offs, and higher recuperations of loans previously charged off. The latter evidences the positive impact of the growth

We have executed a Strategic Plan that responds to the challenges of the environment and the industry, advancing decidedly in helping people and businesses prosper.

focus on less risky segments, together with the previously implemented changes in admission and recovery policies. Thus, the cost of credit (loan loss provisions over total loans) continues on a positive trend falling from 1.64% in 2015 to 1.26% in 2016 and 1.08% in 2017. Regarding portfolio quality, the period saw a positive evolution although a slight deterioration was evidenced towards the end of the year. Non-performing loans reached 2.28%, while coverage was 240.2%, explained by a weaker labor market especially during the first half of the year. We believe that the latter should be temporary, and reverse as the economic recuperation seen by the end of the year picks up. It should be noted that, at year-end, loan loss allowances cover 2.7 times the effective loan loss, understood as net charge-offs less recuperations.

The Bank's performance during the period was recognized with awards from prestigious national and international institutions. The Banker chose Santander as the Best Bank in Chile and named Santander Group the Best Bank in the World. As well, Euromoney elected us once more as Best Bank in Chile. Also, LatinFinance magazine named Santander Chile as Bank of the Year in the country.

The market also recognized the Bank's performance and the advances of our Strategic Plan. During 2017 Santander Chile's stock yielded shareholders a 29.3% return in Chilean pesos (35.1% including dividends). Regarding work environment, Santander ranked among the best companies to work in Chile, climbing from fourth to second place in the Great Place to Work ranking among companies with over 5,000 employees, and moving from 18th to 12th place in the general ranking. The Bank was also elected as "Best of the Best" in the Best Company for Employee Financial Future award, organized by Principal, People First and La Tercera newspaper. Also, Fundación Carlos Vial Espantoso gave a special distinction to Santander for the implementation of a culture that privileges employee's professional development. We feel proud of these awards and receive them humbly. They serve as parameters to measure our performance and give information regarding aspects that we must still improve.

I would like to thank the Board and shareholders for their trust in this administration. We have executed a Strategic Plan that

responds to the challenges of the environment and the industry, advancing decidedly in helping people and businesses prosper. The work over the last years already generates tangible results, however there is much yet to do. We have strong competitive advantages –a leading position in the market, innovation capability, anticipation and flexibility to adapt to changes in the environment and the support from Santander Group that celebrated 160 years of existence- that, together with an experienced team and a sound strategy, allow us to reach our goals, reaffirming the commitment to create value for our shareholders, customers, employees and the society.

Cordially,



Claudio Melandri Hinojosa
CEO AND COUNTRY HEAD

Board of Directors

The Board of Directors of Banco Santander is composed of nine directors and two alternate directors, responsible for the strategic guidelines, global oversight of the business and its results, and risk management.

11

Members

6

External directors

88%

Committee attendance



VITTORIO CORBO LIOI
Chairman



ÓSCAR VON CHRISMAR CARVAJAL
First vice president



ROBERTO MÉNDEZ TORRES
Second vice president



ANA DORREGO DE CARLOS
Director



ANDREU PLAZA LÓPEZ
Director



ORLANDO POBLETE ITURRATE
Director



LUCÍA SANTA CRUZ SUTIL
Director



JUAN PEDRO SANTA MARÍA PÉREZ
Director



ROBERTO ZAHLER MAYANZ
Director



BLANCA BUSTAMANTE BRAVO
Alternate Director



RAIMUNDO MONGE ZEGERS
Alternate Director

VITTORIO CORBO LIOI**Chairman**

Is president of Vittorio Corbo y Asociados, member of the Board at Centro de Estudios Públicos (CEP), member of the MIT Sloan Latin America Advisory Council and of the International Advisory Board of the Center for Social and Economic Research (CASE) of Warsaw, Poland. Was president of the Central Bank of Chile (2003-2007) and member of the Advisory Board of the World Bank's Chief Economist and the Advisory Committee for Monetary and Exchange Policy of the Capital Markets Department of the IMF.

In the academic area he has been economics professor at the Concordia University in Canada and in the Pontificia Universidad Católica de Chile, and Professorial Lecturer at the Georgetown University in the United States. He was senior associate researcher of the Centro de Estudios Públicos (2008-2017), chairman of the Latin American Chapter of the Econometric Society, vice chairman of the International Economic Association and member of the Board of the Econometric Society.

Also held executive positions at the World Bank in Washington DC (1984-1991), and has advised and worked in over 15 countries and lectured on seminars in the most important universities and central banks in the world.

During the last years presided the commission to update the structural balance rule, named by Finance Minister Felipe Larraín; was a member of the Presidential Advisory Board against corruption and conflicts of interest (Engel Commission), named by President Michelle Bachelet, and member of the Working Group to make recommendations for the modernization of the banking regulation, named by Finance Minister Rodrigo Valdés.

In the business area is Chairman of the Board of Banco Santander Chile, director of Santander Group Mexico, and director of CCU S.A.. Was a director at Banco Santander S.A. in Madrid, Spain and of Endesa Chile.

Is also economic advisor for relevant national and international companies. Has published and edited 11 books and over 100 different articles in books and international magazines specialized in economics.

As well, was elected as Central Bank President of the Year on a worldwide basis by Global Finance magazine (2006), Economist of the Year by El Mercurio newspaper in Chile (2003), Ingeniero Comercial del Año by the Fundación de Egresados de Ingeniería Comercial de la Universidad de Chile (2004), and received the InBest Chile Award for his contribution to the development of the Chilean capital market (2015).

Graduated in Business Administration at Universidad de Chile (with maximum distinction) and holds a PhD in economics from MIT.

ÓSCAR VON CHRISMAR CARVAJAL**First vice president**

Entered Banco Santander in 1990 as Deputy CEO of the Finance Division. Between 1995 and 1996 was CEO at Banco Santander Perú. In 1997 was appointed CEO at Santander Chile, position he held until December 2009 when he joined the Board of which he is currently first vice president. Is director at the Santiago Stock Exchange and until 2016 was also director at Banco Santander Argentina and Peru.

Before joining Santander Group he was manager of the Finance Division at Morgan Bank and manager of the Finance Division at ING Bank. Has over 25 years of experience in banking.

Holds a Civil Engineering degree from Universidad de Santiago with specialty studies in the United States and Europe.

ROBERTO MÉNDEZ TORRES**Second vice president**

Is a senior professor of the Governance School at the Pontificia Universidad Católica de Chile. Besides being second vice chairman of the Board of Santander Chile, he is chairman of the Board of Universia Chile.

Founded and was chairman of Adimark, and chairman of the Board of ICARE. He serves at the Advisory Board of Fundación Paz Ciudadana.

Holds a Business Administration degree from Pontificia Universidad Católica de Chile, where he was awarded as Ingeniero Comercial del Año in 2010. He holds an MBA and a PhD from Stanford University, with specialization in Consumer Research.

ANA DORREGO DE CARLOS**Director**

During the last years has worked in Financial Planning and Corporate Development at Santander Group, coordinating the Group's planning processes and the follow-up of the different projects and units. In addition, she has participated in the coordination of M&A and integration processes of Santander Group in different geographies.

Currently, besides her position as director at Banco Santander Chile, she is director of Santander Securities Services (a Santander Group entity specialized in post contract services to institutional customers).

Was director of e-business Development at Santander Group and, previously, director of corporate customer relations and commercial director of Transactional Banking at Bankinter.

Holds a degree in Business Administration from the Universidad Pontificia de Comillas ICAI-ICADE, and holds an International MBA from Universidad Deusto-Bilbao, Spain, and Adolfo Ibáñez, Miami-Chile.

ANDREU PLAZA LÓPEZ**Director**

Was appointed as responsible for the Technology and Operations Division at Santander Group in January 2015. He has been in the Group since 2012, when he joined as Technology and Operations (Retail and Business Banking) director at Santander UK.

Holds a degree in Mathematics from the Universitat Autònoma de Barcelona, and holds several Master's degrees in Finance and Banking from Stanford, Insead, The Wharton School and ESADE.

Before joining Santander, he was Executive Vice President and member of the Comité de Dirección de Caixa Catalunya since 1998, member of the Junta de Servired and also of the Aula Escola Europea.

ORLANDO POBLETE ITURRATE**Director**

Since 1991 to date has served as professor of Procedural Law at Universidad de los Andes. Between 1997 and 2004 he served as Dean of the Law Faculty of the same University, and since then and until 2014 he served as Chancellor, when he joined the Board of the University. He is partner at the law firm Orlando Poblete y Cia. and member of the arbitrage body at the Centro de Arbitraje y Mediación de la Cámara de Comercio de Santiago. Between 1979 and 1991 he served as professor of Procedural Law at Universidad de Chile.

Holds a degree in Law and a Law Magister from Universidad de Chile. He also graduated from the Programa de Alta Dirección de Empresas (PADE) from the ESE Business School at Universidad de los Andes.

LUCÍA SANTA CRUZ SUTIL**Director**

Is number member of the Social, Political and Moral Sciences Academy at the Instituto de Chile; member of the Board of the Universidad Adolfo Ibáñez; director at Compañía de Seguros Generales y de Vida La Chilena Consolidada and is part of the Self-Regulation Board of Insurance Companies in Chile.

Holds a B.A. in History from King's College, London University and an M.Phil. in History from Oxford University. Was awarded Doctor Honoris Causa in Social Sciences at King's College, London University.

JUAN PEDRO SANTA MARÍA PÉREZ**Director**

Has been Corporate Legal Director at Santander Group in Chile and Legal Counsel at Banco Santander Chile, Banco O'Higgins and Banco Santiago.

He has been president of the Legal Committee of the Asociación de Bancos e Instituciones Financieras for over 20 years and President

Pro Tempore of the Financial Law Committee at Federación Latinoamericana de Bancos (FELABAN).

Is a member of the Board at the Centro de Arbitraje y Mediación de Santiago de la Cámara de Comercio de Santiago, and holds a Law degree from Pontificia Universidad Católica de Chile.

ROBERTO ZAHLER MAYANZ**Director**

Is president of the advisory firm Zahler & Co. and advisor for the World Bank, Banco Interamericano de Desarrollo (BID), Bank for International Settlements at Basel (BIS) and the International Monetary Fund (IMF).

Was a member of the Grupo Asesor de Alto Nivel del Presidente del BID, of the Comité Latinoamericano de Asuntos Financieros (CLAAF) and the Non-G7 Eminent Persons Group for the new International Financial System Architecture. Was visiting professor at the IMF Research Department. Also served as director at Air Liquide Chile and Banco Santiago, and chairman of the Board at Siemens Chile.

Between 1991 and 1996 he served as president of the Central Bank of Chile and between 1989 and 1991 was vice president. Previous to that, he was main regional advisor in monetary and financial policy at Comisión Económica para América Latina y el Caribe (CEPAL) of the United Nations and researcher and professor at the Economic Sciences Faculty at Universidad de Chile.

Has provided technical assistance to central banks, finance ministers and financial regulation superintendencies at Argentina, Barbados, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Indonesia, Jamaica, Kosovo, Mexico, Dominican Republic, Uruguay and Paraguay; to the International Fund for Agricultural Development (IFAD) and the African Economic Commission (AEC), both from the United Nations. Is author of over one hundred articles and books in Chilean and international magazines. Holds a Masters degree from the University of Chicago and

a Business Administration degree with specialization in economics from the Universidad de Chile, where he has been professor of Macroeconomics, International Economy and Monetary Theory and Policy.

BLANCA BUSTAMANTE BRAVO**Alternate director**

Holds a Business Administration degree with specialization in economics from the Pontificia Universidad Católica de Chile. Has served as economic analyst at the Central Bank in Chile, and research analyst at Oppenheimer & Co. New York and IM Trust.

Became Head of Investor Relations at Viña Concha y Toro when she joined the company in 1998, position she held until 2010. In 2001 she started serving as Corporate Communications assistant manager. Currently she serves as director of Corporate Affairs with responsibility over the corporate communications and investor relations areas. Since 2013 she is part of the Consejo Directivo del Centro de Investigación e Innovación at Concha y Toro.

RAIMUNDO MONGE ZEGERS**Alternate director**

Is general director at ESE Business School at Universidad de los Andes. Until May 2017 he served as corporate director of Strategic and Financial Planning at Banco Santander Chile and CEO of Santander Chile Holding, entity that holds Santander Group's investments in Chile.

Previously he had other responsibilities at Santander Group Chile, which he joined in 1991 after serving at the Central Bank of Chile. Among them he was finance director and research and planning manager. Holds a Business degree from Pontificia Universidad Católica de Chile and an MBA from the University of California, Los Angeles (UCLA).

Administration

Banco Santander has deepened the change process to fulfill its mission of contributing to the progress of people and businesses, and become the most valued bank in the country, always trying to maintain the highest standards.

24



4. CLAUDIO MELANDRI
HINOJOSA
Chief Executive Officer and
Country Head

11. MIGUEL MATA HUERTA
Deputy General Manager

1. GUILLERMO SABATER
MAROTO
Financial Controller

2. FRED MELLER SUNKEL
Director of Santander Global
Corporate Banking

3. CARLOS VOLANTE NEIRA
Manager of Clients and Service
Quality Division

5. JOSÉ MANUEL MANZANO
TAGLE
Director of Middle-Market
Banking

6. MATÍAS SÁNCHEZ
GARCÍA
Director of Retail Banking

7. CRISTIÁN FLORENCE KAUER
General Counsel

8. FRANCO RIZZA
Director of Risk Division

9. RICARDO BARTEL JEFFERY
Director of Technology and
Operations Division

10. MARÍA EUGENIA DE LA
FUENTE NÚÑEZ
Manager of Human Resources and
Communications

12. EMILIANO MURATORE
Chief Financial Officer

13. SERGIO ÁVILA SALAS
Director of Administration and
Costs

14. RICARDO MARTÍNEZ
SÁNCHEZ
Director of Internal Audit



Corporate governance

The management of Banco Santander Chile is backed by a strong corporate governance at the leading edge of international practices and standards, allowing it to create value and guarantee transparency to the market. On this line, the Bank has the necessary mechanisms to achieve an adequate control of risks and get the trust of shareholders, employees, clients, providers and the society as a whole.

26

PARAMETERS AND STANDARDS

Based on the guidelines established by the Basel Committee, Banco Santander has defined a series of parameters that back the action of its corporate government:

- | | | |
|---|--|---|
| 1 | 4 | 7 |
| Close supervision by the Board and senior management. | Permanent determination and monitoring of risks. | Executive compensation design with long term plans. |
| 2 | 5 | |
| Simple and clear organizational structure. | Internal audit and independent external audit. | |
| 3 | 6 | |
| Robust internal control system. | Subsidiary supervision. | |



The defined standards to achieve these goals are:

1

External directors: six of eleven members of the Board are external to Santander Group.

2

Participation: directors are active members of the management committees.

3

Ethics: all employees subscribe Banco Santander's General Code of Conduct. Employees directly related with securities markets sign an additional code of conduct especially designed for this area.

4

Division of functions: in order to effectively manage risks, commercial and support areas are separated. Risk management is done by teams different from commercial teams, and most credit decisions are adopted by committees.

5

Autonomous audit: an autonomous area within the Bank undertakes control activities.

6

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 applicable Basel criteria.

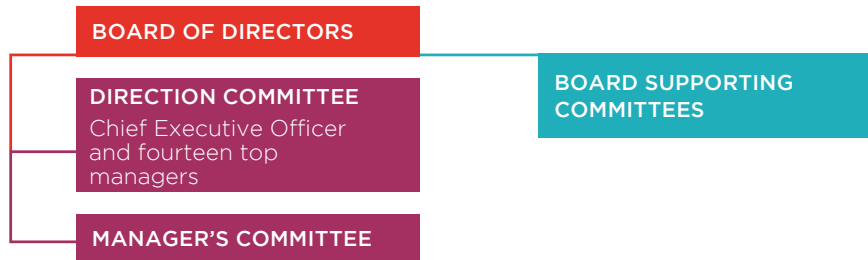
7

Supervision: the Bank is supervised by the Superintendencia de Bancos e Instituciones Financieras and by the U.S. Securities and Exchange Commission (SEC).



CORPORATE GOVERNANCE BODIES

Banco Santander's Corporate Governance is organized in three levels:



ORDINARY SHAREHOLDER'S MEETING

Governed by the Ley de Sociedades Anónimas, by Banco Santander Chile's by-laws and other regulation applicable to banking institutions, the Ordinary Shareholder's Meeting is one of the corporate governance bodies. The quorum is the absolute majority of outstanding shares with voting rights (unless the by-laws or a specific law determines another quorum) and in a second citation with present shareholders.

In order for the shareholder's meeting to take place a series of formal requirements must be met like a summons by the Board, publications in a countrywide circulation newspaper, a letter or email sent to shareholders, quorum and the presence of a notary public, among others.

The 36th Ordinary Shareholder's Meeting, that met in April 2017, approved: the annual report, general balance statement, financial statements and the 2016 external auditor's report, the designation of external auditors and private risk rating agencies for 2017, and the distribution of the profits of 2016, which amounted to \$472,351,259,517.

Moreover, the shareholder's meeting approved to allocate 30% of the net income of 2016 -equivalent to \$141,705,377,855- to increase reserves, while the remaining 70% -amounting to \$330,645,881,662- was set to be

distributed as dividends. Hence, the approved dividend per share was of \$1.75459102.

In addition, a new Board had to be elected at the meeting. The new Board was composed of nine directors and two alternate directors, for a three-year period. Board compensation was also approved, as well as the Audit Committee report and compensation for said committee, including the annual budget for its operation.



BOARD OF DIRECTORS

Representing the interests of all the Bank's shareholders, the Board is the main corporate governance body. It has a structure in accordance with the size of the institution and its principal functions are: establishment of strategic guidelines, global monitoring of businesses and results, and the analysis of opportunities and threats. In addition, the Board gets especially involved in the management and decisions regarding all of the risks faced by the Bank. The latter implies that it has to approve and monitor the risk framework and risk appetite, and its coincidence with business plans, as well as ensure the correct reporting from all units and watch over the functioning of the three lines of defense (business and risk origination, risk control and compliance, and internal audit).

In attention to the reform of the Bank's by-laws, agreed in the 22nd Extraordinary Shareholder's Meeting held on January 9, 2017, the Board composition was modified passing from 11 directors and two alternate directors, to 9 directors and two alternate directors.

The new elected Board was integrated by: Orlando Poblete Iturrate, Roberto Zahler Mayanz, Juan Pedro Santa María Pérez, Andreu Plaza López, Ana Dorrego de Carlos, Óscar von Chrismar Carvajal, Vittorio Corbo Lioi, Lucía Santa Cruz Sutil and Roberto Méndez Torres, as directors, and Blanca Bustamante Bravo and Raimundo Monge Zegers as alternate directors. Two of the directors are also executives at Santander Group and three are independent, in accordance with what is established in article 50 bis of the Ley 18,046 about Sociedades Anónimas. Hence, Marco Colodro Hadjes and Mauricio Larraín ceased to be part of the Board.

Board members have been chosen for their outstanding careers, their knowledge and large national and international experience in the financial sector. All directors integrate diverse working committees where they learn about the Bank's management and situation in depth. Board meetings are held once a month and during 2017 attendance of directors, including alternate directors, reached 88%.

Name	Position	External
Vittorio Corbo Lioi	Chairman	Yes
Óscar von Chrismar Carvajal	First vicepresident	No
Roberto Méndez Torres	Second vicepresident	Yes
Ana Dorrego de Carlos	Director	No
Andreu Plaza López	Director	No
Orlando Poblete Iturrate	Director	Yes
Lucía Santa Cruz Sutil	Director	Yes
Juan Pedro Santa María Pérez	Director	No
Roberto Zahler Mayanz	Director	Yes
Blanca Bustamante Bravo	Alternate director	Yes
Raimundo Monge Zegers	Alternate director	No

SANTANDER GROUP GUIDELINES

In line with Santander Group's guidelines, the Bank implemented in 2017 two initiatives that seek to optimize the Board's functioning. Although the local regulation applies to non-banking corporations, Banco Santander prepared a Board Regulation that strengthens and streamlines the functioning of this body. Also, a document titled Induction of New Board Members was incorporated, with the goal of making the integration of new directors more expeditious and efficient.

REGULATORY CHANGES

Law 20,945, published in August 2016 and that came into effect during the first half of 2017, modified Decreto Ley 211 that regulates free competition in Chile. One of the most important changes relates with the incorporation of the interlocking of directors and relevant senior executives as an anti-competitive conduct, this is the simultaneous participation of one person in relevant executive positions or of a director, in two or more competing companies, as long as the corporate group has a total annual income in excess of UF 100,000 during the last calendar year.

Given the abovementioned, and as a reflection of transparency, Banco Santander resolved that no director or senior executive may participate in any other company -with the exception of Santander Group companies-, even if said company is out of the scope of competition.

SELF-ASSESSMENT OF THE BOARD

During 2017, external advisor Amrop MV Consulting, as has been the case in previous years, advised the Board on a new self-assessment process. This is an international good practice of corporate governance included within the norms of the Chilean banking supervisor. The Bank has been applying it over the last six years with positive results.

BOARD SUPPORTING COMMITTEES

In corporate management active participation of directors is key. They lead the main policies and strategies, in line with the Bank's Mission and Vision. For the same, all directors integrate the diverse committees that support the Board's work, in such a way as to ensure the application of governability practices and guarantee

transparency, responsibility, efficacy and defense of shareholder's interests. These instances allow them to inform themselves in detail about the evolution of the business and decision making. Committees meet regularly, with pre-established frequencies, subrogation schemes, formal records and follow-up instances of agreed-upon matters.

Based on the new Santander Group guidelines, that seek to increase efficiency of the committee's work, during 2017 substantial changes were enacted on their integration. Fundamentally, there was an increase in the number of independent directors in the composition of most of the Board supporting committees, specifically: ALCO, Audit Committee, Integral Risk Committee, Strategic Committee, Human Resources Committee, Market Committee, Analysis and Resolution Committee and Money Laundering Prevention Committee.

Another important point relates to the Human Resources Committee, which doubled the frequency of annual meetings from two to four. As well, it was resolved that appointment and compensation functions could not reside in the same committee, which will imply additional changes to the Human Resources Committee in the future.

BOARD SUPPORTING COMMITTEES

AUDIT

Members: Orlando Poblete / Chairman. Juan Pedro Santa María / Secretary. Roberto Zahler and Blanca Bustamante.

Frequency: monthly.

Functions: its main functions are: (i) oversee the Bank in the financial statement preparation process for the institution; (ii) management of internal auditors and external auditors in said process, with the goal that the Bank delivers adequate financial information to shareholders, investors and general public; and (iii) ensure the efficiency of the company's internal control systems and compliance with applicable norms and regulations.

RISK

Members: Roberto Zahler / Chairman. Óscar von Chrismar / Vice president. Vittorio Corbo, Roberto Méndez, Raimundo Monge and Juan Pedro Santa María.

Frequency: biweekly.

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

ANALYSIS AND RESOLUTION

Members: Juan Pedro Santa María / Chairman. Raimundo Monge.

Frequency: monthly.

Functions: define and control compliance with policies and norms, and general and specific goals in terms of prevention of money laundering and financing of terrorism, in accordance with local laws and norms, as well as those of Santander Group.

HUMAN RESOURCES

Members: Blanca Bustamante / Chairman. Orlando Poblete and Lucía Santa Cruz.

Frequency: quarterly.

Functions: generate and validate the actuation guidelines of the Human Resources Division in relation to Banco Santander's general Human Resources and Management policies.

STRATEGIC

Members: Vittorio Corbo / Chairman. Roberto Méndez, Raimundo Monge and Lucía Santa Cruz.

Frequency: biannual.

Functions: assess and define the main goals and guidelines for the elaboration of the Bank's strategic plan. Approve the plan prepared by senior management for the Bank and subsidiaries, and the different business units if it is the case, as well as periodically monitor its progress.

MARKET

Members: Óscar von Chrismar / Chairman. Vittorio Corbo and Roberto Zahler.

Frequency: monthly

Functions: oversee the results of the trading investment portfolios; make estimates about the national and international economic situation that may be used to take positions; review with the business managers the Bank's risk appetite, and approve the risk limits established annually.

ASSET AND LIABILITY (ALCO)

Members: Vittorio Corbo / Chairman. Óscar von Chrismar and Raimundo Monge.

Frequency: monthly.

Functions: oversee and approve, depending on the case, the risks and positions taken and managed by the financial management area of the Bank and its subsidiaries.

AUDIT COMMITTEE

Law 18,046 of Sociedades Anónimas demands that certain entities have a Director's Committee, and its functions are also established in said law.

As well, the Superintendency of Banks and Financial Institutions (SBIF) has set forth a specific norm that demands banks to have an Audit Committee dependent from the Board, and sets forth its functions within said norm.

United States' Sarbanes-Oxley law demands that companies registered in said country, as is the case of Banco Santander Chile, have an Audit Committee.

It should be noted that the SBIF allowed banks that the Director's Committee and Audit Committee function as a single entity, and Banco Santander Chile thus decided by agreement of the Board. In line with the former, the by-laws of the Audit Committee, approved by the Board, contain as functions of this body the addition of the tasks that Law 18,046, the SBIF norm and the dispositions of Sarbanes-Oxley Law, include in regards to the audit committee.

As stated in the by-laws of the Audit Committee, the latter is comprised of three directors that have sufficient independence conditions. In the beginning of 2017, the Committee was presided by Mr. Marco Colodro Hadjes, with Mr. Mauricio Larraín Garcés and Mr. Orlando Poblete Iturrate acting as Vice presidents, and with Mr. Juan Pedro Santa María Pérez as secretary.

In April 2017 Mr. Marco Colodro Hadjes and Mr. Mauricio Larraín Garcés resigned to their positions as directors of the Bank, leaving their positions in the Audit Committee vacant. In May 2017, the Board named as replacements directors Blanca Bustamante Bravo and Roberto Zahler Mayanz, designating Mr. Orlando Poblete Iturrate as Chairman.

The Committee has met in 12 opportunities during 2017, meetings that normally last an average of three hours and that are held prior to the Board meeting. In the latter, a summary of the issues covered by the Committee is presented to the Board, notwithstanding sending the Committee's minutes to the Board once approved.

ISSUES COVERED DURING 2017

INTERNAL AUDIT

The Bank's Internal Audit unit depends from the Committee. Under this, a work program for the year was proposed, which was sanctioned at the beginning of the period, and monitoring of the planned work was carried out on each session. It should be noted that by the end of the year the program was fully completed.

In each ordinary session, the director of the unit sets forth a detailed explanation of each and every audit report issued, summarizing the conclusions and qualifying the audited unit or process with the corresponding rating. Also, he reports on the status of compliance with recommendations previously issued and the Committee oversees the progress.

EXTERNAL AUDITORS

The Committee is also responsible for proposing to the Board the designation of the external auditors for each exercise. In its turn, the Board formulates a proposal to the Ordinary Shareholder's Meeting, which finally makes the designation. The Committee proposed for the 2017 period PricewaterhouseCoopers

Consultores, Auditores y Compañía Limitada. Said firm was the appointed by the Shareholder's Meeting.

The audit firm pronounces itself about the financial statements of the Bank and its subsidiaries, and reports about the internal control situation. The observations issued by the audit firm in its final report give grounds for a strict oversight monitored by the Committee on a monthly basis. By the end of the year all observations have been fully met.

FINANCIAL STATEMENTS AND INTERNAL CONTROL

One of the most important functions of the Audit Committee is to know, analyze and pronounce itself about the Bank's financial statements and the internal control situation, and in particular about loan loss reserves sufficiency. This implies the intermediate as well as the definitive 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 exercise the Committee receives from the responsible management information on the advance of the different processes that end with the affirmation, backed methodologically, that the internal control at the bank is satisfactory.



SBIF AUDIT FOLLOW-UP

The Committee performs a follow-up of the advance and timely compliance of all recommendations issued by the supervisory authority as a result of their annual visits. To that extent it receives a monthly report from the area in charge of the coordination of the different responsible areas. In case that, in its opinion, the implementation of an observation is not advancing adequately, it is presented to the administration in order to advance in it.

OPERATIONS WITH RELATED PARTIES

Law 18,046 of Sociedades Anónimas demands that the Audit Committee pronounce itself about operations conducted by the Bank with other companies or persons that are related by property or management, in the terms defined by the law. The goal is that those transactions be carried out at market conditions, that is, that agreed-upon terms are fair.

The Committee spends important time in the analysis of these operations, and in particular in the Bank's technological contracts, which are provided by Santander Group through professional specialized entities, thus achieving a technology that, besides being homogeneous, has an international standard, also procuring the highest possible security.

On each transaction that is presented, the Committee demands a reasoned and professional explanation about it, and especially, asks for objective background and details regarding amounts to be paid for the specified service. As well, the Technology Division must inform periodically about technology budgets, their compliance and results, explaining eventual differences if any.

The chairman of the Committee leaves a formal record of the contracts reviewed and approved prior to their presentation to the Board so that, if the latter deems, are approved.



COMPLIANCE AND PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

During the exercise the Committee has received information from the Compliance Department, and has analyzed the main aspects that have been subject to the Global Compliance Committee. The latter 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, Conduct, Reputational, and Money Laundering and Financing of Terrorism. In relation to 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, that affect most of the banks due to their commercial and financial relations with that nation, have forced to develop complex control systems and train operators in order to comply with said regulation.

CONFIDENTIAL MAILBOX

The Audit Committee has made available to all employees of the bank a confidential communications system, through which they can directly contact the Committee to report irregular, conflictive or potentially dangerous situations.

In order to give privacy and confidentiality to the system, necessary attributes to give tranquility to users, the Complaints Mailbox is managed by a leading international external provider. It should be noted that in June 2017, the Compliance Department presented to the Committee a request to implement a

whistleblower channel oriented towards current suppliers contracted by the Bank. The goal of this channel is to detect potential non-compliance of the normative or inadequate conduct of the Bank's employees with suppliers.

JUDICIAL PROCESSES 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 office of the General Counsel explains the most risky situations, as well as the eventual provisions the Bank should contemplate to face an adverse result. In relation to the relevance of the reputational risk for the Bank, the office of the General Counsel has divided the presentations of lawsuits by amount and reputational risk. This information includes any issues, in Santiago and in regions, with their respective procedural status.

RELATION WITH SHAREHOLDERS

During 2017 Banco Santander's Investor Relations area together with the Shareholder's Department carried out an active agenda to keep shareholders and investors informed about the Bank's results and the country's situation. This included meetings, webcasts, telephone conferences and other events. All in all, over 860 communication instances were held over ten countries, including analysts as well as institutional and retail investors.

COMPENSATION POLICY

The Ordinary Shareholder's Meeting held in April 2017 approved the proposal presented by the Board in April 11, 2017, regarding an adjustment to their compensation, which had remained unaltered since 2010, in order to align them with current market conditions.

Thus, the monthly stipend for each director was established at UF 250, which implied an 8.7% increase with respect to the previous stipend of UF 230. In the case of the Chairman, the stipend is double the amount previously stated, while Vice presidents have a 50% increase.

In addition, for being part of one or more committees, excluding the Audit Committee and the Risk Committee, the proposed stipend was of UF 30 per each attended session of the respective committee. The chairman of each committee will receive twice this amount per assistance to the meetings. For everyone, the maximum stipend will be one monthly session, which will be paid per assistance and not on a monthly basis.

Regarding directors that integrate the Risk Committee which has a biweekly frequency, the stipend

Name	Monthly stipend	Additional monthly stipend for integration of committees	Total
Vittorio Corbo Lioi	500 UF	15 UF Risk Committee / 60 UF ALCO Committee (Chairman) / 60 UF Strategic Committee (Chairman) / 30 UF Market Committee	665 UF
Óscar von Chrismar Carvajal	375 UF	15 UF Risk Committee / 60 UF Market Committee (Chairman) / 60 UF ALCO Committee	510 UF
Roberto Méndez Torres	375 UF	15 UF Risk Committee / 30 UF Strategic Committee	420 UF
Ana Dorrego de Carlos ¹	N.A.	N.A.	N.A.
Orlando Poblete Iturrate	250 UF	230 UF Audit Committee (Chairman) / 30 UF Human Resources Committee	510 UF
Andreu Plaza López ¹	N.A.	N.A.	N.A.
Lucía Santa Cruz Sutil	250 UF	30 UF Strategic Committee / 30 UF Human Resources Committee	310 UF
Roberto Zahler Mayanz	250 UF	115 UF Audit Committee / 30 UF Risk Committee (Chairman) / 30 UF Market Committee	425 UF
Juan Pedro Santa María Pérez	250 UF	15 UF Risk Committee / 60 UF Analysis and Resolution Committee (Chairman)	325 UF
Blanca Bustamante Bravo (S)	250 UF	115 UF Audit Committee / 60 UF Human Resources Committee (Chairman)	425 UF
Raimundo Monge Zegers (S)	250 UF	15 UF Risk Committee / 30 UF ALCO Committee / 30 UF Analysis and Resolution Committee / 30 UF Strategic Committee	355 UF

1. Directors Ana Dorrego de Carlos and Andreu Plaza López have voluntarily renounced to their compensation given that they are executives at Banco Santander S.A.

In April 2017, the Ordinary Shareholder's Meeting approved a readjustment to Board compensation, which had remained unaltered since 2010, in order to align them with current market conditions.

was set at UF 15 per each attended session. The chairman will perceive twice this amount per session. For everyone the maximum stipend will be two sessions per month, payable per attendance and not on a monthly basis.

With respect to the members of the Audit Committee, article 50 bis of the Ley de Sociedades Anónimas states that, mandatorily, each member must have a compensation for their function of no less than one third of the stipend to which they are entitled as members of the Board. Considering the latter, the chairman of the Committee will receive a UF 230 monthly stipend, while the other directors that are members of the Committee will perceive a UF 115 stipend per attended session with a maximum of one monthly session.

With respect to senior management, the guidelines and compensation policies for the Bank's top management and senior executives are determined by the Human Resources Committee. Senior management has variable compensation plans linked to the achievement of certain goals and objectives, with fulfillment evaluated on a quarterly and or yearly frequency. Additionally, there are variable compensation plans that span more than one

year oriented to retention and motivation of executives, with payment depending on the degree of the achievement of goals, both common as well as individual, during a time horizon of over a year. During 2017, total compensation paid to executive officers and management members was MM\$42,753, in line with the policies established by the Board.

DIRECTION COMMITTEE AND MANAGER'S COMMITTEE

The objective of the Direction Committee is to achieve a management of excellency. It is responsible for the coordination of strategies and business areas, detailed monitoring of results, transmission of the Board's guidelines, and the analysis of opportunities and threats. This committee is integrated by the CEO and the top fourteen executives of the Bank, who represent the Business, Risk and Support areas. The committee meets every week and, every six months, holds a special meeting to review the Bank's performance.

The Manager's Committee is conformed by the Bank's senior management, with members selected based on their achievements and corporate criteria. This is the

main communication instance of the Bank's strategies and performance review, and one of its most relevant functions is to communicate the initiatives and specific businesses, as well as the collection of feedback. The frequency of sessions is monthly. Executives are obliged to transmit to their teams within a week the matters covered in the session. In larger teams the relay is cascaded, as the goal is that all employees are informed about the matters subject to this committee.

SUSTAINABILITY MANAGEMENT

Banco Santander has socio-environmental policies that define activities that are prohibited and norm those that are defined as restricted. The latter are only undertaken after an exhaustive analysis of the operation's impacts in terms of policy compliance and the Equator Principles, if they apply. The supervision of these rules is responsibility of the Risk Committee, which reports back to the Board on a monthly basis. For its part, the Sustainability Committee led by the CEO and Country Manager, Claudio Melandri, safeguards the integration of sustainability within the business model.

ETHICAL FRAMEWORK

The organization's principles together with the employee's professional ethic constitute solid pillars in which Banco Santander's business activity is based. All employee actuations, as a consequence of their link with the Bank, must be guided by the following principles that operate across the board:

1

EQUALITY OF OPPORTUNITIES AND NON-DISCRIMINATION

Constitutes a basic actuation principle at Banco Santander to provide with the same opportunities to access a job and a professional promotion, ensuring at all times the absence of discrimination situations either by gender, sexual orientation, race, religion, origin, civil status or social condition.

2

RESPECT PEOPLE

Harassment, abuse, intimidation, lack of respect and consideration, or any other type of physical or verbal aggression, are unacceptable and will not be permitted or tolerated at work. Those employees with responsibility over others within the Bank's organizational units must promote and ensure, with the means at their disposal, that these situations don't happen. All employees, and especially those that serve as managers, will promote at all times, and within all professional levels, relations based on respect for the dignity of others, the participation, equity and reciprocal collaboration, fostering a respectful workplace in order to achieve a positive work environment.

3

RECONCILIATION OF WORK AND PERSONAL LIFE

In order to develop the corporate social responsibility commitment assumed by the Bank to improve employee's and their family's life quality, a work environment compatible with personal development is promoted, helping employees and teams reconcile in the best possible manner work requirements with the needs of their personal lives and families.

4

LABOR RISK PREVENTION

Banco Santander considers the occupational health and security of its employees as fundamental to achieve a comfortable and safe work environment, being a priority the permanent improvement of working conditions.

5

ENVIRONMENT PROTECTION AND SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICIES

All employees, within the scope of their competences, must actively and responsibly engage in the conservation of the environment, respecting legal requirements, following recommendations and procedures established by the Bank, to reduce the environmental impact of its activities and contribute to improve the sustainability goals contemplated in our corporate social responsibility protocols. In the decisions about project financing, the guidelines established in the internal social and environmental responsibility policies will be followed.

6

COLLECTIVE RIGHTS

Employees must respect syndication, association and collective bargaining rights, as well as the activities carried out by the organizations that represent employees, in accordance with their legally attributable functions and competences, maintaining with them a relation based on mutual respect, in order to promote an open, transparent and constructive speech that allows the consolidation of the goals of social peace and work stability.



Business environment

The important recovery of investment and consumption, and more agile labor markets, added to the fact that the higher growth is synchronized between countries, contributed to overcome the world economy's weak results for the previous year.



36

MARKET ENVIRONMENT

During 2017 the economy posted a solid growth of 3.7% (3.2% in 2016), backed by the drive of the developed world and China's dynamism. The important recovery of investment and consumption, and more agile labor markets, added to the fact that growth is synchronized between countries, contributed to overcome the world economy's weak results for the previous year, the lowest since the subprime crisis. The better global performance, and of China in particular that grew 6.9%, increased the prices of raw materials locating the value of copper at an average of 2.80 US\$/lb, above the 2.21 US\$/lb of the previous year, figures not seen since 2014.

On the other hand, the main countries in Latin America started to show signs of recuperation. Brazil and Argentina emerged from the deep recessions of 2016, while Mexico was able to sustain healthy growth rates, despite the uncertainties created by the tax proposals in the United States and the threat of a possible renegotiation of the NAFTA. As well, Peru and Colombia were favored by better terms of trade, although their economies decelerated due to climate phenomena and the impact of corruption scandals.

Very expansive monetary policies, stimulating fiscal policies and higher confidence levels -reflected in a widespread rise of stock indices, where among others the S&P 500 increased 19% in the year- were

the norm during 2017. Despite the larger dynamism and a systematic reduction in unemployment rates, inflation in the world remained contained, evidencing that capacity gaps continued to be wide. In several countries the labor participation rate is still substantially below the levels prior to the subprime crisis, which suggests that, the pressure on wages -and, therefore, over inflation- could take some time to appear.

In this context, global monetary conditions turned less expansive. The Federal Reserve (FED) started in October the withdrawal of its quantitative stimulus, without big disruptions in the markets. In its December meeting it raised the fed funds rate for the third time to 1.5%, in one of the last actions led by its



president Janet Yellen, before being replaced by Jerome Powell. On the other hand, the European Central Bank (ECB), signaled the start of the withdrawal of its quantitative stimulus by the beginning of 2018.

The geopolitical tensions around North Korea's nuclear tests generated a lot of uncertainty. However, volatility measures in the financial markets, like VIX, were down to minimum historical levels, reflecting a low risk perception.

In Chile the economy grew below its long term trend and capacity gaps widened. At the beginning of 2017 there was a significant decrease in growth due to the slowdown by the end of 2016, and the impact of a strike in an important mining operation in the northern part of the country. However, throughout

the year the economy recovered, favored by a better external scenario and the recovery of mining. Thus, activity showed a better dynamism, moving from a 0.4% contraction on the first quarter, to a 3.3% growth on the fourth quarter. All in all, the economy expanded 1.5%, once more below potential growth.

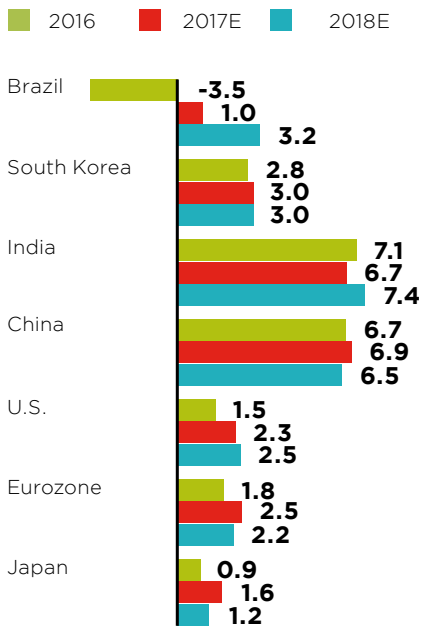
Household consumption spending remained resilient and tended to accelerate in the last months, fueled by purchases of durable goods. Although private consumption increased 2.6% in the year, gross fixed capital formation continued to disappoint, completing a fourth year of contraction and closing the period with a 1.1% drop.

Despite the better global scenario, global trade recovery and better

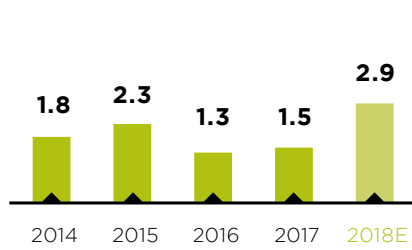
terms of trade, the external sector did not show a great dynamism, affected largely by specific phenomena. During 2017 exports contracted 0.9%, while imports expanded 4.7%. The current account, on the other hand, presented a deficit of 1.2% of GDP.

The labor market showed signs of a better dynamism, with a 2% growth in employment, although the unemployment rate ended with a 6.7% average in 2017, slightly above that of previous years (6.5% in 2016). The latter reflects an important rebound in the workforce, which expanded at an average rate of 2.2%, with a large part of job creation during the year linked to self-employment. As well, a large fraction of the increase in wage-earners was directly or indirectly

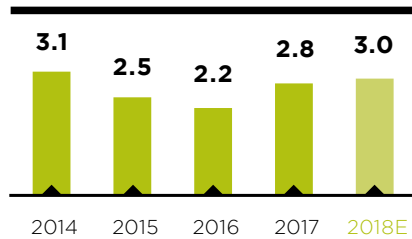
Real GDP
(y/y change, %)



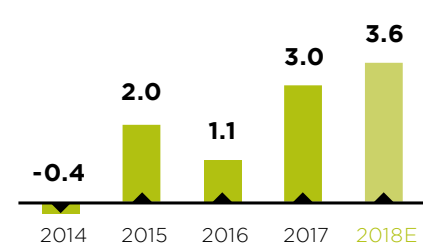
Chile, real GDP
(y/y change, %)



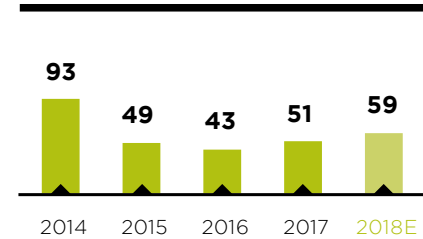
Average copper Price
(US\$/LB)



Internal demand
(y/y change, %)



Average WTI oil price
(US\$/BBL)



fueled by the public sector. Real wages tended to accelerate by the end of the second quarter, due to important negative inflation surprises on that part of the year, but latter moderated their expansion averaging a 2% increase in the year.

The peso continued to strengthen and appreciated 7% against the American dollar, moving from 670 \$/US\$ at the beginning of January, to around 615 \$/US\$ at the close of the year. This drop in the exchange rate also translated into a real appreciation of the currency. Thus, the real exchange rate remained during 2017 around 3.4% below the average of the last 15 years.

Inflation, that had dropped sharply during the second half of 2016 together with the appreciation of the peso, continued to deepen its fall in a context of greater slack, and by mid-year settled in the lower part of the Central Bank's tolerance range. In this context, the issuing institute decided to inject a larger

stimulus, reducing the monetary policy rate from 3.5% in January to 2.5% in May 2017. On the fiscal side, the increase in copper prices during the year improved fiscal income which, added to a slight moderation in the expansion of spending, translated into a stabilization of the public deficit, which closed the year at 2.8% of GDP.

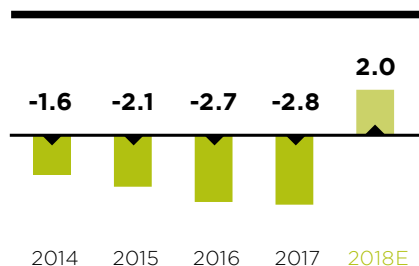
In the political front, the tax reform promised by Donald Trump's government advanced substantially in Congress and was on the verge of being approved. Mainly, the reform reduces the marginal tax rate on individual income from 39.5% to 37%, cuts the corporate tax rate from 35% to 21% and drops the tax rate on so called pass-through¹ companies from 39.5% to 25%. Also, a series of taxes and tax exemptions are eliminated, and incentives are introduced for North American companies to pay taxes in the United States. Together with the latter, some components of the health system reform of

the previous government -the "Obamacare"- are eliminated.

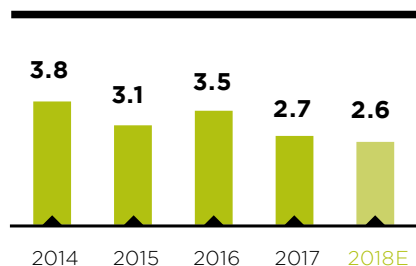
During the period, Europe was marked by a series of political tensions. At the beginning of the year, the election of Emmanuel Macron in France contained the protectionist positions that had manifested in the Brexit vote in the United Kingdom the previous year, and that threatened to keep moving forward with the help of Marine Le Pen's candidacy. In Germany, the September elections ensured a new mandate for Chancellor Angela Merkel, although also weakened her position in parliament and hindered the formation of her new government. On the other hand, the government of Catalonia promoted a plebiscite to declare its independence, which was cancelled by the Constitutional Court of Spain, and that led to new elections in which the pro-independence again obtained a majority at parliament (albeit by a slight margin). The uncertainty generated

1. Companies that don't pay corporate taxes, but instead their owners pay taxes on the income obtained on an individual basis under the corresponding income tax rates.

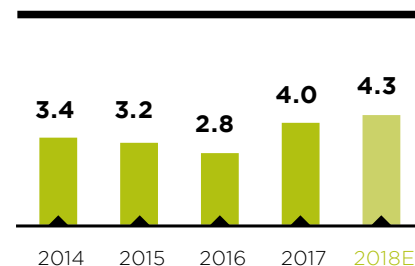
Effective fiscal result
(% GDP)



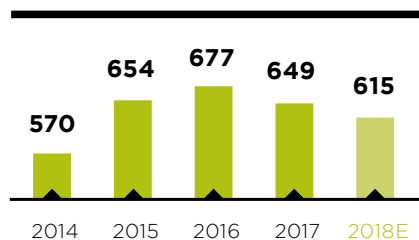
Monetary policy rate
(%)



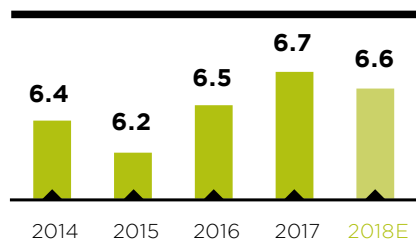
Labor income
(y/y change, %)



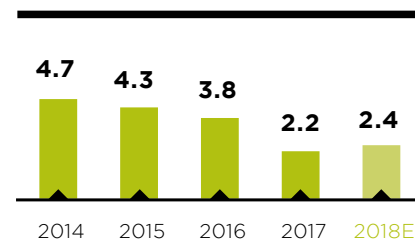
Average nominal exchange rate
(\$/US\$)



Average unemployment
(%)



Average inflation
(y/y change, %)



by the Catalanian process has had economic consequences in Spain, with an important exit of companies from the autonomous community.

On the other hand, negotiations between the United Kingdom and the European Union (EU) for the Brexit advanced with difficulty throughout the year. A partial agreement was reached in December that includes an estimate of the amount of compensations that the British should pay to exit the EU. However, Prime Minister Theresa May suffered an important political defeat when parliament -with pro-government votes- established that any agreement regarding the Brexit must be approved by a parliamentary rule before being implemented. The latter substantially reduces May's negotiation power for the next steps.

In China, the XIX Congress of the Communist Party ratified general secretary Xi Jinping as president of the body for the next five years, and his power increased significantly

as his political thesis have been included in the Constitution. During the Congress goals for the next decades were outlined, which are synthesized in the desire to achieve greater world hegemony through military development, the expansion of investment, the strengthening of commercial integration and a strategy of openness and influence on global issues. On the domestic front, the agenda is oriented towards the generation of a more sustainable and clean economy, introduction of more regulations on the financial sector in order to reduce the currently elevated risks, and promote efficiency on the public sector in order to increase productivity and sustain growth.

In the last presidential election in Chile, Sebastián Piñera won with broad citizen support after obtaining 54.6% of votes. One of the most important challenges will be to resume economic dynamism, after several years growing below the potential trend. On its side are the external scenario and the

recovery of trust seen over the last months. Another important challenge will be to adequately channel a series of social demands without sacrificing fiscal discipline. In this sense, although fiscal income will be favored by higher growth rates and copper prices, it will be important to adequately determine how much of the larger income is cyclical and how much is structural. Public spending expansion and eventual adjustments to the tax burden will depend on the latter.

Within the legislative agenda that will probably inherit from the current government, it will be necessary to continue advancing on the proposed amendment to the General Banking Law. Although the Chilean financial system is robust, legislation has fallen behind with regards to regulations in advanced countries and in the region. Given the latter, it's important to approve the project that is on the verge of starting its second constitutional procedure in the Senate.

FINANCIAL SYSTEM

During 2017 loan volumes in the banking system maintained the trend of the previous year, this is, decelerating growth as a reflection of the economy's slow dynamism, although somewhat less than what was seen in 2016, despite having recorded a slight recuperation during the first quarter. Hence, total loans increased 4.7% in nominal terms -excluding Corpbanca's investment in Colombia and BCI's in the U.S.- below the 5.3% figure of 2016. Activity was led by mortgage loans that grew 10.1%

in nominal terms, although lower than the previous year's 9.6%. The latter responds, on the one hand, to the lower inflation registered in 2017 compared to the previous year, as well as the slow economic dynamism. Commercial loans expanded 1.5% in nominal terms, below the 3% of 2016, being the lowest figure in the last years. Finally, consumer loans grew 7.1%, above the 6.7% recorded in the previous period, and despite showing a strong rebound in the first quarter with an 8.9% increase, to then slow down gradually throughout the rest of the year.

Total deposits increased 3% - excluding Corpbanca's investment in Colombia and BCI's in the U.S.- slightly below the 3.6% figure of 2016. The dynamics of savings in the system responded to the international and local economic scenario, the internal interest rate levels and loan growth slowdown. The low interest rates and inflation in Chile, together with a good performance of the local stock market pushed investors to seek other investment securities, like variable income and mutual funds. The latter grew 8.8% in the year, below the 9.5% increase of

Summarized income statement (MMM\$)

	DEC 16	DEC 17	CHANGE 17/16
Net interest income	6,207.2	6,626.0	6.7%
Net fee and commission income	1,574.0	1,720.6	9.3%
Financial transactions, net	941.4	836.7	(11.1%)
Other operating income, net	(187.8)	(22.9)	(87.8%)
Gross operating income	8,534.8	9,160.3	7.3%
Provisions for loan losses	(1,623.2)	(1,697.3)	4.6%
Total operating expenses	(4,486.1)	(4,721.3)	5.2%
Income before tax	2,456.4	2,869.1	16.8%
Income tax expense	(491.4)	(632.2)	28.6%
Net income	1,964.9	2,236.9	13.8%

Chilean banking system ratios (%)

	2017	2016	2015
Return over average assets	1.04	0.95	1.15
Return over average equity	12.4	11.6	14.7
BIS ratio system ¹	13.57	13.78	12.62
Efficiency	49.4	50.2	47.4
Non-performing loans / total loans	1.95	1.87	1.88
Expected loss	2.49	2.50	2.38
Loans / deposits ²	90.6	89.6	89.7

Source: Superintendency of Banks and Financial Institutions.

1. As of November 2017, last available figure.

2. Total loans excluding the portion of mortgage loans financed with long term bonds.

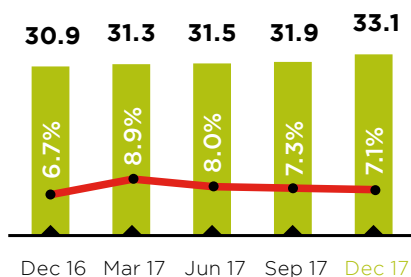
2016 albeit with a good dynamic, especially during the first half of the year. In addition, economic growth consolidation in the United States and the recovery in Europe continued to attract capital flows from Latin America. All in all, demand deposits expanded 9.6% compared to 0.4% in the previous year, while time deposits contracted 0.1% in comparison to a 5.2% growth in 2016.

Portfolio quality remained stable around the same levels of the previous year, despite the low economic growth. The latter is a consequence of the industry's continuous efforts to maintain healthy loan portfolios with controlled delinquency levels. Thus, non-performing loans over total loans as of the close of 2017 reached 1.95%, slightly higher than last year's 1.87%. On the other hand, the risk index or expected loss (understood as loan loss allowances over total loans) remained almost unchanged at 2.49% by the end of the year compared to 2.50% in 2016.

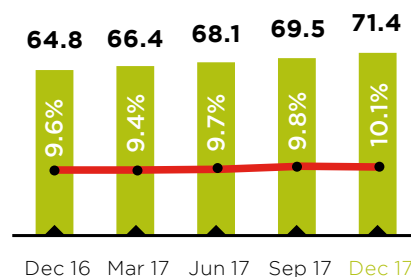
The industry posted good results in 2017 as a reflection of loan growth and controlled delinquency, as well as the efforts to rationalize expenses. Net interest income increased 6.7%, while net fees grew 9.3% in the period. Added to the latter is a stable asset quality which translated into a loan loss provision expense increase in line with loan growth. All of the abovementioned was compensated by lower financial transactions results and higher operating expenses. All in all, pre-tax income increased 16.8%. Income tax grew 28.6% as a consequence of higher income and the increase in the fiscal rate from 24% in 2016 to 25.5% in 2017 as stated in the tax reform approved in 2014. Finally, net income for the banking system reached MM\$2,236.9, 13.8% higher than in 2016.

Loan growth in the Chilean Banking System (MMMUS\$ and %)

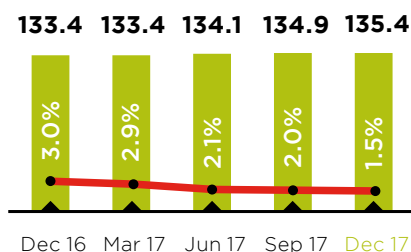
Consumer loans



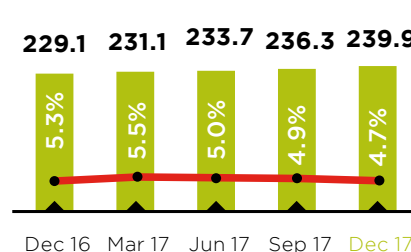
Mortgage loans



Commercial loans



Total loans

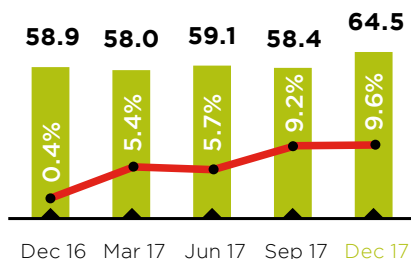


Excludes investments from Corpbanca in Colombia and from BCI in the U.S.

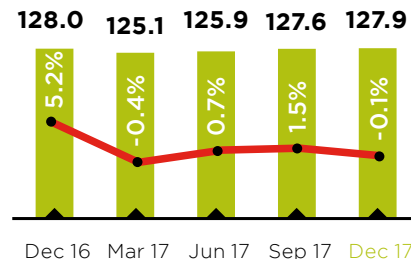
● y/y change, %

Savings growth in the Chilean Banking System (MMMUS\$ and %)

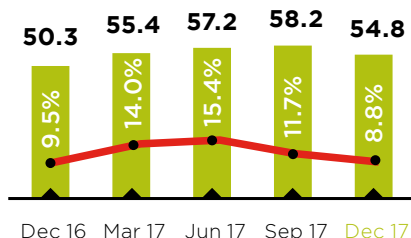
Demand deposits



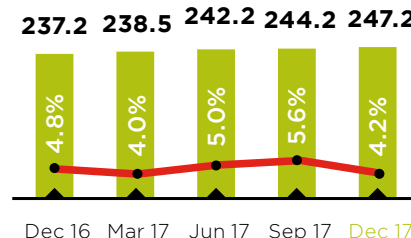
Time deposits



Mutual funds



Total savings



Excludes investments from Corpbanca in Colombia and from BCI in the U.S.

● y/y change, %

Strategic plan and value creation

Banco Santander has a Strategic Plan that responds to the current demands in the industry and allows us to face the new challenges in the environment. For the latter it's fundamental to count with the performance of a first-class team led by the Bank's senior management, a recognized and professional Board and mainly external, and the support of Santander Group.

MISSION

Contribute to the progress of people and businesses

VISION

To be the leading and most valued bank in the country, putting the client at the center of our *raison d'être*.

VALUES

1

Leadership

We have a leadership vocation born from the valuation of our clients which are at the center of our daily life, from a country that sees us as relevant actors and committed with its progress, from our teams, which can fully develop, and from our shareholders through a solid and stable institution over time.

2

Management of excellency

We like a job well done. We set ourselves clear, challenging and shared goals that allow us to fully develop our capabilities, with monitoring and control policies, to be the best Bank for our clients and the country.

3

Client orientation

We are a services company and clients are our *raison d'être*. We work to generate solutions that simplify their lives and permit them to experience the best possible service experience with us. We want to fulfill their dreams and make their ideas and projects come true in a long standing relation based on trust and excellency.

4

Talent

We promote meritocracy, team work and self-management, fostering performances of excellency. We recognize the potential in each person and generate personal and professional development opportunities.

5

Ethics

We carry on our work and assume tasks and responsibilities, observing and respecting the law, both in form and in spirit. We avoid that our individual behaviors within or outside the institution, cause material or moral damage, and compromise or affect the image and dignity of persons, and of Santander Group.

6

Commitment with the society

We contribute in the construction of a better country through our sustainability policy and the adherence to fundamental rights, equality of opportunities, non-discrimination, protection of the environment, and the balance between personal and work life.

We bring value to our audiences:

EMPLOYEES

Contribute to the professional development and improvement of work life quality of our teams.



CLIENTS

Deliver to our clients the best service experience, simplifying their lives and helping them accomplish their ideas.

SOCIETY

Collaborate in the development of the country and the progress of those most in need.

SHAREHOLDERS

Achieve a sustainable and above the average profitability, and an adequate valuation for their investment.

We have defined four strategic objectives:

- 1** Substantially improve customer experience.
- 2** Develop new ways to relate with our clients through the continuous transformation of Retail Banking.
- 3** Deepen the relationship model in Middle-market and Corporate Banking.
- 4** Promote and manage a cultural change, incorporating the new Simple, Personal and Fair style.

Business model

1

PART OF SANTANDER GROUP

Banco Santander Chile is part of Santander Group, its main shareholder with 67.18% of the shares. It's the second most traded stock in the country, represents 3.5% of the Group's assets and 6% of the consolidated net income. It's an autonomous subsidiary in terms of financing, capital and liquidity, answering to a local management, which protects the Bank from the issues generated by external crisis. It's governed by a robust regulatory framework that sets strict limits to operations with related parties, and strong corporate governance, with a Board that is mainly external and with active participation.

3.5%

of the Group's total assets

6%

of the Group's consolidated net income

2nd

most traded stock in Chile

2

A UNIVERSAL BANK

Santander serves the needs of all types of clients: individuals with different income levels, companies of different sizes, private corporations and public institutions. Its loan portfolio is widely diversified in multiple economic sectors, focusing on housing and consumer lending. Loans to individuals represent 56% of total loans, while the remaining 44% are loans to companies and corporations. Also, it has a wide product range to satisfy the needs of its clients, with a distribution network (branches, internet, call center, ATMs and mobile) with country-wide coverage.

→ Wide branch and ATM network across the country

56%

of loans to individuals

44%

of loans to SMEs, companies and corporations

3

FOCUS IN CLIENT BANKING

Although it's a universal bank, Santander bases its activity in Commercial Banking (individuals and companies), which generates around 79% of results. It's a Bank with a large presence in the retail segment and leads the market in consumer and mortgage loans. It's the number one bank in checking accounts and banking credit cards. Its wide distribution network allows serving over 3.5 million customers, positioning it as the first bank in the country.

79%

of results generated by Commercial Banking

1st

in total clients

1st

in checking accounts and credit cards



Banco Santander's business model puts the client at the center of its daily work and is aligned with the institutional mission that strives to contribute to the progress of people and businesses with a Simple, Persona and Fair style. This model is based on six pillars:



4
THE BEST TEAM

Banco Santander has 11,068 employees that work to fulfill the institution's mission, contribute to the progress of people and businesses. These professionals ensure the company's sustainability through an internal work environment with high satisfaction levels, a high promotion rate and wide training coverage. Santander ranks 2nd in the Great Place to Work ranking, among companies with over 5,000 employees. It drives a customer-centric culture, that integrates ethical criteria and bases its activity in three fundamental concepts: Simple, Personal and Fair.

11,068
employees

55%
female

45%
male

5
EFFICIENT RESOURCE ALLOCATION

Santander is the most efficient bank in the country, constantly searching for an optimal allocation of resources to satisfy the needs of clients, through a simple organization.

41%
efficiency

m Material issue

6
STRONG BALANCE SHEET AND RISK PRUDENCE

Banco Santander maintains a middle-low and predictable profile on all the risks it faces. It's distinguished by its funding diversification, a strong capital base above the system's average, an adequately financed commercial balance sheet and high profitability. An advanced risk model and prudent management principles translate into adequate delinquency levels and good coverage given the risk appetite. The Bank's risk rating, Aa3, is the same as the Chilean sovereign.

Aa3
risk rating

11%
core capital

128.8%
coverage

SPF style

Our way of doing things is based on a style:

**1
SIMPLE**

Offer our clients a quality service, easy to understand products and permanent connectivity to attend their requirements.

**2
PERSONAL**

Treat clients as if they were unique, delivering a tailor-made service.

**3
FAIR**

Treat clients in a fair and equal manner, with transparency and solving their requirements with maximum diligence.

46

This style translates into eight behaviors that reflect the Santander culture:

**1
EMPATHIZE WITH
OUR CLIENT:**

everything starts and ends with this.

**4
KEEP PROMISES:**

nothing worse than being incoherent and leave others waiting.

**7
DEVELOP THE TEAM:**

grow making others grow and learn from mistakes.

**2
SHOW RESPECT:**

treat others as you would like to be treated.

**5
COLABORATE:**

there are no "others" only "us".

**8
PLAY FAIR:**

yes to transparency and no to shortcuts.

**3
TRULY LISTEN AND SPEAK
CLEARLY:**

this way we avoid misunderstandings and question constructively.

**6
TAKE THE INITIATIVE:**

things don't happen for a reason, but because of someone.

Business areas

Banco Santander has launched a deep commercial transformation process to face a more competitive scenario and align with client's new expectations and needs, thus ensuring the company's sustainability.



To accomplish these challenges, the business areas have adjusted their strategy putting the client at the center and working towards a healthy and profitable growth. This has allowed the Bank to win the trust and loyalty of clients and strengthen operational excellency.



1

RETAIL BANKING

This division has made a sustained effort aimed at transforming into the best retail bank in the country. To that extent it has driven an increasing digital development and the transformation of its client relationship model.

Retail Banking serves Individuals and SME segments. The former includes high, middle and low income individuals. SMEs serve small and mid-sized companies with annual sales below \$1,200 million.

Delivers a variety of products and services to clients, consumer and mortgage loans, credit and debit cards, checking and demand accounts, savings and investment and insurance products. In addition, offers specialized loans for working capital and foreign trade, state guaranteed loans, leasing and factoring. Retail Banking represents close to 54% of the Bank's net results.

In 2017 Retail Banking focused its efforts in the development of the new client service concept reflected in the Work Café; the transformation

of the low-income business; the digital deployment and the change in the incentives model for commercial executives.

2017 HIGHLIGHTS

- Launch of Life, innovative value proposal for middle and low income segments, which recognizes and rewards good clients.
- Consolidation of the Work Café model, with a total of 20 branches throughout the country by the end of the year.
- Innovative plans in means of payment, with highlight launches such as Limited Plan and the massification of the WorldMember Black credit card.
- New products for SMEs like Atrevete Plan, oriented towards smaller companies.
- Technological advances reflected, among others, in the 100% digital On Boarding and improvements in the Santander App.
- Changes in the incentives model for commercial executives, incorporating international standards.

MIDDLE-MARKET BANKING

This division includes mid-sized companies with annual sales between \$1,200 million and \$10 billion; large companies with annual sales over \$10 billion; and real estate companies including all entities that execute projects for third parties, as well as construction companies with annual sales over \$800 million. Also, serves the institutions segment, which includes organizations such as universities, government entities, municipalities and regional governments.

Offers a wide variety of products, including commercial loans, leasing, factoring, foreign trade and mortgage loans, credit cards, checking accounts, transactional and treasury services, financial advisory and investment banking, savings and investment and insurance products.

Middle-Market represents close to 29% of the net contribution of the Bank's business segments. Its strategy during 2017 geared towards mid and large-sized companies, focusing on higher value added non-credit related products.

During the last years, Middle-Market has developed and consolidated an integral client service model,

in which a relevant part has been the financial advisory work carried out through the Business Centers implemented across the country.

The strategy of listening to clients to detect their needs was clearly fundamental in the improvement of customer satisfaction results. Net satisfaction increased four points with respect to 2016, and three attributes were the most valued by clients:

- Security.
- Stability.
- Variety of operations that can be conducted.

2017 HIGHLIGHTS

- In April 2017, Middle-Market presented "Digital Office", a tablet for commercial executives loaded with:

a. NEO Connect BEI, a mobile version of NEO CRM that focuses on the usage of the device's mobile functions, like camera and geo-localization, to encourage the mobility and efficiency of the teams, and oriented towards commercial visits and delivery of a value offer that surprises clients.

b. Interactive presentations, to promote products and services during meetings with clients.

- Boost foreign trade to consolidate as the best alternative in the market leveraging on the new platform Mercury and the international presence of Santander Group. Improvements in processes and information available for clients in relation to credit letters, collections and payment orders, resulting in a 6% increase in new foreign trade clients and an 8% rise in client loyalty.



Material issue



Material issue

- Middle-Market continued strengthening Office Banking (the online bank for the segment's clients), which saw updates in the account statement and transfer services.
- New Santander College version, enhanced based on an alliance with the Centro de Medición de la Pontificia Universidad Católica, Mide UC, which identified the knowledge gaps of commercial executives in order to optimize training plans.



The deep digital renewal that was launched has been key to achieve our goals.

3

SANTANDER GLOBAL CORPORATE BANKING (GCB)

This global business unit offers innovative solutions for corporate clients and institutions that, given their size, complexity or sophistication, require tailor made services or high value-added wholesale products. It is present in 22 countries where it serves client's financing, investment, and risk coverage needs.

It has four specialized units to satisfy the needs of this segment: Corporate & Investment Banking; Global Transaction Banking; Financial Solutions & Advisory; and Global Markets. Santander GCB represents close to 17% of the Bank's net results.

During 2017 Santander GCB strengthened its leadership by participating in the most relevant operations in terms of size, complexity and visibility in the Chilean market. It also consolidated as cross-border financial advisor for clients from all over the world.

2017 HIGHLIGHTS

- Santander Global Corporate Banking was chosen Best Investment Bank in Chile by Euromoney. The award covered four featured operations in the Project Finance market, eight operations in the Mergers & Acquisitions market, five bond issuances and two Trade Finance operations. As well, innovations in the Cash Management business and achievements of the FX team during 2016 were also highlighted.
- Awarded Best Trade Finance Provider 2017 in Chile, by Global Finance Magazine. This is a recognition to the work done considering amounts and complexities of operations.
- Exclusive financial advisor to ENAP on the issue of a UF 6.5 million (US\$250 million) bond in the local market. The bond placement rate reached 1.87% with a 67 basis points spread. The bond raised a large interest in the market, gathering an investor demand equivalent to 2.5 times.
- With the advisory of Santander GCB, Brookfield Infrastructure Partners LP agreed to the sale of a 28% stake in Transelec - main transmission company in Chile- to China Southern Power Grid International Co. for US\$1,300 million. Transelec controls 10,000 kilometers of electric lines, and serves 95% of the Chilean population.
- LafargeHolcim sold a 54% stake in Cementos Polpaico to Hurtado Vicuña Group for US\$120 million, and was advised in this operation by Santander GCB.
- Disinvestment by Astaldi in energy: with the advisory of SGCB the company sold its 27% stake in run-of-the-river hydroelectric power station Chacayes in the O'Higgins region to Pacific Hydro Chile, owner of the remaining stake.
- Disinvestment of Astaldi in infrastructure: SGCB advised Astaldi in the sale process of a 49% stake in the Félix Bulnes hospital concession to the French infrastructure fund Meridian for EUR 10 million.

Technology and innovation



One of the main goals during 2017 was to advance quickly and with content, in digital transformation. Given the latter, Banco Santander strengthened and consolidated a series of processes in various fields, which has allowed the Bank to offer higher security and better services to clients, thus ratifying its position as a leader in digital banking.

In this context, the most important highlights were:

50

1

In business continuity, key aspect to transform customer experience, the Technology and Operations Division achieved a record regarding incidents in technological platforms with no more than 0.6 per day in 2017, a figure that compares favorably with the record of almost three incidents in 2015 and one in 2016. In addition, there was a relevant reduction in obsolescence, which reached 47% in databases, 40% in operating systems and 23% in critical applications. Fundamental for these achievements was the investment in production infrastructure, which reached US\$ 35 million.

2

In cybersecurity, an important and currently increasing risk, the Bank invested a significant part of its Capex -above 7%- in tools for



defense and response to external threats, ensuring robustness and reliability to clients in relation to the protection of information and transactions.

3

In services and operations, several processes were strengthened and improved, thus optimizing the levels of transaction services to 100% of trade finance operations, 86% of leasing, factoring and confirming operations, and 100% of massive factories. As well there was a 9% reduction in complaints, also diminishing the response time to complaints by a 67%. All of the abovementioned was possible thanks to the strengthening and focus on the post-sales area. There were also improvements in the quality and quantity of operations processed every day for all of the Bank's products, with mortgage loans standing out.

4

In IT development and digital transformation, the Division consolidated the work it had been carrying out under the Agile methodology. The processes platform was left completely operational, incorporating to its architecture enablers that allow continuing advancing in digital developments. Together with the latter, 465 projects were developed, of which 203 are classified as digital. The most important was the change of technology model, which allowed enhancing the quality assurance unit in implementation, besides creating a capacity analysis area based on the integration of development teams. All of the above should translate into significant improvements in development times and a reduction in costs associated to technological implementation, thus making the Technology and Operations Division a lever to generate competitive advantages for the Bank.



INNOVATION POLICY

For Banco Santander innovation is a continuous process that commits it as a whole entity, and that seeks to retrieve those initiatives key to improve developments related to customer experience. Through services and procedures that add value to clients, Santander wants to generate a relevant impact in the business identifying client's preferences and trends or anticipating them.

The latter translates into an evident improvement in service, and by extension, in client perception. This entails, on the one side, more income,

and on the other, higher efficiencies due to process optimization, both because they are simplified and because the application of new models or technologies permit the reduction of operating costs.

One of the flagship projects in this line is the Work Café branch. Implemented in 2016, the initiative was a pioneer both in the local market and within Santander Group. The success has driven the expansion of this service model, but also the adaptation of some traditional branches based on the learnings obtained in its implementation.

During 2017 some traditional branches were redesigned integrating the Work Café model in regards to the systematic and incentives, leaving aside only co-work spaces and the coffee shop. This has meant placing the Bank at the forefront in service models, reaffirming its innovative imprint.

Beyond the developments in products and services, Banco Santander is focused in creating an innovation culture, so as for it to become in the mid-term part of the DNA of all the divisions and employees, translating into sustainable results for the company.

INNOVATION AWARD

For the second year in a row, Banco Santander was included among the 50 companies that best manage innovation in Chile. The latter according to the Best Place to Innovate 2017 ranking, prepared based on a perception study from GfK Adimark and

supported by the Centro de Innovación, Emprendimiento y Tecnología (CIET) of the Universidad Adolfo Ibáñez, Microsoft, XPGConsultNet and América Retail.

The ranking was constructed on the back of a quantitative study that included 2,270 structured interviews to men and women

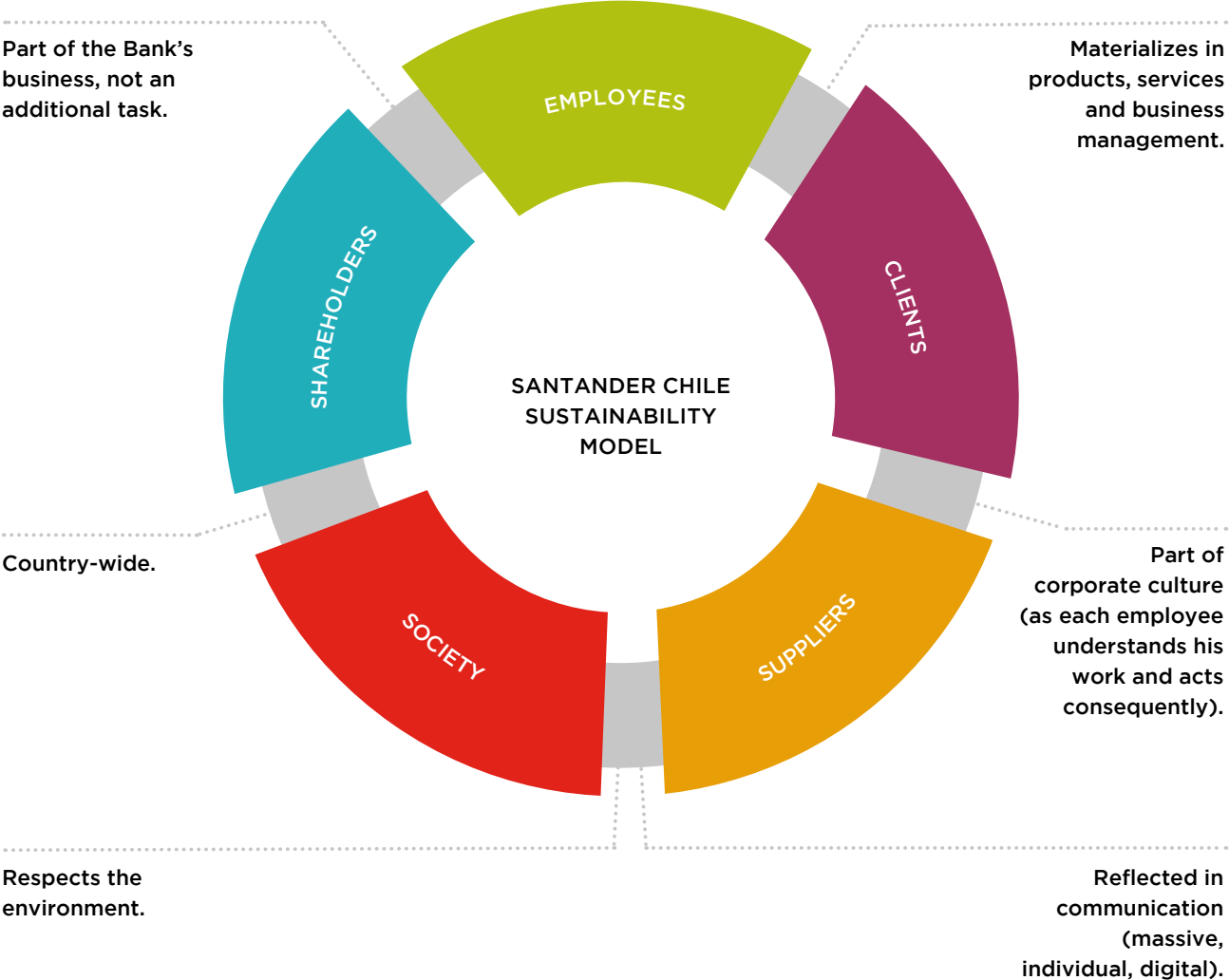
over 18 years of age, professionals, residing in all regions of the country, and that had or had had a relation with the evaluated industry.



Sustainability at Santander Chile

Banco Santander understands sustainability as the ability to adapt to new demands with creativity and innovation; to generate value for stakeholders and procure social and economic progress, and mitigating environmental impact wherever it's present.

52



The sustainability strategy is one of the essential tools used by Banco Santander Chile to achieve its mission of contributing to the progress of people and businesses, aspiring to be the best commercial bank, based on the trust and loyalty of employees, clients, shareholders, suppliers and the society as a whole. To this end, sustainability is set in the center of the business and structures a story that is shared and applied by all areas.

Capitalizing as well education as one of Santander's most important differentiating highlights in this area, the strategy emphasizes its importance as an essential factor, as it gives access to new and better opportunities to progress. Thus, the following three supporting lines of action were defined (for a full description see page 122):

- Primary and secondary education
- Higher education
- Financial education

STAKEHOLDERS

Stakeholders represent the center of Banco Santander's business model. They were corporately defined and the relationships with them are undertaken in the context of sustainability, seeking to establish permanent links of mutual benefit, and that collaborate in the construction and care of the Bank's reputation.

EMPLOYEES

Composed of individuals that are diverse and respectful of differences, they are fundamental in the sustainability strategy and Santander's development. Given the latter, the Bank strives to attract and commit the best talent, which shares the mission of contributing to the progress of people and businesses. Thus, the Bank wants to act as a bridge for employees to contribute to society with their ideas and abilities. The main challenge as an employer is to be the best place to work, offer a safe and attractive place where they can develop, feel happy, grow and progress, balancing their personal, work and familiar scopes.

CLIENTS

They are fundamental to maintain the sustainability of the business, so Santander is permanently seeking to build long lasting relationships with them, based on trust, transparency and fidelity. To position itself as the most recommended Bank and a reference in client satisfaction, it adjusted its strategy and started a series of initiatives that put the client at the center of the experience (for more detail see Clients chapter on page 102).

SHAREHOLDERS

Santander creates value for shareholders through a responsible management of risks, products and services, generating profits, and making their investment profitable and sustainable. In addition, equal treatment to all shareholders is guaranteed, independent of the ownership percentage in the business. The long term relation is sustained over the base of providing all available information clearly, truthfully and in a timely manner, through various communication channels that the Bank has at their disposal.

SUPPLIERS

Maintain with suppliers a stable relationship and of mutual benefit is key for the Bank's business sustainability. Together with them, the Bank seeks to innovate and mitigate risks. As it understands that a sustainable development of suppliers is part of the value chain, adheres to the United Nation's Human Rights and Global Compact corporate policies, in addition to holding the ProPyme seal since 2011, granted by the Chilean government.

COMMUNITY

Banco Santander wants to contribute to economic and social progress through investment programs in the community, where education is the main focus of action. It understands that this constitutes a prime engine for individual's progress, so delivers tools and learning opportunities in three areas, Higher Education, Primary and Secondary Education, and Financial Education.

COMMUNICATION CHANNELS

EMPLOYEES	CLIENTS	SHAREHOLDERS	SUPPLIERS	COMMUNITY
Global commitment survey.	Corporate web page and its sections.	Ordinary Shareholder's Meeting (annual).	Service evaluation and monitoring process.	Press room.
Starmeup.	Social network campaigns.	Quarterly reports.	Acknowledgment of outstanding suppliers.	Sustainability web site.
Virtual Attention Center (CAV), and live and mobile (CAP and CAP mobile).	Profiles in social networks: Facebook, Twitter, YouTube, Instagram and LinkedIn.	Shareholder mailbox and e-mail communication.		"Santander Comprometidos": monthly digital newsletter that informs clients about the various actions in which the Bank and its teams commit for a more sustainable Chile.
Corporate intranet updated daily.	New Santander App version.	Service phone numbers.		Membership and participation in non-government organizations.
Massive e-mails.	Claims App and web that allow channeling complaints simply and with traceability of the solution status.	Shareholder releases (Annual Report, 20-F report).		Social networks: Facebook, Twitter, YouTube, Instagram and LinkedIn.
Audiovisual capsules.	"Flash económico": economic analysis.	SMS messages.		Santander Universities section in corporate website.
IDEAS magazine and special editions; internal releases in physical and digital formats.	Opinion columns.	Investor Relations App.		
News Human Resources Division: monthly digital newsletter that covers sports and cultural activities, benefits and campaigns.	VOX client service.			
	Internet mobile.			
	Branches for all client segments.			
	Surveys (through different channels).			
	Information about campaigns and products sent via e-mail.			

MATERIALITY

In 2017, Banco Santander commissioned a specialized consultant to conduct a materiality study to identify the most relevant aspects for stakeholders, and include them within the Annual Report.

The process was conducted in accordance with the GRI G4 methodology, and defined the following list of high relevance issues:

 Material issue / see throughout this report.

Risk Management 	Reputational risk 	Multichannel and digitalization 	Commercial offer with positive social impact 
Cybersecurity and information protection 	Client satisfaction 	Innovation in products and services 	Economic and financial performance  
Commercial offer with positive environmental impact 	Environmental risks of the business  	Promotion of diversity and inclusion 	
Environmental management 	Social investment programs 	Human capital development 	

 Economic issue

 Environmental issue

 Social issue

 Impact within the company

 Impact outside of the company

Identification process of relevant aspects

Internal aspects

Ideas magazine	Institutional presentation of the Finance Division
Quality benchmark	Annual Report 2016
Sustainability strategy	DJSI questionnaire Chile 2017

External aspects

Corporate Santander 2015 materiality study	Press reports	SDG Industry Matrix for Financial Services (sustainable development goals matrix for financial services)
Materiality studies from other banks	Social networks report	GRI Standards
SASB materiality map	Monitoring of written press	DJSI - Financial Industry - Banks

COMMITMENT OF BANCO SANTANDER WITH SDG

Sustainability is a daily and global challenge. This is reflected in the commitment of the 195 participant countries, plus the European Union (196 signatories), which in 2015 adhered to the 17 Sustainable Development Goals (SDG) of the United Nations. Inspired in these goals Banco Santander Chile focused on the promotion of economic growth and country development through education. Also, these goals are in line with the Bank's Simple, Personal and Fair culture: if simple to understand and use products and services are offered, adjusted to a personal offer based on client's needs, funded on a fair and transparent relation, it is possible to advance consistently towards a sustainable development.

This is how through its business activities and investment programs in the community, Banco Santander has an impact on the following SDG:

1
Promotes poverty eradication.

3
Has several policies that promote health and wellbeing of employees and their families.

4
Boost quality education in the most vulnerable segments as well as in higher education, to help the progress of communities in which it's present.

5
Promotes an open attitude towards diversity, being a basic principle of its actuation to guarantee non-discrimination.

8
Aspires to attract and retain the best talent and for employees to feel motivated, committed and rewarded.

9
It's the leading financial institution in the country financing infrastructure projects.

10
Encourages financial inclusion of communities and boosts training, entrepreneurship and employment creation.

11
Contributes to the progress of people and businesses to support the sustainable growth of communities.

12
Looks after the correct integration of ethical, social and environmental criteria for the development of a responsible activity.

13
Analyses the social and environmental risks of its operations, and boosts renewable energy project financing to support the fight against climate change.



PARTICIPATION IN EXTERNAL INITIATIVES

With the goal to strengthen the integration of ethical, social and environmental criteria in its business, Santander adheres to several initiatives, both at a corporate level as well as in Chile.

In Chile	At a corporate level
United Nations' Global Compact	United Nations' Global Compact
PROhumana	Banking Environment Initiative (BEI)
Acción Empresas (Chilean chapter of the World Business Council for Sustainable Development)	World Business Council for Sustainable Development (WBCSD)
Paz Ciudadana Foundation	UNEP Finance Initiative
	Wolfsberg Group
	Equator Principles
	Round Table for Responsible Soy
	Responsible Investment Principles (PRI)
	Work Group for Sustainable Beef
	CDP (Carbon Disclosure Project)

PRESENCE IN SUSTAINABILITY STOCK INDEXES

Santander Group is also part of the main global stock indexes that analyze and value sustainable actuations in companies. It's present in the Dow Jones Sustainability Index (DJSI) and the FTSE4Good since 2000 and 2003, respectively.

The DJSI index arrived to the country in 2015, with Banco Santander being part of the DJSI Chile index since then. In 2017, and for the third consecutive year, it was included in the list of 27 companies that compose the index. As well, and thanks to the high total sustainability score (TSS), measured through RobecoSAM's annual Corporate Sustainability assessment, Banco Santander Chile also entered the Dow Jones Sustainability MILA Index (Latin American Integrated Market), first index of the Pacific Alliance that measures economic, environmental and social performance of Chilean, Colombian, Peruvian and Mexican companies. Of the over 150 companies invited to the DJSI MILA, only 42 were selected in the final list, Santander Chile being one of the six listed banks in the 2017 index.



Risk management



During 2017, the Bank consolidated a four-year process of consistent improvements in all of its financial ratios, a clear signal that the business model change moves in the correct direction. In this context, the Risk Division took important steps to strengthen an ever more preventive, predictive and proactive risk management, which had as distinctive elements the incorporation of advanced methodologies, solid and well established corporate governance, and the significant involvement of senior management.

58



Four are the goals that have modeled the work of the Risk Division during the last years. These are in line with the Bank's strategic plan, that seeks to become a Simple, Personal and Fair institution.



1 BE A TRUSTWORTHY BUSINESS PARTNER: the Division has the mission to contribute positively to the Bank's growth. In this line, it is fundamental to be valued as a trustworthy partner. During 2017, the division was positively evaluated in different surveys, being the most outstanding the Internal Client Survey, reaching the best rating for a second year in a row. This way, the Risk Division is aligned with the Bank's strategic plan in the sense that it puts clients at the center.

3 REGULATORY MANAGEMENT: the Bank is on a permanent search for regulatory excellence, understood as the possibility of a constructive dialogue with different actors allowing it to pioneer in the incorporation of new norms, regulations and current practices around the world.

2 MANAGEMENT EXCELLENCY: in its third and last year, the Advanced Management Program (ARM) incorporated state-of-the-art tools, which permitted evolving to an advanced risk management approach. Also, Banco Santander achieved the Excellence certification in this issue.

4 DIGITAL TRANSFORMATION: the Risk Division has accompanied the Bank's digital transformation process from the implementation of the Digital Risk Approach project, which has improved process efficiency and time-to-market, reducing response times and strengthening and automating controls. The incorporation of new technologies has been key, like Big Data and Machine Learning, tools that directly influence by strengthening predictability, a major asset in an anticipated risk management approach. The Division has a specialized team that works adapting the different technological tools, to then build and develop predictive models, so as for the Division to be an important change engine and not only a data collection entity. In this sense, work has been focused in Advanced Analytics, Data Management and Robotics.

Financial risks

Credit risk

Market risk

Liquidity risk

Structural risk

Non-financial risks

Reputational risk

Model risk

Strategic risk

Equity risk

Operational risk

Conduct risk

ARM, FROM PROGRAM TO MANAGEMENT STYLE

The Excellence certification in advanced risk management achieved by Banco Santander within the Advanced Risk Management program framework was one of the highlights of 2017. The program, implemented and executed during the last three years, implied that the Bank moved to a higher state in risk management after incorporating advanced methodologies -which strengthened predictability- to the policies of the Division and the Bank, and into its governance system.

The program, that delivered certifications in Standard and Compliance levels, and finally in the Excellence level, will now undergo a significant transformation as it changes into a management style, this is, the way in which Santander manages risks. This style is a broad and company-wide approach, that includes the risk culture, and aims to deepen the development of an advanced risk management approach.

MAIN RISKS

Banco Santander, within its management and control scope, defines 10 types of risks -credit, market, liquidity, structural, equity, operational, conduct, reputational, model and strategic- which entail maintaining a broad and integral view of the risk profile. The following are the most important risks:

FINANCIAL RISKS**Credit risk**

Is the risk that one of the parts in a financial instrument contract ceases to fulfill its contractual obligations due to insolvency or incapacity, producing on the other a financial loss.

Mechanisms

- Responsible for the management of this risk, delegated by the Board: Integral Risk Committee (IRC), Executive Credit Committee and the Bank's risk departments.
- Loan loss provisions for probable loan losses in accordance with

the instructions issued by the SBIF and qualification and risk assessment models approved by the Board.

- Loan loss provisions for commercial loans analyzed on an individual basis. To establish them the Bank assigns a risk category to the debtor and its respective loans, considering the following risk factors in the analysis: industry or sector, partners and administration, financial situation and payment capability, and payment behavior.
- Loan loss provisions for clients assessed on a group basis, relevant to address a large number of operations with small single amounts, and where debtors are natural people or small-sized companies. These operations include consumer loans, mortgage loans and commercial loans to individuals. Loan loss provision levels have been established in accordance with expected loan losses, through the classification of the portfolio using one of two models:

- a. Based on the characteristics of the debtors and their outstanding loans, where debtors and loans with similar characteristics may be grouped and each group is assigned a specific risk level.
- b. Based on the behavior of a group of loans, in which loans with analogous payment history and similar characteristics are grouped and each group is assigned a specific risk level.

Market risk

Market risks appear when investing in financial instruments whose value may be affected by changes in market conditions. They are grouped in four categories: exchange rate risk, due to movements in the foreign exchange rate; reasonable value, due to changes in interest rates; price, by changes in market prices due to the instrument's own factors or those that affect all financial instruments; and inflation, due to changes in Chile's inflationary indexes.

Mechanisms

- Responsible for market risk management: ALCO, risk departments and the Bank's Finance Management.
- Management analysis in three main components: trading portfolio, financial management portfolio in local currency, and financial management portfolio in foreign currency.
- The trading portfolio is comprised of fixed income securities and foreign currency. This portfolio includes essentially bonds from the Central Bank of Chile, mortgage bonds and low risk corporate bonds issued locally. Measurement of the portfolio's market risk is done with the VAR methodology.

- Financial management portfolios include all financial investments not considered within the trading portfolio. This is, the majority of the Bank's assets and liabilities that are not trading investments, including the loan portfolio. The Bank applies a sensitivity analysis to measure the portfolio's market risk with respect to local and foreign currency. Through a scenario simulation the present value of future cash flows in the base scenario (current market) is compared against the value under a chosen market (a 100 basis point movement across the curve). The same simulation is done on the net foreign currency positions and interest rates in United States dollars. Finally, limits are established in relation to the maximum loss these types of movements can cause on the Bank's equity and net interest income projected for the year.

Liquidity risk

Refers to the possibility that an entity cannot meet its payment commitments or, that in order to meet them, has to resort to obtaining funds in burdensome ways or that could deteriorate its image or reputation.

Mechanisms

- The Bank's approach in liquidity management is to ensure, as much as possible, that it has sufficient funds to meet obligations at maturity, in normal stress circumstances.
- The Board sets limits, understood as a minimum relation between available and receivable funds plus a minimum amount of interbank operations and other loan facilities, which should be available to cover withdrawals or an unexpected demand level. These limits are reviewed periodically.

- Compliance of regulatory limits set by the SBIF and the Central Bank for maturity mismatches.
- Daily monitoring of the liquidity position, establishing future cash inflows and outflows.
- Stress tests at the close of each month, using a variety of scenarios that cover both normal and fluctuating conditions.

NON-FINANCIAL RISKS

The Risk Division is responsible for the management of non-financial risks to which the business is exposed. Besides operational risk, it includes information security, business continuity, technological and the risks associated to outsourced processes, regulatory and financial report, and also conduct, reputational and model risks.

As well, it leads the establishment and deployment of a risk management culture, mainly within the most exposed areas. The new organizational and non-financial risk control model entails responsible management to act as a second control layer, supporting, overseeing and strengthening the first line of defense which corresponds to the business units and their support areas, in such a way so as for risks to be adequately identified, declared, monitored and mitigated.

Adequate governance has been defined ensuring the correct management of non-financial risks, compliance with the strategies determined to minimize losses and the adequate periodical and integral report to senior management.

RISK GOVERNANCE

One of Banco Santander's strategic goals is to lead in risk management, seeking to anticipate the challenges of the economic, social and regulatory environments which are in constant change. For this

the Bank is always thoughtful to recommendations from supervisory and regulatory bodies, as well as to best practices in the market. This way the governance of the risk function has been strengthened, delimiting more clearly the responsibilities of the different committees that supervise and manage risks.

Risk Governance must look after an adequate risk decision making and an effective control of risks. Also, must ensure that these risks are managed in accordance with the risk appetite defined by the Board. To achieve this goal the following principles have been established:

1
Separation of decision making from risk control functions.

3
Ensure that all risk decisions have a formal approval process.

5
Strengthen risk-controlling committees.

2
Strengthen the responsibility for risk-generating functions in decision-making.

4
Ensure an integral view of all types of risks.

6
Maintain a simple structure of committees.

LINES OF DEFENSE

Banco Santander's management and risk control model is based on three lines of defense.

of defense must adjust to the risk appetite and defined limits, so it must have the means to identify, measure, treat and report the assumed risks.

compliance function. Both must look after the effective control of risks and ensure they are managed in accordance to the defined risk appetite level.

FIRST LINE OF DEFENSE

It's comprised of business functions, or activities that take or generate exposure to a risk. The assumption or risk generation in the first line

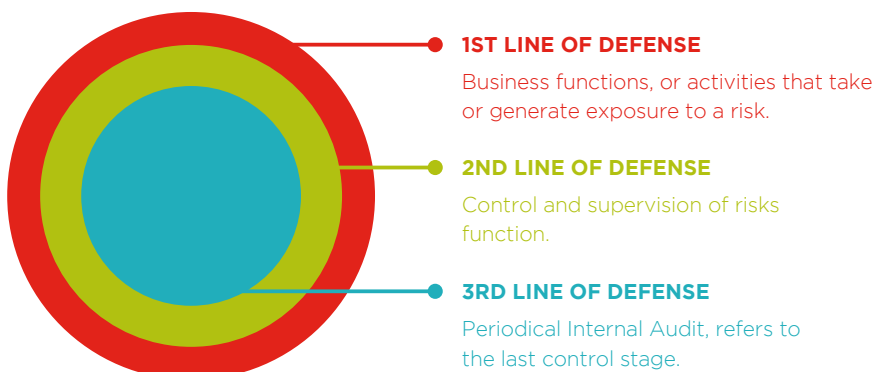
SECOND LINE OF DEFENSE

Corresponds to the risk control and supervision functions, and the

THIRD LINE OF DEFENSE

Refers to the final control stage, and Internal Audit is responsible. Periodically evaluates that the policies, methods and procedures are adequate and checks their effective implantation.

The risk control, compliance and internal audit functions have enough separation and independence between them, and with respect to the other functions they control or supervise, in order for them to act, and have access to the Board or its committees through their senior manager.





RISK CONTROL STRUCTURE

Unlike what happens in other institutions, risk management has a superlative importance for senior management. The Board, body that heads risk control at the Bank, has established the Integral Risk Committee (IRC) in order to better execute its functions in this regard. Said committee is composed by six of the Bank's nine directors and meets bi-weekly.

The ICR's role is to define the risk framework and general guidelines to set the risk appetite, supervising over the correct identification, measurement and global control of all risks.

Among the risks overseen stand out: credit, market, liquidity, structural, equity, operational, model, conduct, reputational and regulatory risks.

The Risk Supervision and Consolidation area supports the ICR in its functions, constituting a second line of defense for all risk domains, ensuring that all material risks are correctly identified, measured and controlled. This area applies a global and independent view of the portfolios, about their risk

management, keeping senior management informed about their management and profile, as well as the ICR in regards to the aspects relevant to their scope. The ICR reviews the integral view of risks including credit, market, liquidity, operational, compliance and conduct risks, as well as the risk appetite. Also, addresses a broad agenda of risk issues, structural and short-term, covering the main highlights and issues of most relevance on this scope.

The ICR's principal functions are:

- 1** Analyze with an integral view, the administration of risks and the map of recommendations issued by local and foreign regulators, as well as compliance of regulatory provisions.
- 2** Verify compliance of the Group's strategic goals, according to assumed or potential risks, identifying warning lights.

- 3** Analyze and propose eventual changes to the policies and procedures used by the Bank for the administration, control and management of risks, whenever inconsistencies or vulnerabilities are detected.

- 4** Review documents prior to their approval by the Board.

This way, in addition to the audit controls and existing internal controls in each area, a new control layer is added in charge of supervising risks on a consolidated basis, allowing the Board to decide about the risk appetite or level with which to operate. As well, the area develops independent exercises where the established procedures for risk management are tested, and periodically reviews the sufficiency of loan loss provisions.

In addition to the abovementioned, the Board has established the Asset and Liability Committee (ALCO) to assist it in the management and control of risks. This committee is comprised

of three directors, seven members of the Bank's Direction Committee, and three managers (Finance Management, Treasury and Market Risk).

The ALCO is responsible for the development and supervision of compliance of the Bank's risk policies, in accordance to the guidelines established to this effect by the Board and regulatory provisions from the Superintendency of Banks and Financial Institutions (SBIF). In particular, the ALCO establishes and controls compliance with the main guidelines related to interest rate, financing, equity and liquidity risks, as well as the evolution of local and international financial markets and the monetary policy.

The Board also has two other key committees: the Market Committee (MC) and the Audit Committee (AC).

64

Each one of them is comprised of three directors and members of the Bank's senior management.

The MC is integrated by three members of the Board and defines the strategy for the Bank's trading portfolio (Treasury), establishing policies, procedures and limits for taking positions, through the analysis of the national and international situation.

The AC is integrated by four directors, is mainly responsible for monitoring the Bank's financial statement generation process, and the internal and external auditors work, in the benefit of transparency with shareholders, investors and general public.

Risk policies and management systems are regularly reviewed to reflect the changes in market

conditions, and products and services offered. Through the establishment of standards and procedures, the Bank procures to create a disciplined and constructive control environment, in which all employees understand their functions and obligations in regards to this.

RISK CULTURE

One of the main achievements of the ARM program, especially according to what was developed around it during 2017, was securing a company-wide risk culture. Today the Bank's employees assume that each one of them is responsible for the management of risks within their daily work. The latter is accounted for in the Group's latest Commitment Survey, in which 94% of surveyed employees answered that risk culture was an integral part of the Bank.

The conviction shown by employees is the result of a sustained work in training and communication of the culture. This annual plan considered face-to-face training reaching 2,680 employees, diverse e-learning adding up to 13,991 approvals and knowledge capsules massively distributed.

Business sustainability is intimately related with the fact that all the Bank's employees are capable of managing risk, independent of whether they serve clients or not. Therein lays the importance of programs that consolidate the risk culture.

On this same line it's important that the entire organization adjust its actions in line with the five principles of risk management:

1

RESPONSIBILITY: identification, management and evaluation of risks are everyone's responsibility.

2

CHALLENGE: constantly question if the way in which we are managing risks is the most adequate for the Bank.

3

RESILIENCE: be capable of resisting uncertainty and overcome adverse moments, creating synergies to ensure sustainable results.

4

CLIENT ORIENTATION: clients are at the center of risk management, seeking the best for them in the long term.

5

SIMPLE: risk management is simple and easy to understand by everyone

RISK PROFILE

Banco Santander Chile defines a specific profile for each managed risk. Through an international methodology, known as Risk Identification and Assessment, and in accordance with the defined risk appetite, the way in which risks are managed and limits set -among other considerations-, a profile is defined for each risk. Conceptually, the Bank seeks, on each step, to clearly define the risk appetite - how far is the Bank willing to go- in line with a middle low risk profile.



One of Banco Santander's strategic goals is to lead in risk management, seeking to anticipate the challenges of the economic, social and regulatory environments which are in constant change.

Compliance

This area addresses the growing probity challenges as well as issues as important as the supervision of compliance with the internal manuals, laws and international regulation; the approval, sale, monitoring and post-sale of products; money laundering prevention, and reputational risk.



66

Banco Santander has a compliance department that, aligned with the corporate strategy and the business model, manages four risks:

1

REGULATORY COMPLIANCE RISK:

is the risk of non-compliance by the Bank, of the regulator's norms and expectations which could lead to legal or regulatory sanctions.

2

CONDUCT RISK: is the risk that actions from either employees or the Bank as a whole might translate into negative results for clients or the markets in which it operates.

3

PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM RISK:

is to avoid the institution being used as a vehicle for money laundering or financing of terrorist groups.

4

REPUTATIONAL RISK: is the risk of an adverse economic impact, actual or potential, due to undermine in the Bank's perception on the part of employees, clients, shareholders or investors, and the society in general.



During 2017 notorious advances were made in all phases of the Compliance Function's transformation program denominated Target Operating Model (TOM). This program started in 2016 and its goal is to improve the Compliance Function in line with the best standards in the global financial industry. Through this model the role of the Compliance Department as a second line of defense has been strengthened, which, as such, exercises controls, monitoring and verifications of the risks it manages. Thus, the first line of control, comprised of the business and support areas, periodically reports to Compliance about occurred

incidences, in case there are. This area is then responsible for informing senior management in order for the incidences to be addressed and for the implementation of the necessary corrective and mitigation measures. The Compliance Department is audited by Internal Audit, third line of defense that periodically assesses that the policies, methods and procedures applied by Compliance are adequate and effective considering its action parameters. As well, performs the necessary reviews and tests to check that appropriate control and supervisory elements are applied, and that the norms and procedures defined by the Bank are met.

GOVERNANCE AND ORGANIZATIONAL MODEL

Compliance reports hierarchically to the Legal Department and functionally to the Board and Audit, Risk and Global Compliance committees.

As well, participates among others, in the following committees:

- | | |
|---|--------------------------|
| 1 | 6 |
| Analysis and Resolution Committee (ARC) and Pre-Arc Committee | Suppliers Committee |
| 2 | 7 |
| Local Commercialization Committee | Cybersecurity Committee |
| 3 | 8 |
| Non-financial Risks Committee | Grants Committee |
| 4 | 9 |
| Portfolios Committee | Sustainability Committee |
| 5 | 10 |
| Regulatory Follow-up Committee | Complaints Committee |

The Global Compliance, Local Commercialization and Regulatory Follow-up committees are organized directly by the Compliance Department, and this area has rights of speech and vote, and manages proposals and improvements.

In addition, Compliance attends as a permanent invitee to the Audit, Analysis and Resolution (ARC), Pre ARC and Risk Committees.

1

CERTIFICATION OF THE CRIME PREVENTION MODEL OF LAW 20,393

During 2017, through the certification company ICR Chile Limitada, inscribed in the registry of the Superintendency of Banks and Financial Institutions, monitoring was carried out on the certification achieved for the period 2016-2018 by the crime prevention model of Law 20,393.

This certificate endorses correct implementation of controls over processes or activities related to the business that might present potential risks of commission of the crimes detailed in the Law (money laundering, financing of terrorism, bribery of national or foreign civil servants, and receiving), with the goal of preventing and detecting them on a timely manner.

In addition, following best international practices, Banco Santander has a criminal risk prevention model for the Bank and subsidiaries denominated Corporate Defense. The goal of the latter is to set guidelines and controls for the adequate management of the crimes established in the law as well as other types of crimes, prevent or detect the materialization of the risks associated with these crimes, ensure the effectiveness of internal procedures to mitigate them, and its accreditation in front of third parties.

The crimes comprised by Corporate Defense are: fraud and deceptive advertising; influence peddling and corruption; cybercrime; stock market crimes and receiving.

2

INCOPORATION OF NEW INTERNAL MANUALS

- **Control guidelines over criminal risks:** the main purpose of this document is to establish the minimum control guidelines over criminal risks faced by Banco Santander and its subsidiaries. This with the aim of establishing an adequate prevention, supervision and control framework over the organization, the people that compose it and the activity it carries out, so as to allow the Bank to minimize the probable materialization of criminal risk upon the commission of a crime.

- **General policy on financing of electoral campaigns and political parties:** is ruled by the transparency, honesty and political neutrality principles in the relationships of Banco Santander and its subsidiaries with political parties and other entities with public and social goals of a political nature, rejecting all action on the part of its employees and senior management that could be related to any form of corruption over these entities.

The policy is established on the basis of the General Code of Conduct and considers the provisions of Law 18,603 Orgánica Constitucional de los Partidos Políticos in relation to donations and administrative sanctions.

- **General policy on conflicts of interest:** its purpose is to establish the mechanisms and procedures that allow the identification of possible conflicts of interest, determine

how to manage those that cannot be avoided, provide due information to affected clients, and also adequately document for its internal control and explanation to regulators about the implantation of established measures to attend the abovementioned goals.

A conflict of interest exists whenever a contradiction or incompatibility situation arises, directly or indirectly, between the interests of Banco Santander or its subsidiaries and the interest of its employees, clients, managers, shareholders or other third parties directly or indirectly related to them by control, or among clients.

- **Product and massive service approval:** it adapts to the Corporate Framework of Product Commercialization and standardizes the new product application form. The fast track circuit is also incorporated.
- **Training procedure for the sale of products and services:** its goal is to minimize the risks of an inadequate commercialization, non-compliance of regulation and of the possible reputational risk, generated in the sales process of products and services due to deficiencies in education and training of employees that distribute or sell said products and services. Contains the actuation guidelines and principles corporately defined in this matter.
- **Approval and monitoring process of custody of own and/or client's assets:** regulates the approval and review of custody providers, with the purpose of minimizing the Bank's exposure

to the different types of risks to which it is exposed, derived from the provision of custody services by internal or external providers, both for own assets as well as for client's assets.

- **Consumer protection policy:** establishes the actuation criteria that must be considered in the elaboration of the internal normative and in the relation with clients, as well as in its monitoring and oversight, all of this with the aim of guaranteeing adequate protection for the financial consumer.
- **Fiduciary risk policy:** sets the minimum contents that must be incorporated within the policies for product investment and associated risk management, applying general and specific criteria, with the goal of minimizing Banco Santander's exposure to fiduciary risks derived from the approval of financial investment or savings products bearing the Santander brand and/or whose management or structuring is undertaken directly, delegated or mandated to a third entity.

3

TRAINING STRATEGY

During the year, face-to-face training of employees continued, oriented towards consolidating a compliance culture. For this, diverse training instances and communication activities were carried out transversally.

This program's goal is to teach employees to identify, through very concrete examples, especially sensible situations like conflicts of interest, relations with the competition and authorities, acceptance of gifts from clients or suppliers, sale of financial products and employee's personal investments.

Also, the management of the program oriented towards the subscription of the codes of conduct that rule over the Bank's employees continued. The high percentage of employees that have subscribed the Bank and its subsidiary's codes and manuals, positions the entity among those with the best international standards.

4

IMPLEMENTATION OF CIRCULAR N°57 FROM THE UNIDAD DE ANÁLISIS FINANCIERO (UAF)

In September came into effect Circular N°57 from the Unidad de Análisis Financiero that, for the purpose of preventing money laundering, gives instructions regarding obligations of identification and registry of final beneficiaries of individuals and legal structures.

5

COUNTRY RISK AND SANCTIONS POLICIES

In October the Board of the Bank approved the new Corporate Framework for the Prevention of Money Laundering and Financing of Terrorism, reinforcing the compliance of international sanction programs and financial countermeasures, issued by important organizations as the UN, the European Union and the United States (OFAC-FINCEN). As well, a new country valuation is established, based on the money laundering prevention risk that affects them, in accordance with current international sanction programs and international hazard standards.



COMMON REPORTING STANDARD (CRS)

Considering the new international standard designed by the OECD to prevent tax evasion and elusion, through the exchange of relevant information among participant countries, Banco Santander is implementing the CRS compliance program in accordance with the rules issued by the Chilean Ministry of Finance in June 2017. This norm forces financial institutions to conduct due diligence processes and report financial accounts maintained by foreign residents.

In September 2017 the Board approved the Reputational Risk Model. The latter is based on an eminently preemptive approach, but also in effective crisis management processes. The aim is that reputational risk management integrates both to business and support activities, as well as to internal processes, and that risk control and supervision functions incorporate it as part of their activities.

This way, the Reputational Risk Model implies an integrated understanding, not only of the Bank's activities and processes during the course of business, but also as how it is perceived by stakeholders (employees, clients, shareholders and the society in general) in their different environments. This approach demands a close collaboration between management support and control functions, and the different stakeholders.

To guarantee the correct implantation of the model and socioenvironmental policies, a Reputational Risk Working Group was created, entity which reports the topics discussed to the Global Compliance Committee.

It should be noted that within the reputational risk model, during 2016 were approved the socioenvironmental policies that establish the criteria that Santander Group must apply in relation to the granting of financial products and services in the following sectors: energy, soft commodities and defense.

The policies establish two types of activities, those prohibited and hence in which the Bank cannot participate, and those restricted, in which the Risk Division and the respective business area must assess the social and environmental impacts of the operation, and the compliance with this policy and the Equator Principles, when they apply.



7



REPUTATIONAL MODEL RISK

During the period advances were achieved on the structuring of reputational risk as an independent function in relation to other risks.

SOCIOENVIRONMENTAL POLICIES

	ENERGY	SOFT COMMODITIES	DEFENSE
Definition	Covers all activities related with the sector (hydric, coal, nuclear, bituminous sands, oil and gas) and all types of financing, equity and advisory services.	Implies all activities that impact forestry resources (wood, paper, pulp, biofuel, palm oil and soy, rubber and livestock and agricultural activities) and all types of financing, equity and advisory services.	Everything related to defense material and dual-use technologies.
Prohibited activities	Coal thermal power plants under development or built, upgrades to operational coal thermal power plants, nuclear power plants that do not comply with the characteristics detailed in the policy, large dams and the development, construction or expansion of bituminous sands projects in countries not designated in accordance with the Equator Principles.	Deforestation (zones declared as of high ecological value), developments in peat bogs in countries not designated in accordance with the Equator Principles and extraction and sale of native wood species without certification.	No commercial relation with organizations (and their subsidiaries) that manufacture, commercialize or distribute defense material or dual-use technologies.
Restricted activities	Oil and gas exploration and production projects, operations with coal related energy groups, operations related with the generation of nuclear energy, biomass power plants and the development, construction or expansion of bituminous sands projects.	Processes that have a large environmental impact on high ecological and/or social value forests included in the UNESCO's world heritage list. The extraction of native species, developments of wooded areas that have suffered fires or massive deforestation in the last five years, operations with clients related to countries not designated in the following subsectors: wood, pulp and paper, palm oil, soy, biofuels and livestock activities.	All operations related to the manufacturing, commercialization or distribution of defense material or dual-use technologies that do not respect conventions and treaties on the non-proliferation of weapons.

COMMUNICATIONAL PLAN

With the purpose of giving visibility to Compliance work, in 2017 started an internal communications plan that seeks to foster good practices, employee's ethical actuation and the correct application of regulation across the board within the organization.

This process has been especially relevant in the commercial areas and during the year an intensive work was carried out to strengthen probity and ethical actuations, in line with the Bank's mission and culture inspired in the Simple, Personal and Fair concepts.

The abovementioned implied the start of specific actions, as the launch of a new Compliance web page in the Bank's intranet. It's a services portal for employee's internal use, containing general information on the area, news and downloadable documents. In parallel, simpler and more amicable e-learning courses were designed for all employees.

9

AUDITS

The Bank achieved, from the Internal Audit Division, an acceptable global rating for the Corporate Defense and Normative Reports audits, which implies that they effectively have adequate controls to mitigate risks.

10

CODES OF CONDUCT

Banco Santander has several instruments inspired in best international practices that define the conduct, principles and values that all employees must have in relation to the business and stakeholders.

In certain specific subjects that need a detailed regulation, norms established in the General Code of Conduct are

complemented with those appearing in sectorial codes and manuals, which are approved by the Global Compliance Committee, and notes or circulars that develop specific points of said codes and manuals.

The General and Securities Markets Codes of Conduct, the Money Laundering Prevention Manual and the Anticorruption and Bribery Manual, are available for all employees in the corporate intranet, both for reading and subscription.

It should be noted that, as the rest of the organization, members of the Board adhere to what is established in the General Code of Conduct and in the Securities Markets Code of Conduct, including the procedures to avoid potential conflicts of interest in the work of the Board.

The main documents are:

- **General Code of Conduct:** is the central element in the organization's compliance program. Defines the Bank's values and principles that all employees must have in their relations with clients, suppliers, public authorities, hierarchical superiors, coworkers, the rest of the industry and the society, based on a professional, straight, impartial and honest conduct in accordance to Banco Santander's principles.

New employees that begin working at the Bank, commit to read, accept and sign the code.

- **Securities Markets Code of Conduct:** contains the policies on this matter, seeks to prevent conflicts of interest and the use of privileged information by the people that conform the Bank's key areas. Among other things, in general seeks to: register and control sensible known information

and that generated within the Bank; maintain the list of affected securities and initiated employees, and watch over operations with said securities; supervise operations with restricted securities according to the type of activity, portfolios or collectives to which the restriction is applicable; receive and respond to communications and requests for authorization of own-account operations; control own-account operations by restricted employees and manage possible non-compliance of the Securities Markets Code of Conduct; identify, register and resolve conflicts of interest and those situations that might originate them; analyze possible behaviors suspicious of constituting market abuse and in that case, report them to supervisory authorities. At the close of the year, 679 people were subject to this code.

- **Money Laundering and Financing of Terrorism Prevention Manual:** its goal is to make known to all employees working at the Bank and its subsidiaries the policies, norms, organization and procedures that must be applied and complied with to establish an adequate money laundering prevention system. Reading of the document is mandatory, as well as the completion of training courses. This manual was updated in 2016 to adjust it to the new needs and regulations in force.
- **Corruption and Bribery Prevention Manual:** the anticorruption and bribery policy seeks to set conduct guidelines to avoid any form of corruption within Banco Santander. Thus, rules are made known that must be complied with at all levels within the organization, in relation to corruption and bribery prevention.

Financial results



Banco Santander continued to capitalize on the efforts carried out within the Commercial Transformation Plan framework, with the goal of being the best bank for its clients.

Income attributable to shareholders reached MM\$564,815 in 2017, 19.6% higher than in 2016. Net income before taxes, which does not consider the effects of the increase in the statutory tax rate during 2017, grew 23.9% compared to the previous year. On the other hand, net operating profits from the business segments -understood as the sum of net interest income plus net fees and commissions plus financial results, net, and minus loan loss provisions- which reflects the performance of the Bank's core business, increased 9.1% year-

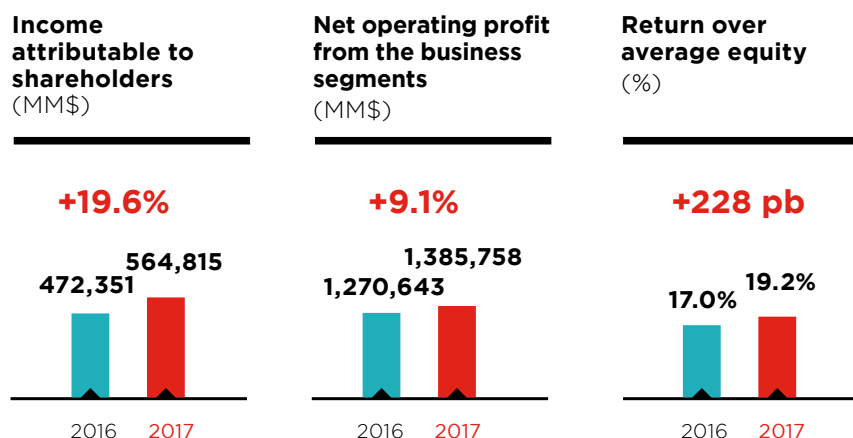
over-year. ROE (measured as net income attributable to shareholders over average equity) reached 19.3%, higher than the previous year's 17.0%, while ROA (attributed net income over average assets) climbed to 1.58%, higher than the 1.33% of 2016. Efficiency improved to 41%, compared to 42.7% on the previous year.

These results are a combination of a larger activity due to the increase in the loyal client base, with the consequent loan growth -especially in the Bank's target segments for the period-, an improvement in the

funding mix, stable asset quality and a continuous increase in fee income. 2017 also presented a favorable situation for the Bank in terms of low interest rates following an expansive monetary policy by the Central Bank of Chile with a 1.0% drop in the rates during the first half of the year, opportunity that was adequately managed by the Bank.

Santander Chile continued to capitalize on the efforts made since 2012 -and that continue being carried out- within the Commercial Transformation Plan framework, including the deployment of Work Cafés, the new branch model, and the remodeling of the traditional branch network, the launch of Life (the new service model for middle and low-income individuals), the addition of new tools to NEOCRM and important investments in technology and operations as the digital On Boarding, strengthening the Bank's transactional capabilities, with the goal of improving client service quality and be the best bank for our clients.

72





Summary of results (MM\$)	2017	2016	CHANGE 17/16
Net interest income	1,326,691	1,281,366	3.5%
Net fee and commission income	279,063	254,424	9.7%
Basic gross margin	1,605,754	1,535,790	4.6%
Total financial transactions, net	129,752	140,358	(7.6%)
Other operating income	87,163	18,299	376.3%
Net operating profit before provisions for loan losses	1,822,669	1,694,447	7.6%
Provisions for loan losses	(299,205)	(343,286)	(12.8%)
Operating profit	1,523,464	1,351,161	12.8%
Operating expenses	(704,893)	(686,905)	2.6%
Other operating expenses ¹	(101,658)	(85,432)	19.0%
Net operating income	716,913	578,824	23.9%
Net income	577,263	474,716	21.6%
Minority interest	12,448	2,365	426.3%
Net income attributable to equity holders	564,815	472,351	19.6%
Net income per share (\$)	3.00	2.51	19.6%
Net income per ADR (US\$) ²	1.95	1.50	29.7%
Loans and accounts receivable from customers ³	27,563,229	26,933,624	2.3%
Interbank loans ³	162,685	272,807	(40.4%)
Total loans ³	27,725,914	27,206,431	1.9%
Total deposits	19,682,111	20,691,024	(4.9%)
<i>Loan / deposit adjusted⁴</i>	100.7%	92.1%	+ 857 pb
Equity	3,108,063	2,898,047	7.2%
Net interest margin	4.4%	4.5%	- 3 pb
Efficiency	41.0%	42.7%	- 173 pb
Recurrence	39.6%	37.0%	+ 255 pb
ROAE ⁵	19.2%	17.0%	+ 228 pb
ROAA ⁶	1.58%	1.33%	+ 25 pb
Non-performing loans / total loans	2.28%	2.07%	+ 21 pb
Coverage of non-performing loans	128.78%	145.41%	- 1,663 pb
Expected loss ⁷	2.94%	3.02%	- 7 pb
Basel ratio	13.91%	13.43%	+ 48 pb
Branches ⁸	385	434	(49)
ATMs	926	1,295	(369)

1. Includes impairment losses. / 2. Change in net income per ADR may differ with respect to change in net income per share due to exchange rates. / 3. Gross of provisions. / 4. Net loans less portion of mortgages financed with loans over total deposits. / 5. Net income attributable to equity holders over average equity. / 6. Net income attributable to equity holders over average total assets. / 7. Loan loss allowances over total loans. / 8. Includes SuperCaja.

LOANS

Total loans (including interbank loans) increased 1.9% during the year (+2.3% excluding interbank loans). This figure is lower than the 7.5% expansion of last year, in line with the weak economic performance especially during the first half of the year, and the peso's appreciation against the U.S. dollar during the second half of the year -that impacted mainly on the corporate client's portfolio.

This way mortgage loans maintained the trend shown during 2016, gradually reducing

their expansion rate throughout the year to stabilize during the second semester. Consumer loans showed a sustained deceleration in their growth rhythm during the period, although somewhat more sharp during the first months. Commercial loans also reduced their growth rates in the year, but recuperated during the fourth quarter in line with the improved economic dynamism in the period. Growth is a reflection of the Bank's strategy during the exercise, focusing in client segments that offer a higher risk-adjusted profitability, this is, middle and high-income individuals, and middle and large-sized companies.

In the rest of the portfolio, growth was selective. In the SME segment the activity concentrated in the larger companies maintaining an integral product offering balancing income from lending operations with fees. In the corporate segment, which covers the largest companies in the country, loans are volatile by the business' nature, this is, large non-recurring transactions. Hence, although during the year total loans decreased, the segment posted better results year-over-year by implementing a strategy focused on non-lending related products that offer better margins.

Loans by segment (MM\$)	2017	2016	CHANGE 17/16
Individuals ¹	15,408,301	14,774,431	4.3%
SMEs	3,824,868	3,830,505	(0.1)%
Individuals + SMEs	19,233,169	18,604,936	3.4%
Middle-market	6,775,734	6,396,376	5.9%
Global Corporate Banking	1,633,796	2,121,513	(23.0)%
Others	83,215	83,606	(0.5)%
Total loans²	27,725,914	27,206,431	1.9%

1. Includes mortgage and consumer loans and other loans to individuals.

2. Includes interbank loans. Gross of loan loss allowances.

Loans by product (MM\$)	2017	2016	CHANGE 17/16
Commercial	13,908,642	13,867,465	0.3%
Mortgage	9,096,895	8,619,356	5.5%
Consumer + credit card	4,557,692	4,446,803	2.5%
Consumer	3,192,712	2,998,685	6.5%
Credit cards	1,364,980	1,448,118	(5.7)%
Loans and accounts receivable from customers	27,563,229	26,933,624	2.3%
Interbank loans	162,685	272,807	(40.4)%
Total loans¹	27,725,914	27,206,431	1.9%

1. Gross of loan loss allowances.

This way, loans to individuals and SMEs increased 3.4% in the year. In individuals growth was mainly driven by the middle and high-income segments with a 5.6% expansion. Low-income segment loans decreased 24.3% with respect to the previous year. Regarding the latter, the Bank completed the reduction process of Banefe, the specialized division in low-income individuals, launching Life in December, the new distribution model for the low and middle-income segments. SME loans fell 0.1% in the year.

Loans to mid and large-sized companies showed a 5.9% increase, although below last year's 6.5% growth. Loans to the corporate segment, this is, multinational and the largest companies in the country, contracted 23.0%, affected by a lower demand associated to the drop in investment during the first half of the year, and the appreciation of the Chilean peso -considering that close to 10% of total loans are denominated in U.S. dollars-, and the maturity of

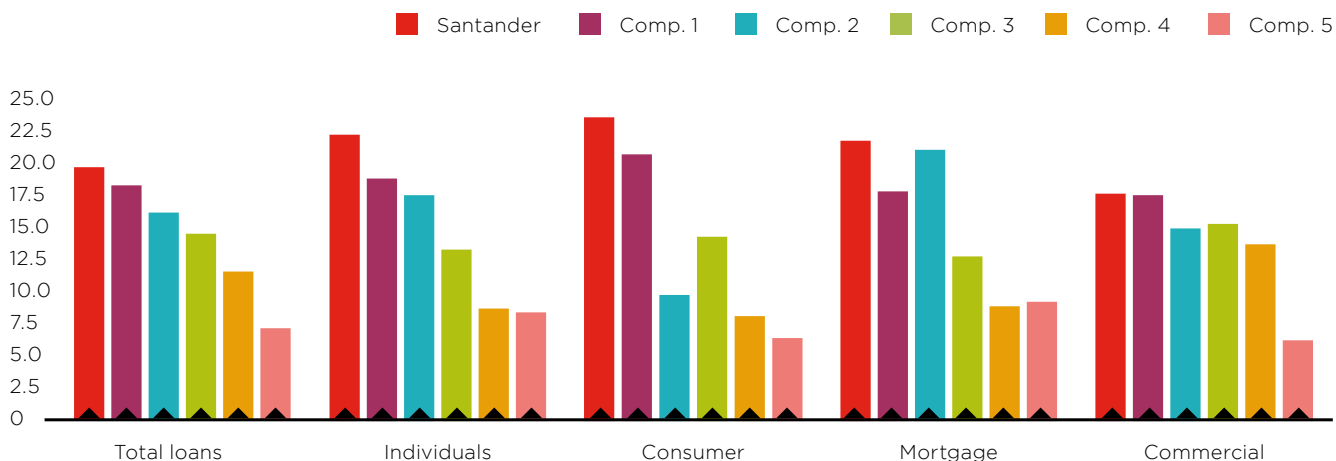
low-yielding interbank loans during the year. It's important to note that the abovementioned growth does not reflect the segment's performance during the period -the loan portfolio is volatile by the business' nature- as close to 90% of profits are related to non-lending activities.

By product, commercial loans increased 0.3% in line with the lower investment and appreciation of the peso. Mortgage loans grew 5.5%, in part reflecting the economic environment as well as the effect of the lower inflation rate over the portfolio. On the other hand, consumer loans expanded 6.5%, while credit card loans decreased 5.7%, figures that compare with 10.4% and 0.9% increases, respectively, for the previous period. The latter is a reflection of the continuous slowdown in the country's growth.

The Bank continued to consolidate its leading position in the industry with its performance during the period. In effect, Santander reached a total loan market share

(excluding interbank loans) of 18.7% -considering adjustments for credit investments maintained abroad by some local banks to allow for an adequate comparison. Although this figure is lower than the 19.1% of 2016, the Bank was able to increase the distance with its main competitor by 110 basis points (bp) to 144bp. It should be mentioned that Santander Chile has a retail orientation, with a relevant position in retail banking. Thus, in loans to individuals Banco Santander closed the year with a 21.2% market share, 340bp above its main competitor. The previous figure is explained with a 22.4% market share in consumer loans, against the main competitor's 19.7%, and a 20.7% market share in mortgage loans, 50bp higher than the main competitor in the industry and 370bp above the closest private competitor. Finally, the market share in commercial loans reached 16.7%, reducing the gap with the main competitor from 180bp in 2016 to 10bp by the end of the year.

Loan market share (%)



DEPOSITS

The Finance Management Division of Banco Santander is in charge of managing the Bank's balance structure and liquidity position. This unit, set apart from the Bank's treasury, uses its own methodology that defines Structural Liquidity as the difference between liquid financial assets and non-structural financial liabilities.

The applied methodology distinguishes between commercial assets (loans to clients), fixed assets and liquid financial assets. The former are financed with structural or stable funding sources, considering as such demand deposits, time deposits from retail clients, structural time deposits from wholesale clients, bonds and bank credit lines. With respect to the last three, these are considered non-structural funding sources when their maturity is less than 120 days due. Fixed assets are financed with permanent liabilities

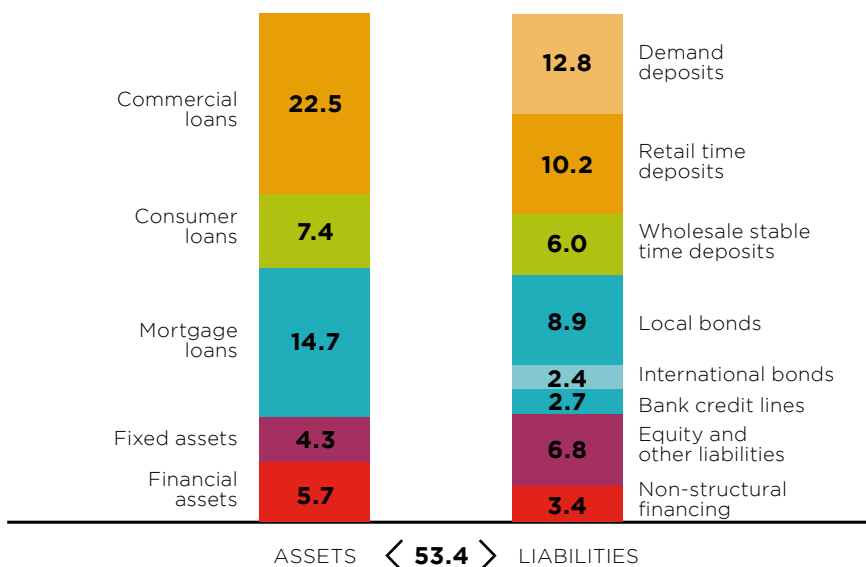
(mainly equity and provisions). Finally, liquid financial assets are financed in part with non-structural financial liabilities (time deposits from wholesale clients and bonds with maturity less than 120 days due, and commercial paper), while the remaining part, which corresponds to Structural Liquidity, is financed with structural financial liabilities. During the period structural liquidity remained on average at US\$2,219 million, closing the year at US\$2,307 million.

In line with the abovementioned strategy, Santander continued to make efforts to improve the local funding mix taking advantage of the Central Bank's low interest rate scenario during the first semester, as well as from the lower inflation and its comfortable liquidity position. This way, the total deposit base decreased 4.9%, despite total loan growth. Demand

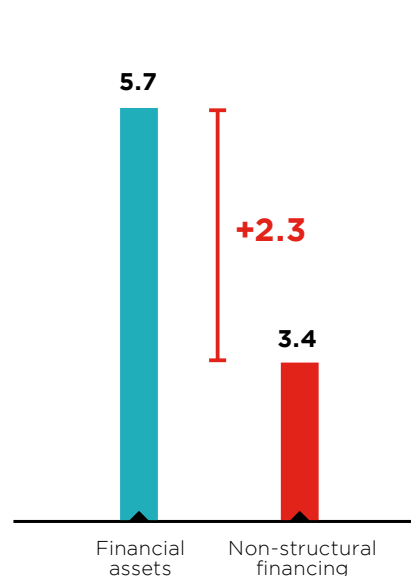
deposits (funding with no cost for the Bank) increased 3.0% in the period thanks to Santander's leadership in Cash Management products for companies and a larger loyalty of retail clients. Time deposits contracted 9.4% after the inflationary profile and low interest rates made them less attractive for clients, situation which the Bank took advantage of to adjust its deposit pricing strategy and thus improve spreads. All in all, by the end of the year the average annual total deposit cost, including demand and time deposits, decreased from 2.32% in 2016 to 1.87% in 2017.

Given this scenario, Santander Chile continued with the strategy started the previous year favoring mutual fund growth over time deposits, benefiting clients with better returns on their investments and generating a larger fee income for the Bank.

Consolidated balance sheet as of December 31, 2017 (MMMUS\$)



Structural liquidity as of December 31, 2017 (MMMUS\$)



Funding sources (MM\$, %)	2017	2016	CHANGE 17/16
Demand deposits	7,768,166	7,539,315	3.0%
Time deposits	11,913,945	13,151,709	(9.4%)
Total deposits	19,682,111	20,691,024	(4.9%)
Mutual funds ¹	5,056,892	5,026,068	0.6%
Total client funds	24,739,003	25,717,092	(3.8%)
Senior bonds	6,186,760	6,416,274	(3.6%)
Subordinated bonds	773,192	759,665	1.8%
Mortgage bonds	99,222	104,182	(4.8%)
Total bonds	7,059,174	7,280,121	(3.0%)
Credit letters	34,479	46,251	(25.5%)
Total issued debt instruments	7,093,653	7,326,372	(3.2%)
Loan to deposit adjusted²	100.7%	92.1%	+ 857 bp

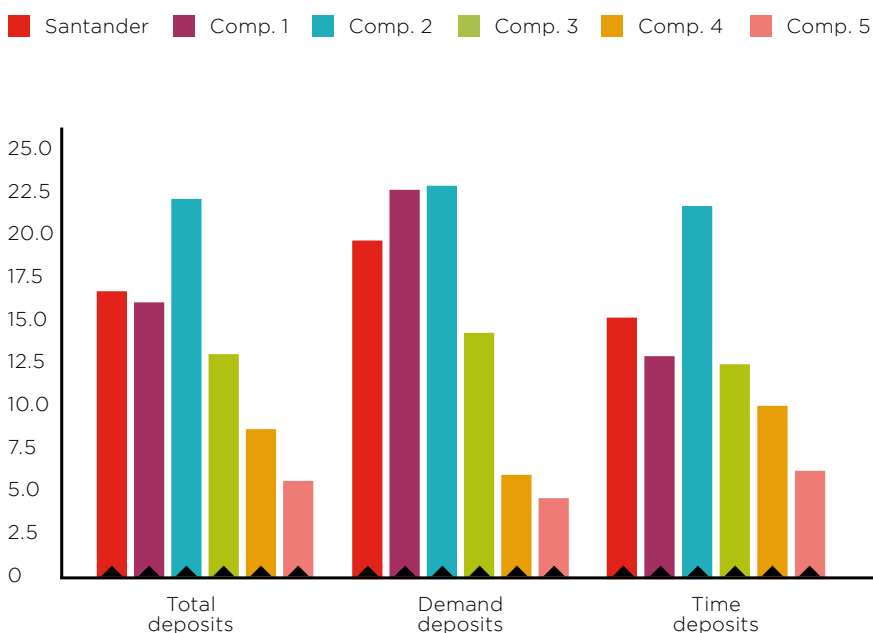
1. Santander Chile is the exclusive broker for mutual funds managed by Santander Asset Management S.A. Administradora General de Fondos, a subsidiary of SAM Investment Holdings Limited.

2. (Net loans excluding the portion of mortgages financed with bonds and credit letters) / (Demand and time deposits.) Mortgages are mostly long-term-fixed-rate loans financed mainly with long term liabilities and not short-term deposits. For this reason, for the computation mortgages are subtracted from the numerator.

Same as with loans to customers, at the end of the year the Bank has a leading position in the industry in terms of deposit market share. Adjusting by investments held abroad by some local banks to allow for an adequate comparison, total deposits market share reached 16.6%, positioning Santander as the main private bank in the country. By type, demand deposits closed the period with a 19.6% market share. Regarding time deposits, Santander Chile ended the year with a 15.1% market share.

Part of the Bank's financing strategy includes diversifying its funding sources, relying on the one side on the retail deposit base, and

Total loan market share and by products (%)



on the other, on international markets. This way the Bank seeks to increase local funding from non-institutional investors - example of the latter are Pension Fund Administrators (AFPs)- obtaining local diversification, and maintaining a percentage of the funding from other markets (geographic and currency diversification). The result is a solid balance sheet structure, with a strong position that allows the Bank to be prepared against liquidity shortage scenarios in the local market, while at the same time improve the funding mix and optimize cost of funds.

In line with the Bank's strategy of maintaining a mainly retail and more permanent funding base, and hence more competitive in terms of costs, during the period the Bank focused on increasing retail deposits which grew 5.3%, and thus moving from a 67.4% of total deposits in 2016 to 72.0% in 2017. On the other hand, structural deposits from wholesale clients decreased from 22.2% of total deposits to 18.8% over the same period, while non-structural deposits from wholesale clients dropped from 10.3% to 9.2% of

total deposits. It should also be noted that Santander Chile is one of the local banks with the lowest exposure to wholesale financing as a percentage of total funds.

Regarding financing from international markets, the Bank has pioneered the search and access to new markets and investors in Europe and Asia, as well as in the United States.

In 2016 the Bank issued close to US\$3,800 million in international markets building a comfortable liquidity position. The latter added to the moderate growth in total loans in 2017 allowed the Bank to optimize its funding base taking advantage of specific opportunities that appeared during the year. In the local market the Bank issued bonds for a total of UF 10 million (inflation linked currency) and \$160 billion in peso denominated bonds. In international markets, and relying on the Bank's international issuances program EMTN, several Private Placements in US\$ and AUD were done at interest rates below the equivalent local alternative. In addition, in December Santander took advantage of a specific opportunity in US\$ financing

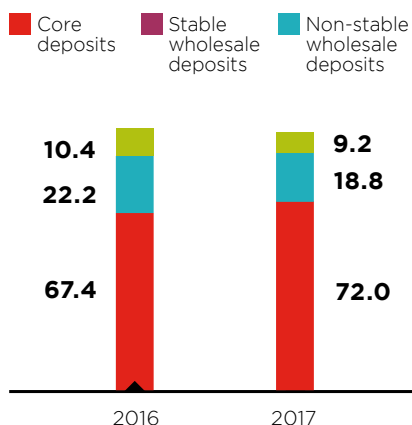
anticipating the FED's interest rate increase and securing a low financing rate. In fact, a US\$500 million three-year tenor bond was issued in the U.S. market, which reached a 2.669% IRR equivalent to a 72bp spread over Treasury, making it the lowest coupon rate ever obtained by a Chilean issuer in the American market for that tenor. Finally, throughout the year several bond repurchases were carried out over the normal course of business, given that as the maturity date approaches they lose computability for liquidity metrics. These transactions reflect the Bank's ongoing capability of accessing markets in advantageous conditions, maintaining an adequate diversification in the funding base, and a positive perception from national and international investors regarding Santander Chile.

The executed strategy again helped to partially compensate the lower spreads due to the change in the loan growth mix towards less risky segments, but also less profitable, maintaining a competitive funding cost compared to the rest of the industry.

78

Deposit Structure as of December 31, 2017

(%)



Part of the Bank's financing strategy includes diversifying its funding sources, relying on the retail deposit base and on international markets.



RESULTS BY BUSINESS SEGMENT

Operating result of the Bank's business segments increased 9.1% in 2017. Said percentage includes net interest income, net fees, financial transactions, net, and loan loss provision expenses, and excludes other corporate activities like the impact of inflation in results, exchange rate changes and the impact of regulatory changes on loan loss provisions. Including operating expenses, the business segment's net contribution increased 15.4%. The latter is a consequence of higher interest income and fees, and lower loan loss provisions, partially compensated by lower financial transactions result and contained operating expenses.

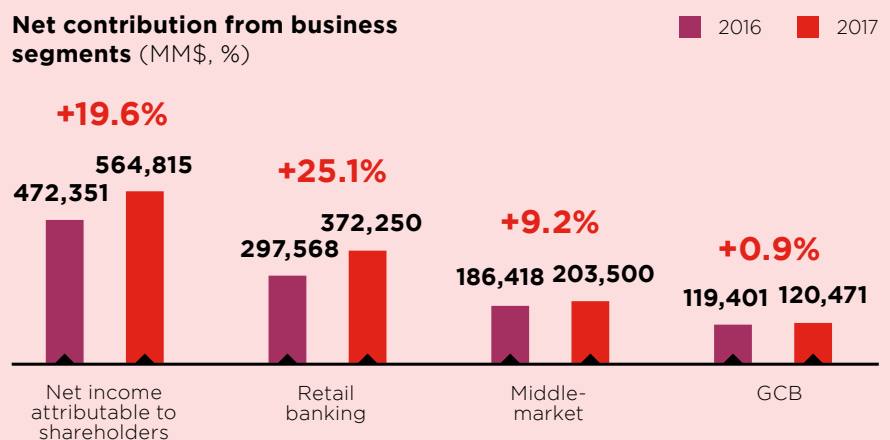
Net contribution from the retail segment (individuals and SMEs) increased 25.1%, a reflection of a larger interest income thanks to the growth of loan volumes and a better funding mix, higher fee income linked to the increase in the loyal client base, lower loan loss provisions due to the improvement in asset quality – as a result of the loan growth mix

change over the last years- and flat operating expenses, following the Bank's efforts to increase productivity and efficiency with investments in technology, rationalization of the distribution network and changes in client attention models.

Results in the middle-market segment (Banca de Empresas e Instituciones, BEI), increased 9.2% as a consequence of higher core income driven by loan growth and a better funding mix, and lower loan loss provisions. The latter was partially compensated by lower fee income and contained operating expenses despite the growth in the business.

Global Corporate Banking (GCB) posted a good increase in results despite the contraction of the loan portfolio, standing out the larger interest margin (+6%) thanks to an improved loan mix and lower funding costs, as well as larger fee income (+10.2%) and lower loan loss provisions. The latter was compensated by a lower financial transactions result and increased operating expenses in line with the segments activity growth and investments in technological developments.

Net contribution from business segments (MM\$, %)





Operating results by business segment¹ (MM\$)	Retail (Individuals and SMEs²)	Middle-market³ (BEI)	Global Corporate Banking⁴	Total business segments
Net interest income	970,332	264,663	100,808	1,335,803
Annual change (%)	4.2%	8.0%	6.0%	5.1%
Net fee income	206,449	36,280	27,626	270,355
Annual change (%)	4.9%	17.6%	10.2%	7%
Core income⁵	1,176,781	300,943	128,434	1,606,158
Annual change (%)	4.3%	9.1%	6.9%	5.4%
Financial transactions, net ⁶	20,595	13,751	50,714	85,060
Annual change (%)	(2.6%)	(29.8%)	(9.3%)	(12.0%)
Loan loss provisions	(290,156)	(19,312)	4,008	(305,460)
Annual change (%)	(9.8%)	(24.4%)	n.m.	(12.7%)
Net operating profit⁷	907,220	295,382	183,156	1,385,758
Annual change (%)	9.6%	9.5%	5.7%	9.1%
Operating expenses	(534,970)	(91,882)	(62,685)	(689,537)
Annual change (%)	1.0%	10.2%	16.24%	3.3%
Net contribution	372,250	203,500	120,471	696,221
Annual change (%)	25.1%	9.2%	0.9%	15.4%

80

1. Excludes results from Corporate Activities.

2. SMEs: companies with annual sales below \$1,200 million.

3. Middle-market: companies with annual sales between \$1,200 million and \$10,000 million, companies from the real estate sector with annual sales over \$800 million, large companies with annual sales over \$10,000 million and institutions like universities, government entities and regional local governments.

4. Global Corporate Banking: local and foreign multinational companies with annual sales in excess of \$10,000 million.

5. Core income: net interest income + net fee income from businesses.

6. Financial transactions, net: net income from financial operations + foreign exchange net gain (loss).

7. Net operating profit: net interest income + net fee income + financial transactions, net - loan loss provisions from the business segments.

NET INTEREST INCOME

Net interest income increased 3.5% as a result of loan growth and a better funding mix, although partially compensated by the lower inflation in the period, the appreciation of the Chilean peso during the second semester, and the change in the loan growth mix.

The Bank's growth focus during 2017 continued in less risky segments, and also less profitable, keeping the pressure on margins. All in all, average earning assets increased 4.2%, below the 9.9% of 2016. The latter is a result of a 4.2% growth in average loans and a 4.3% expansion in the average investment portfolio.

Even though the Bank does not run a foreign currency gap, the appreciation of the Chilean peso against the U.S. dollar generates reductions in the cost of some short-term liabilities -which are nevertheless hedged with forwards- thus reducing the pressure on margins. However, although the lower cost is recorded as interest income, the corresponding hedge is recorded in the financial transactions, net, line, without affecting net income.

On the other hand, the Bank has more inflation adjusted assets than liabilities, so net interest income was negatively affected by the lower inflation. The UF (unidad de fomento, or inflation adjusted currency), the relevant indicator for the Bank, again recorded a lower profile when compared to the previous year, especially during the third quarter with a -0.03% change. In total, the UF increased 1.7% in 2017, below the 2.8% of 2016. The latter was due to lower internal inflationary pressures given the local economic scenario and the appreciation of the peso against the U.S. dollar (7.8% during 2017 and almost entirely during the

Net interest income (MM\$, %)	2017	2016	CHANGE 17/16
Net interest income	1,326,691	1,281,366	3.5%
Client net interest income	1,335,80	1,271,170	5.1%
Non-client net interest income	(9,112)	10,196	NM
Average loans	27,446,293	26,335,424	4.2%
Average investments	2,563,271	2,458,720	4.3%
Average interest earning assets (IEA)	30,009,564	28,794,144	4.2%
Net interest margin (NIM)	4.42%	4.45%	- 3 pb
Annual inflation anual ¹	1.71%	2.80%	- 110 pb

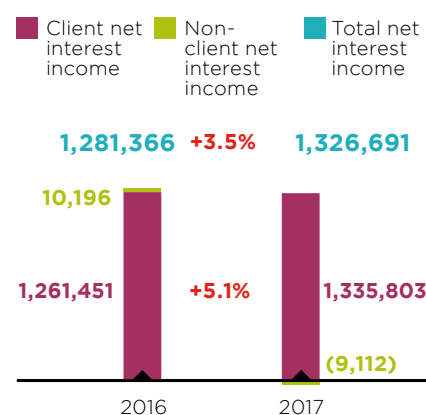
1. UF annual change

second half of the year) following the increase in copper prices. Finally, the maximum conventional interest rate (which acts as a cap on rates on the Chilean financial system) decreased during the period, which reduced the profitability of some lending products in the retail segments. All in all, net interest margin (NIM), that is, net interest income divided by average interest earning assets, remained stable moving from 4.45% in 2016 to 4.42% in 2017.

Despite the negative effect of inflation on results, Santander executed its business strategy correctly, reflected in the good results excluding the effect of inflation. To better visualize the latter we distinguish between client and non-client net interest income. The first includes all interest income generated from activities with clients, like loans and deposits, subtracting the internal transfer rate that corresponds to the theoretical marginal cost of funds. Thus, client net interest income increased 5.1% in the period, above the 3.5% of total net interest income.

Non-client interest income reflects the effect of inflation when considering the UF gap (the

Client and non-client net interest income (MM\$)



difference between inflation indexed assets and liabilities), as well as the other components of interest income as the financial cost of hedges, the financial cost of the Bank's structural liquidity, the interest income from the treasury positions and the financial cost of investments classified as trading (as the financial income of said portfolio is included in the net income from financial operations line).

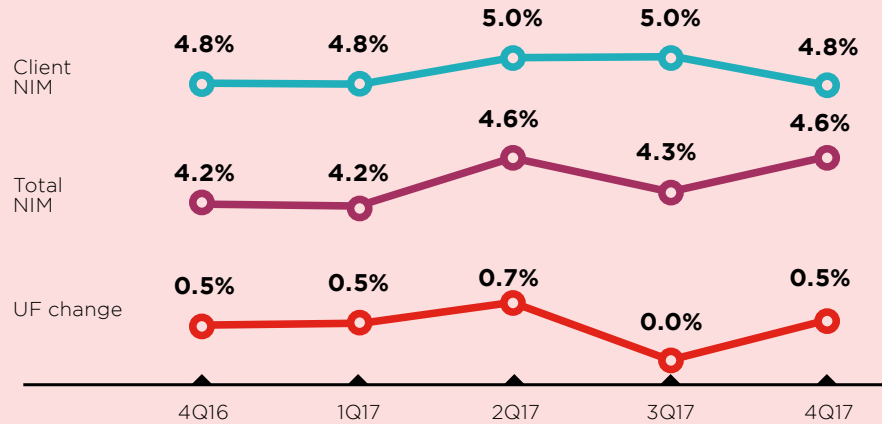
To contain the negative effect of the lower inflation the Bank reduced the UF gap from an average of \$4,527 billion in 2016

to an average of \$4,087 billion in 2017. The latter implies that for every 100 basis points that inflation increases, non-client interest income records an additional \$41 billion in annual income approximately all else equal). In addition, a strict policy on lending product's prices was maintained, as well as taking advantage of the reductions in the interest rate enacted by the Central Bank -it should be remembered that the Bank's liabilities have a shorter duration than its assets, so a decrease in the Monetary Policy Rate (MPR) affects NIM positively- and changing the deposit structure increasing the proportion of demand deposits, which are largely non-yielding, with respect to total deposits.

All of the abovementioned translated into client net interest margin -client net interest income over average loans for the period, and that excludes the effect of inflation and reflects the Bank's core commercial business- increasing from 4.83% in 2016 to 4.87% in 2017. The latter is a reflection of the change in the loan growth mix, compensated by a good management of funding costs.

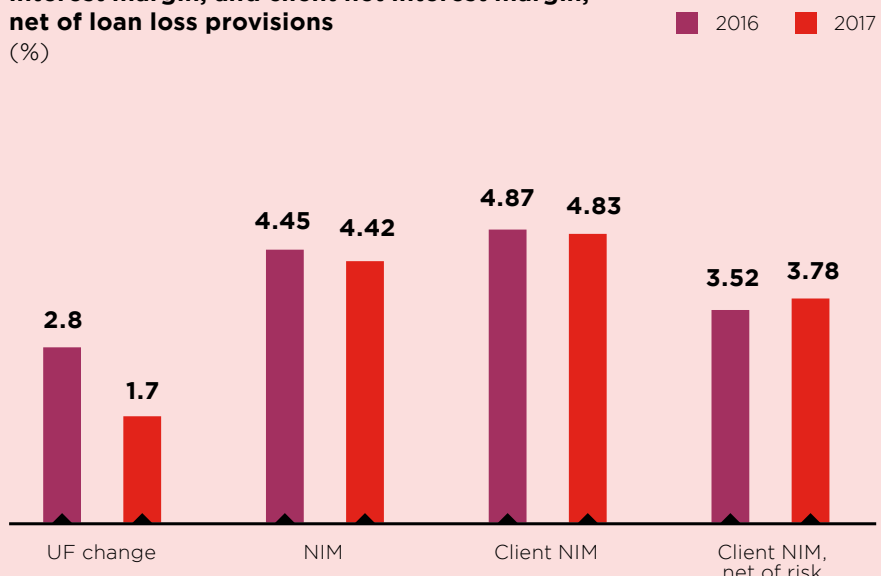
The Bank's final goal is NIM net of risk. Thus, the continuous improvement in asset quality contributed to increase net interest margin, net of loan loss provisions, from 3.26% in 2016 to 3.42% in 2017. Similarly, client NIM net of loan loss provisions, improved from 3.52% in 2016 to 3.78% in 2017.

Total and client net interest margin (%)



1 Annualized figures for client and total net interest margin. Quarterly UF change.

UF Change; total net interest margin; client net interest margin; and client net interest margin, net of loan loss provisions (%)

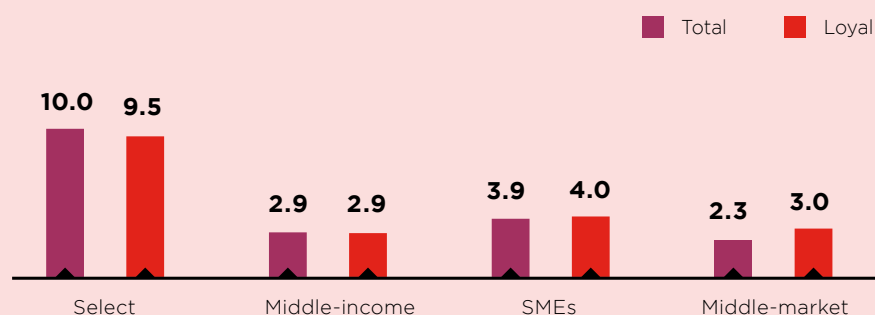


FEES

Fee income increased 9.7% during the period, above the 7.1% expansion of the previous year. GCB recorded good fee income especially during the first quarter, which contributed to a total 10.2% increase in annual net fee income in the segment. It's important to remember that revenues in this segment are dependent on businesses that given their nature are non-recurring, translating into profit volatility. All in all, the bank is strong in the provision of non-lending value-added products, such as Cash Management, financial advisory and investment banking in general, which should continue supporting fee income growth in this segment. Middle-market posted a 17.6% increase in fee income driven by the client base growth, especially loyal customers. In the retail segment (individuals and SMEs) fees increased 4.9% boosted by the growing client loyalty levels and more client transactionality, which translated into a larger usage of the Bank's products like credit and debit cards. In fact, the loyal client base continued to grow, which should translate into larger fee income as the economy resumes growth. The latter was partially compensated by lower fees associated with automatic teller machine usage in line with the optimization of the ATM network. It should be noted that although this has a negative impact in fee income, it generates cost savings and improves efficiency.

Fee income (MM\$)	2017	2016	CHANGE 17/16
Credit, debit and ATM card fees	51,982	52,057	(0.1%)
Collection fees	44,312	31,376	41.2%
Insurance brokerage	36,430	40,882	(10.9%)
International business	33,882	35,911	(5.7%)
Asset management	43,331	38,244	13.3%
Checking accounts	31,901	31,540	1.1%
Brokerage and custody of securities	9,232	8,358	10.5%
Lines of credit and overdrafts	7,413	5,754	28.8%
Other fees	20,580	10,302	99.8%
Total fees	279,063	254,424	9.7%

Clients (annual growth, %)



During 2017 the Bank continued innovating in client attention models with the consolidation of the new Work Café branch model and launching Life for middle and low-income individuals. These initiatives are backed by the increased digitalization of the

Bank's distribution channels and products, translating into loyal client growth -understood as clients with between two to four products, and minimum levels of usage and profitability for each segment. This way, the Bank has more clients and more loyal clients.

Total customers, considering individuals, SMEs, companies and institutions, add up to over 3.5 million, with growth in all segments and especially in high-income or Select (+10.0%). It's important to highlight that client base growth was accompanied by a larger loyalty level, especially in high-income individuals with a 9.5% increase.

Good commercial performance of the year is also reflected in products, according to figures published by the Superintendency

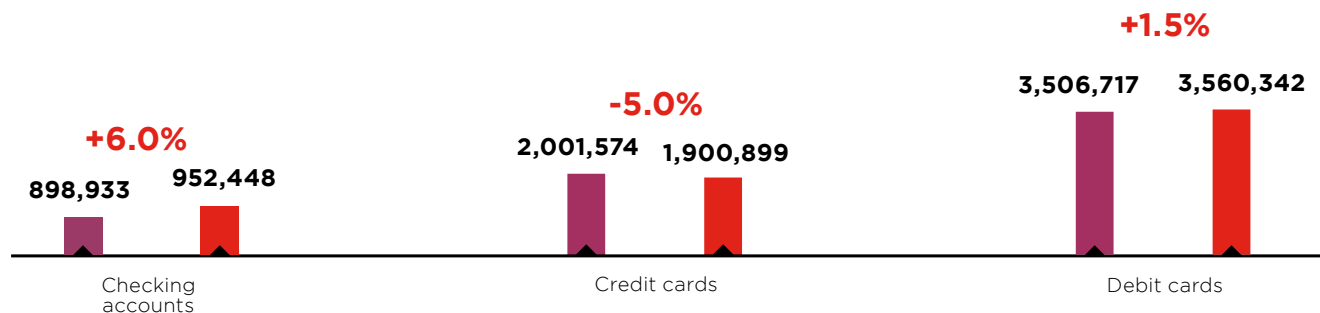
of Banks and Financial Institutions (SBIF). Total checking accounts increased 6% in the period, while debit cards expanded 1.5%. In the case of credit cards, although a 5% decrease was recorded in the number of active cards, those with operations grew 3.2% year-on-year, while the number of operations increased 6.2% and the total operated amount expanded 8.8%. The latter reflects the strong increase in product usage and hence, more transactionality.

By products, collection fees grew 41.2% mainly driven by those related to insurance premiums associated with mortgages. Lines of credit and overdraft fees increased 28.8%, while those related to securities brokerage climbed 10.5% boosted by the good performance of variable income. Asset management fees increased 13.3% in line with the Bank's efforts to offer the product to clients as well as the attractiveness of this investment alternative over time deposits, given interest rate and inflation levels during the year.

Products

(thousands; annual growth, %)

■ 2016 ■ 2017



FINANCIAL TRANSACTIONS

The result from financial transactions include the lines Net income (expense) from financial transactions and Net foreign exchange gain (loss), which together declined 3.5% compared to 2016. It's important to highlight that the Bank does not run significant gaps between assets and liabilities denominated in, or adjusted by, foreign exchange. The Bank's spot position in foreign exchange is hedged with derivatives which are considered as trading, or accounted under hedge accounting. The former are carried at fair market value (mark-to-market) and the result is recognized as Net financial transaction income (loss). The derivatives accounted under hedge accounting are carried at fair market value together with the covered element in the Net exchange rate gain (loss) line. This generates important distortions on these income lines, especially during periods of sharp appreciation or depreciation of the exchange rate. In order to better understand the Financial transactions income line, they are presented by business area as client and non-client related treasury results.

Client treasury results decreased 8.6% with respect to the previous year. These revenues had a very

good first semester driven by Debt Capital Markets deals in the GCB segment (debt structuring), which boosts cross-selling of products in the market making business, considered as income in this line. However, during the rest of the year demand for hedging products decelerated due to lower volatility, as well as the activity levels in market making.

Non-client treasury results decreased 5.7% year-on-year. The bank's fixed income portfolios used to manage liquidity are comprised mainly by Chilean government bonds or Central Bank bonds, so they carry sovereign risk for the Bank. As inflation expectations decreased throughout the year and the Central Bank reduced interest rates during the first half of the year, middle and long-term local interest rates fell, generating profits on the positions on the available for sale portfolio. The latter was partially reversed during the fourth quarter driven by increasing inflation expectations for 2018 and the consequent rise in middle and long-term interest rates.

It's important to mention that in the case of client treasury results the comparison base is abnormally high. In the first quarter of 2016 an extraordinary income of \$5,834

million was recorded as a result of the repurchase of bonds issued by the Bank in international markets. As well, in the second half of 2016 an abnormally high CVA result (Credit Value Adjustment, an estimate of the market value of counterparty risk included in the derivatives) was recorded in the derivatives portfolio after the Brexit vote.

Finally, and similarly to what happened in 2016, during the second half of the year the peso appreciation against the U.S. dollar affected non-client treasury results. It should be noted that the Bank does not carry a significant exchange rate risk, which is covered by various mechanisms. Some assets, liabilities and service contracts are denominated in, or adjusted by, foreign currency. This way, the peso appreciation positively affected loan loss provisions for loans denominated in foreign currency, as well as a portion of administrative expenses denominated in foreign currency (mainly technology related). This risk is hedged with derivatives whose result is recognized as financial transactions, while the change in the value of the covered element is recognized in other lines within the income statement. Thanks to the hedge there is no impact in the Bank's net income line.

Financial transactions (MM\$, %)

	2017	2016	CHANGE 17/16
Client treasury services	82,040	90,796	(9.6%)
Non-client treasury income	47,712	49,562	(3.7%)
Total financial transactions, net	129,752	140,358	(7.6%)

LOAN LOSS PROVISIONS

Loan loss provision expenses decreased 12.8% in the year. The decline is explained by lower established provisions and charge-offs (-9.34%), and higher recoveries (+6.4%). The latter is a consequence of the continuous growth focus in less risky segments, of the changes in admission and recovery policies implemented over the last years, and the reduction in the size of Banefe, the specialized division in low-income individuals. The lower loan loss provision expense together with the growth of the loan portfolio translated into a better cost of credit, this is, total provision expense over average loans, which decreased from 1.26% in 2016 to 1.08% in 2017.

During the year the general evolution of asset quality was positive, albeit with an increase in non-performing loans (loans with one or more installments 90 days or more overdue plus the outstanding loan balance) and impaired loans (non-performing loans plus renegotiated loans) explained by a weaker labor market especially during the first half of the year. Nevertheless, the latter should be transitory and revert as the economic recuperation seen by the end of the period continues. In addition, in September an update of the provisioning model for loans analyzed on a group basis was carried out. This process incorporated a larger historical

depth through the inclusion of a recessive period within the sample, and as a result the parameters for Probability of Default (PD) and Loss Given Default (LGD) were strengthened. This implied recognizing extraordinary provisions for commercial and mortgage loans, which was compensated by lower loan loss provisions for consumer loans, with which total loan loss provision expense was not significantly affected.

All in all, the non-performing ratio, which considers loans with one or more installments 90 days or more overdue including the outstanding balance divided by total gross loans, closed the year at 2.28%,

Loan loss provisions and portfolio quality (MM\$, %)	2017	2016	CHANGE 17/16
Net established loan loss provisions	4,408	(29,770)	n.m.
Charge-offs	(386,928)	(391,814)	(1.2%)
Loan loss provisions and charge-offs	(382,520)	(421,584)	(9.3%)
Recuperations	83,315	78,298	6.4%
Net loan loss provisions	(299,205)	(343,286)	(12.8%)
Total loans	27,725,914	27,206,431	1.9%
Total loan loss allowances (LLR)	(815,773)	(820,311)	(0.6%)
Loan loss allowances for client loans	(815,687)	(820,139)	(0.5%)
Loan loss allowances for interbank loans	(86)	(172)	(50.0%)
Past-due loans ¹ (PDL)	339,562	324,312	4.7%
Non-performing loans ² (NPL)	633,461	564,131	12.3%
Impaired loans ³ (IL)	1,803,173	1,615,441	11.6%
Loan loss provisions and charged-off loans / total loans	1.38%	1.55%	- 17 pb
Cost of credit ⁴	1.08%	1.26%	- 18 pb
PDL / Total loans	1.22%	1.19%	+ 3 pb
NPL / Total loans	2.28%	2.07%	+ 21 pb
IL / Total loans	6.50%	5.94%	+ 57 pb
Expected loss (LLR / Total loans)	2.94%	3.02%	- 7 pb
Coverage of PDLs	240.24%	252.94%	- 1,270 pb
Coverage of NPLs⁵	128.8%	145.4%	- 1,663 pb

1. Past-due loans include installments 90 or more days overdue.

2. Non-performing loans includes installments 90 or more days overdue plus the outstanding loan balance.

3. Deteriorated loans include NPLs plus renegotiated loans.

4. Cost of credit is equivalent to Net loan loss provisions over total loans.

5. Coverage of NPLs is the ratio between Loan loss allowances and Non-performing loans.

Loan loss provisions by product

(MM\$)	2017	2016	CHANGE 17/16
Consumer loans	(165,977)	(220,960)	(24.9%)
Mortgage loans	(17,220)	(19,299)	(10.8%)
Commercial loans ¹	(116,094)	(137,871)	(15.8%)
Total loan loss provisions²	(299,291)	(378,130)	(20.8%)

1. Includes provisions for contingent loans./ 2. Excludes provisions for interbank loans (constitution of \$156 million in 2016 and a release of \$86 million in 2017) and additional provisions (in December 2015 \$35.000 million were recognized as extraordinary additional loan loss provisions following a regulatory change by the SBIF, which were reclassified in January 2016 to the respective portfolios without affecting net income).

slightly above the 2.07% recorded in 2016. On the other hand, coverage, understood as loan loss allowances over non-performing loans including interbank loans, reached 128.8% as of the end of the period, below last year's 145.4%. As well, the impaired loan portfolio over total loans, which considers non-performing loans plus renegotiated loans, ended the year at 6.5%, above the 5.9% posted in December 2016. All in all, the expected loss, this is, loan loss allowances over total loans, decreased from 3.02% at the end of last year to 2.94% in December 2017.

It should be noted that by the end of the year loan loss allowances cover 2.7 times the effective loan loss, understood as charge-offs net of recoveries.

By product, in the case of consumer loans a 24.9% reduction in net loan loss provisions was recorded compared to the previous year. This is explained in part by the change in the loan growth mix towards less risky segments, as well as by the continuous efforts to improve admission and recovery processes, in addition to the effect of the update in the provisioning model mentioned before. Regarding asset quality, the local economic environment and the increase in unemployment negatively impacted delinquency levels. Thus impaired consumer loans (non-performing plus renegotiated loans) increased

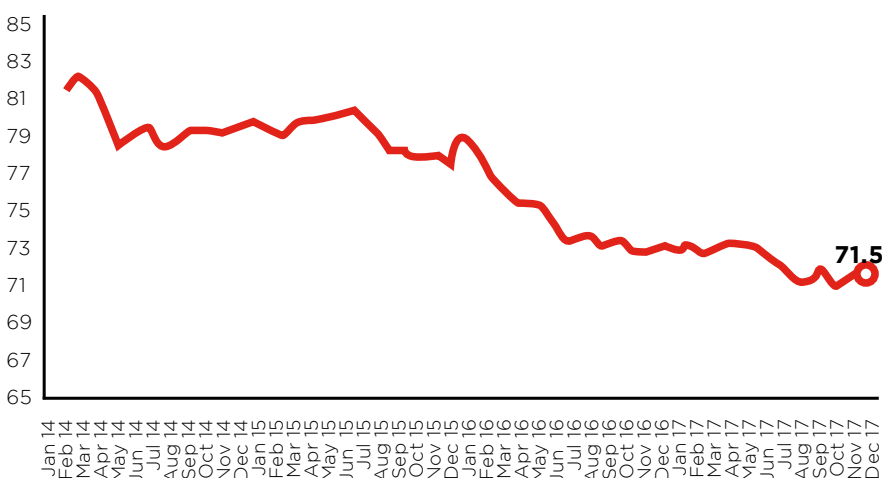
from 6.5% in 2016 to 7.2% in 2017. Non-performing loans, on the other hand, reached 2.3% by the close of the year, almost the same as the 2.2% of 2016. Coverage decreased from 300.9% in 2016 to 275.0% in 2017, reflecting the effect of the change in the provisioning model and the growth of the portfolio.

Regarding mortgage loans, loan loss provisions fell 10.8% despite the extraordinary additional provisions recorded after the update in the provisioning model in September. Asset quality remained stable, despite a slight increase in non-performing loans and impairment during the second half of the year, reflection of the higher unemployment. Non-performing loans increased from 1.7% in 2016 to 1.8% by the end of 2017. Similarly,

impaired loans reached 5.1% as of December 2017 compared to 4.6% in the same month of 2016. As well, coverage increased from 41.4% to 42.7% over the same period. It should be highlighted that the Bank has maintained strict requirements for mortgage loans with a Loan-to-value (LTV, amount of the loan over value of the property) below 80%.

The commercial portfolio evidenced a 15.8% decrease in loan loss provisions, considering the impact of the change in the provisioning model. Non-performance closed the year at 2.6% compared to 2.3% in 2016. Impairment reached 7.3% in 2017, above the 6.7% of 2016. Finally, coverage of non-performing loans went from 144.9% at the close of 2016 to 125.6% in 2017.

Loan-to-value at origination (%)



OPERATING EXPENSES

Total operating expenses, excluding other operating expenses, increased 2.6% in the period, below the 3.9% growth of the previous year. Efficiency, this is, operating expenses over total operating income, closed the year at 41.0%, which compares favorably with the 42.7% registered in 2016.

The relatively low growth in expenses -practically in line with CPI and despite the fact that a good portion of these, like personnel salaries and office leases, are indexed to inflation or the exchange rate- is a direct consequence of several initiatives implemented to increase commercial productivity and efficiency. The success of the continuous digital and distribution network transformation is driving higher labor productivity and maintaining high customer satisfaction levels.

Personnel expenses increased 0.5% with respect to 2016. This is explained by slightly higher remunerations due to inflation, as salaries are adjusted once a year, and specifically during the second quarter, in accordance to the accumulated CPI change over the previous twelve months. The latter was almost completely compensated by the reduction in the total number of employees during the period. These adjustments are part of the cost efficiency plan started in 2015.



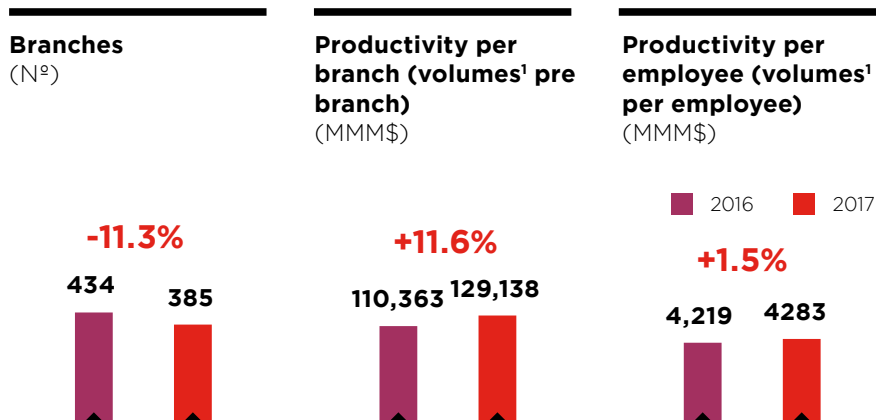
During the year the Bank continued advancing on the digital transformation plan launching digital On Boarding and Life, as well as new improvements to NEOCRM, thus boosting digitalization. In addition, 49 branches were closed as a

consequence of the acceleration of the closure of Banefe branches, completely ending this model by year-end, but compensated with the opening of new Work Café branches, which total 20 points at the close of 2017. The latter are more productive compared to traditional branches. In this line, the renovation of traditional branches towards multi-segment formats moved ahead, making them more efficient in terms of space usage and back-office, which translates into fewer branches needed and thus lower office rental expenses. As well, the number of ATMs decreased importantly, especially

those located away from branches and that were not profitable. Although this reduces income from ATM transactions, it implies lower expenses like securities and valuables transport services, which dropped 17.7% during the year. It should be noted that transactions in ATMs are being replaced by transactions in other channels like Web, Mobile and VOX. All of the abovementioned translates into that, although the number of branches decreased 11.3%, total volumes per branch (considering loans and deposits) increased 11.6%. Similarly, volumes per employee grew 1.5% with respect to the previous year.

Operating expenses (MM\$, %)	2017	2016	CHANGE 17/16
Personnel expenses	(396,967)	(395,133)	0.5%
Administrative expenses	(230,103)	(226,413)	1.6%
Depreciation and amortization	(77,823)	(65,359)	19.1%
Operating expenses	(704,893)	(686,905)	2.6%
Other operating expenses	(101,658)	(85,432)	19.0%
Impairment of property, plant and equipment	(5,644)	(234)	2,312.0%
Total other operating expenses	(96,014)	(85,198)	12.7%
Total operating expenses	(806,551)	(772,337)	4.4%
Efficiency¹	41.0%	42.7%	- 173 bp

1. Operating expenses over operating income net of total other operating expenses.



1. Volumes = loans plus deposits

The increase in administrative expenses, although contained, is partially a consequence of the sustained investments in technology to develop and strengthen digital channels (Internet, Vox and Mobile), in line with increased client transactionality, and seeking to improve efficiency of internal processes. In addition, during the period marketing expenses grew to support the launch of Life and to stimulate the business.

The larger depreciation and amortization expenses (19.1%) respond to investments in software and digital banking that the Bank is carrying out as part of the digital transformation plan to increase efficiency and productivity.

When including total other operating expenses, total expenses increased 4.4% with respect to 2016, which compares favorably with the 8.0% growth recorded the previous year. This is explained by a larger amount of charge-offs of assets received in lieu of payment. Also, during 2017 an extraordinary expense in severance payments for \$12 billion

approximately was registered, similar to the \$10,789 million of the previous year, both part of the cost efficiency plan mentioned before. As well, during the third quarter an extraordinary impairment of intangibles for \$5,290 million was recorded, mainly obsolete software and fixed assets. These expenses were partially compensated by higher recuperations in charged-off assets received in lieu of payment, together with a release of provisions for contingencies for \$29,903 million constituted in 2016, and which had a favorable result for the Bank in 2017.

Finally, during the third quarter Bansa S.A., company consolidated by the Bank due to control and not property, sold assets received in lieu of payment generating a one-time extraordinary income of \$20,663 million, which was recorded as other operating income. It should be noted that, given that the Bank has no ownership in Bansa S.A., all the income generated by the operation, net of accrued taxes, corresponds to minority interest and thus does not affect attributed net income.

TAXES

In 2017 tax expense reached MM\$137,646, 28.5% higher than the previous year and above the 23.9% increase in net income before taxes. The latter is due to the higher statutory tax rate –which increased from 24% in 2016 to 25.5% in 2017 as stated by the tax reform approved in September 2014- as well as to the lower inflation in the period, which implied a lower price level restatement charge on the Bank's capital for tax accounting purposes. It should be noted that Bansa S.A.'s extraordinary income generated a corresponding tax payment reflected in the tax expense line. As mentioned before, the profit generated by this operation, net of accrued taxes, corresponds to minority interest and thus does not affect attributed net income.

Taxes (MM\$)	2017	2016	CHANGE 17/16
Net income before tax¹	720,874	581,836	23.9%
Price level restatement of capital ²	(72,851)	(101,027)	(76.8%)
Net income before tax adjusted by price level restatement	648,023	480,809	45.1%
Statutory tax rate	25.5%	24.0%	+ 150 bp
Income tax expense at statutory tax rate	(165,246)	(115,394)	54.1%
Tax benefits ³	21,633	8,274	386.0%
Income tax	(143,613)	(107,120)	28.5%
Effective tax rate	19.9%	18.4%	+ 68 bp

1. This table is for informational purposes only. Please refer to note 12 in the consolidated financial statements for more details.

2. 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.

3. Includes mainly income tax credits from property taxes paid on leased assets as well as the impact from the fluctuation in deferred taxes and liabilities. This difference originates in the different treatment of provisions and charge-offs in the Bank's financial and tax accounting.

BALANCE SHEET STRENGTH

At the close of 2017 the capital base (core capital) of Banco Santander Chile amounts to MM\$3,066,180 (US\$4,984 million). This figure is 6.9% higher than in 2016 and translates into a core capital ratio of 11%, above the 10.5% of the previous year. It should be mentioned that dividend policy reached 70% in the period. On the other hand, the Bank's BIS ratio or Basel ratio climbed to 13.9% at December 31, 2017, 48bp above last year's figure.

This position is a reflection of the Bank's strategic focus in the efficient use of capital, allocating it to highly profitable operations relative to their capital consumption. Thus, these figures show Santander's capability to grow while at the same time keep a solid capital position. It should be highlighted that Santander Chile has not issued new shares over the last 14 years.

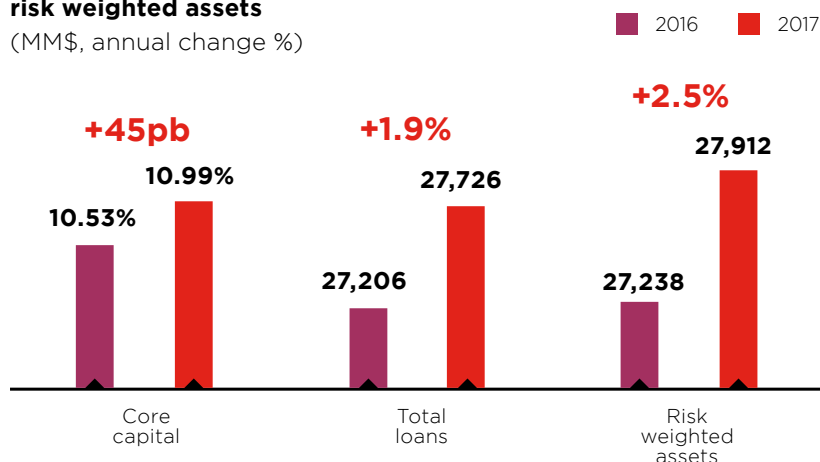
Banco Santander Chile recorded a 24.6% return over average equity before tax and 19.6% after tax in the 2017 exercise. These figures reflect the Bank's focus on profitability, the loan mix and the improvements in the funding mix, and at the same time, a prudential position with a high capital base and liquidity. This way Santander Chile achieves an adequate risk return relation.

Capital adequacy (MM\$, %)	2017	2016	CHANGE 17/16
Basic capital	3,066,180	2,868,706	6.9%
Tier II capital	815,072	789,001	3.3%
Effective equity	3,881,252	3,657,707	6.1%
Total assets ¹	38,713,600	39,713,043	(2.5%)
Consolidated risk weighted assets	27,911,834	27,237,835	2.5%
Basic capital / Total assets	7.92%	7.22%	+ 70 bp
Basic capital / Risk weighted assets (Tier I)	10.99%	10.53%	+ 45 bp
Basel ratio	13.91%	13.43%	+ 48 bp

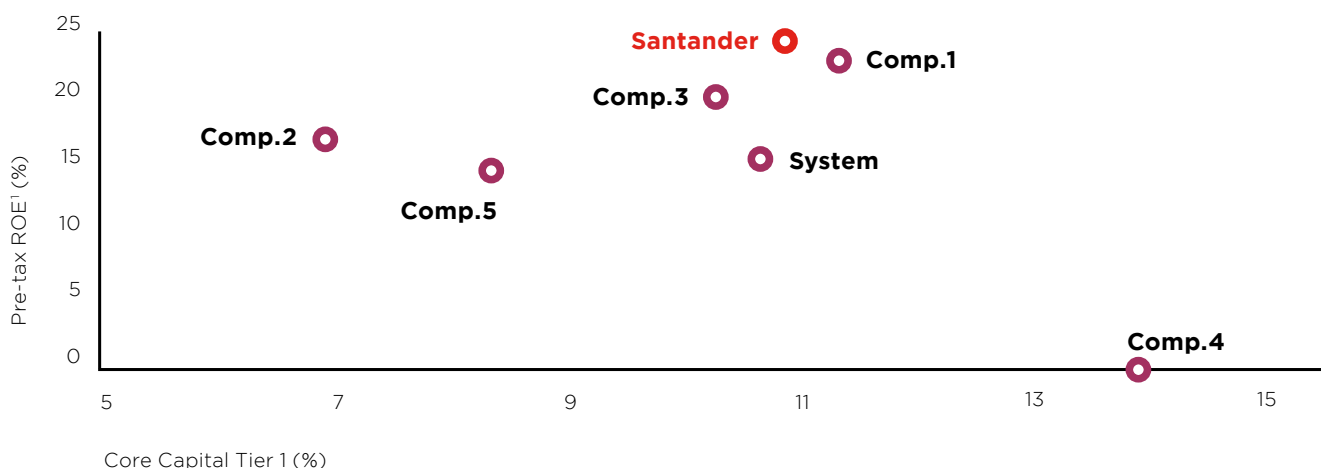
1. For the purpose of calculating the capital ratio, financial derivative contracts are presented at their Credit Risk Equivalent value.

Core capital; total loans; and risk weighted assets

(MM\$, annual change %)



ROE / Core capital relation (%)



1. Pre-tax ROE = Net income before taxes / average equity.
Source: SBIF as of December 2017.

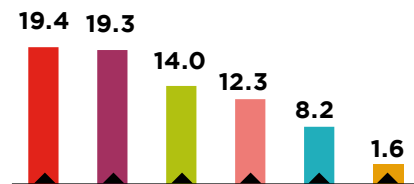


COMPARISON WITH THE COMPETITION

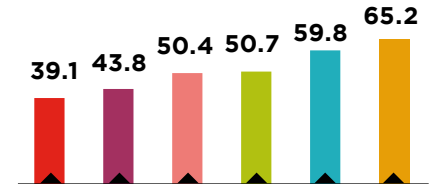
One of the fundamental pillars of Banco Santander Chile's long term Strategic Plan has been its high efficiency. The Bank seeks to allocate its resources efficiently, investing in projects that increase productivity and maintain it at the forefront of the industry. At the close of 2017, Santander Chile had a 41.0% efficiency ratio (39.1% according to the SBIF methodology), below the figures observed for the main competitors.

As well, the Bank seeks to use its resources as best as possible allocating capital to the most profitable operations. This way, at the end of the exercise, net interest margin (NIM), this is net interest income over average interest earning assets, reached 4.31% (4.4% according to the SBIF). Similarly, ROE, this is net income attributable to shareholders over average equity, climbed to 19.3% (19.4% according to the SBIF), above the main competitors.

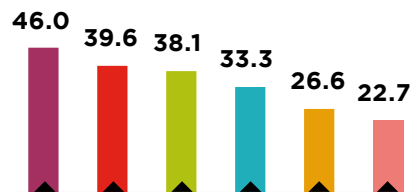
ROE¹ (%, at December 31, 2017)



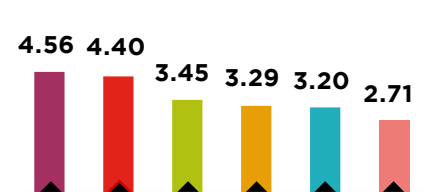
Efficiency² (%, at December 31, 2017)



Recurrence³ (%, at December 31, 2017)



Net interest margin⁴ (%, at December 31, 2017)



■ Santander ■ Comp. 1 ■ Comp. 2 ■ Comp. 3 ■ Comp. 4 ■ Comp. 5

1. ROE = Net income / Average equity
2. Efficiency = Operating expenses / Operating income
3. Recurrence = Fees / Operating expenses
4. Net interest margin = Net interest income / Average interest earning assets

Source: Superintendencia de Bancos e Instituciones Financieras

Our team

The Human Resources and Communications Division continued to execute the Cultural Change Plan as the main axis of their strategic plan, which during 2017 focused in the cultural internalization stage. Also, and to improve the achievement of strategic challenges, defined new leadership and talent management models, centered on the SPF culture.

MOVING AHEAD IN THE SPF CULTURAL CHANGE



SPF INITIATIVES

The numerous initiatives and activities developed in a planned manner at this stage of the cultural change had as a goal the achievement of visible changes in the behavior of employees, as well as in the processes, systems and symbols of the organization. This stage had the support and monitoring of the Culture Committee and a permanent communicational reinforcement. Some of the initiatives are:

1

CONECTA PROGRAM: is a pilot plan from 2016 transformed in 2017 into a continuous action so that the different areas that work at the Bank's Central Services could have contact with client's demands and needs. Includes half-day internships in 33 branches (chosen due to their high client attendance), listening of VOX phone calls and calls from managers to clients (two per month).

2

SPF CULTURE TRAINING FOR BRANCH NETWORK LEADERS:

twelve facilitators held 32 workshops throughout the country to work on the SPF behaviors. In total 360 agents participated in these training sessions, which added up to 1,080 hours. These workshops enabled the creation of conversation instances about the new way to do things and deepen the behaviors that lead Santander to be a Bank that is more Simple, Personal and Fair.

3

INCONSISTENCIES: the participation of 70% of the Bank's teams to identify that which does not allow us to be "a more SPF Bank" (3,012 inconsistencies with the SPF culture) was a relevant milestone in the advance towards the internalization of the culture.

4

SPF MOBILIZERS: in 2017 the mobilizer's group -those that play a key role and support the cultural change process in each opportunity- was increased to fifty employees. The training program considered eight workshops and case analysis and monthly coffee meetings, in which they met with the Direction Committee.

5

TOURING SANTANDER:

program that tours the country and shows through the Bank's teams and client experiences, how Santander contributes to the progress of people and businesses.

6

STARMEUP: global recognition platform that works through an App downloaded to a mobile phone and allows an employee to recognize another that stands out in one of the eight SPF behaviors. Over 46,140 acknowledgements boosted the new way of doing things.

7

SANTANDER ACKNOWLEDGES YOU, AWARDS TO EMPLOYEE'S OVERCOMING SPIRIT:

throughout 2017, Santander rewarded some of the many employees that have demonstrated outstanding commitment and human qualities.



THE BEST PLACE TO WORK

The commitment level and satisfaction of employees with Santander, as well as the advances in the SPF culture, had good results in 2017, reflecting the progress of the Cultural Change Plan.

Thus, in the Great Place to Work (GPtW) survey, the Bank jumped from fourth to second place as best company to work among those with more than five thousand employees, and advanced from 18th to 12th place in the general ranking.

Also, the good quality of the work environment was reflected in an international recognition, as Santander Chile was awarded with the Employee Engagement Award by Korn Ferry, a global North American consultant for employees and organizations, which recognized 21 organizations around the world that demonstrated high commitment levels with their employees in 2017.

As well, in the Commitment Survey, Santander Chile achieved the best results in SPF culture perception within Santander Group, with a five points increase with respect to 2016, also being the dimension that improved the most. It's important to highlight that this survey allows

monitoring employee perception regarding the installation of the SPF culture in the organization, as well as the Simple, Personal and Fair attributes facing clients.

In addition to the measurement of the SPF culture implementation advances, the Human Resources Division also periodically assesses employee performance.

NEW ORGANIZATIONAL CHART

To better respond to the transformation challenges and standardize the role structure to that of the Corporation, in the year the organizational chart was updated, implementing a new valuation and mapping methodology, simplifying names and role families. This will allow to:

1
Identify roles and their contribution to the organization more objectively.

2
Ease the analysis and market research locally and globally.

3
Count with a methodology and role structure, which are more flexible and adaptable to needs and changes.

It's important to stress out that the update did not imply changes in relation to dependencies, functions, wages or contractual conditions of employees (for more information see "The implementation in figures", pg. 95).

94

Commitment survey

	2015		2016		2017	
	Santander Chile	Santander Group	Santander Chile	Santander Group	Santander Chile	Santander Group
Commitment	86	75	87	78	86	77
Organizational support	78	66	79	70	80	71
SPF	77	72	79	74	84	79

GPtW: sustained improvement

In 2017 the largest number of employees participated:

90%

of the workforce was part of the process

9,961
employees



The satisfaction index improved four points:

83%

Satisfaction 2017

79%

Satisfaction 2016



Santander's results position it above the benchmark of the fifty best companies to work in Chile.



The implementation in figures

5
massive talks in the auditorium

4
meetings with unions

20
focused meetings

120
CAV queries

530
new roles

5,462
positions created

9,000
employees with role change



MOVEMENTS

Together with the already described restructuring of positions, in the year 124 employees were promoted to management positions, while 3,438 employees were transferred internally so as for them to face new challenges and grow professionally within the company.

TALENT DEVELOPMENT

The Training Model exists to support the Bank's strategy and secure the necessary human capital to successfully face the organization's current and future challenges. Thus, it's necessary to attract, retain and develop talent. With this goal in mind Santander has created a series of programs that take place internationally as well as locally.

- International initiatives are corporate programs that aim to promote high performance

professionals and cover succession needs, which in 2017 were complemented with Talent in Motion:

- Future Directives (FUDI)
- Santander Executive Training Program (STEP)
- Santander World
- Cross Borders
- Talent in Motion

	2015		2016		2017	
	Participants	Editions	Participants	Editions	Participants	Editions
STEP	8	5	3	5	1	5
FUDI (Chile)	28	14	30	14	30	14
FUDI (Chileans abroad)	19	14	5	14	5	14
Internships (Chileans abroad)*	73	6	82	7	143	8
Talen in Motion (Chile)					1	1
Talen in Motion (Chileans abroad)					1	1
Total	128	39	120	40	181	43

* Includes total participants in Santander World and Cross Borders.

SANTANDER ACADEMY

Santander's Training Model also includes other training initiatives, structured and formulated to adjust detected gaps, which are available to all employees in the organization, without any type of discrimination. Thus, professional development of all employees is fostered, taking one step further to build the best place to work.

To achieve an even more successful professional development of employees, work has been carried out in the Santander Corporate Academy, which will be launched during the first semester of 2018 and will be oriented towards the creation of new permanent study plans per Division. The latter will allow performance improvements in the current position, and prepare the person to assume higher positions within the organization, while collaborating on the achievement of Santander Group Chile's goals.

SPECIFIC TRAINING



- Skills
- Technical knowledge

LEADERS



- Across-the-board offer for leaders, deputy managers and managers

INTERNAL KNOWLEDGE



- Sharing internal know-how

CORPORATE PROGRAMS



- SPF systematic
- BEI style

SELFMANAGEMENT



- Open training offer
- Train yourself (Expand courses, Grow and +conecta2)
- English courses

GOOD PRACTICES

In 2017 Santander certified itself in the ISO 10,667 norm, which guarantees best practices in Human Resources as it provides a clear and concise guide for good practices in employee performance assessment in organizations. The latter through standardized processes based on evidence with objective and measurable systematics, applicable worldwide.

In addition, in the last version of the Carlos Vial Espantoso Award, Banco Santander was awarded with a special distinction for the implementation of a culture that privileges employee professional development. Workers of all business areas can opt for learning plans as a growth opportunity within the organization.

Training indicators	2015	2016	2017
Annual investment (M\$)	2,748,508	2,373,607	2,441,505
Training hours by type of employee			
Administrative	55	47	15
Professionals	39	33	18
Supervisors	32	37	19
Percentage of employees over total head count	86.6%	90.6%	91.2%
Participation by segment			
Administrative	39%	41%	36%
Professionals	44%	44%	49%
Supervisors	17%	15%	14%
Satisfaction evaluation by participants (1 to 7)	6.7	6.3	6.5
Teaching hours (total)	486,354	470,421	194,195 ¹

1. The change in relation to total teaching hours and annual training investment in 2017 with respect to previous years is mainly due to courses that started during the year but which have not been accounted for as they have not ended yet.

BOOSTING CO-WORK

The inauguration of the Work Café branch model during the second semester of 2016 consolidated in Santander Chile the co-work concept as an effective strategy for the promotion of collaborative work, as it enhances conversation and the exchange of experiences and approaches between professionals from different disciplines in order for new ideas to emerge.

To replicate this model “indoors”, in 2017 the following collaborative spaces were created in Banco Santander’s Central Services buildings:

1

Bombero Ossa 1068, 10th floor: the new offices of the Administration and Costs Division seek to be a space open to all employees, with worktables for collective work and a cafeteria.

2

Agile cells: the Technology and Operations Division has been driving since the end of 2016 the Agile methodology, conceived in the United States in 2001 as a way to develop projects incorporating variables such as

speed and flexibility, based on an essentially collaborative mode that allows for specific goals and permanent monitoring. From this approach the work system includes people from different areas that work in a flexible, efficient and non-hierarchical manner.

3

Playlab: in this Santander Training Center, training is enhanced with environments that favor conversations and encourage creativity.





REMUNERATIONS

Banco Santander's compensation policy is funded on the idea that retribution, based on the value of equity, brings together what each employee receives in relation to his contribution, performance, cooperation and talent, adding up also his development within the organization, which goes way beyond remuneration.

In the reported year, the minimum wage at Banco Santander was \$668,630, amount that exceeds by 248% the minimum wage in Chile, set in July 2017 at \$270,000 (both figures gross). For this concept, MM\$396,967 was spent.

Compensation in the Bank is calculated based on a fixed amount plus variables that depend on individual and group goals, in addition to benefits that apply to each employee and his family group.

RETRIBUTION/VARIABLES

⇒ 84% of employees earned rewards for their performance, with a total investment in excess of \$60 billion

SALARY READJUSTMENTS FOR PERFORMANCE

⇒ 73% of employees that maintained a good performance over the last three years have been benefited with salary increases that in 2017 reached an average of 10.6%

REMUNERATION (nominal increase)

⇒ Santander: 6.4% vs banking system: 3.8%

SALARY READJUSTMENTS BY GENDER (total workforce)

⇒ women: 1,671 (average increase: 18.4%)
men: 1,169 (average increase: 15.5%)

BENEFITS (allowances for bonuses, vacations, marriages, births)

⇒ 75% above the system's average

VOLUNTARY ROTATION

⇒ 3.6%, the lowest in the banking system

Source: Human Resources Division, Banco Santander Chile

INCLUSION AT SANTANDER

To give consistency to the existing Inclusion Program, in 2017 work was carried out on Banco Santander Chile's Inclusion Policy for People with Disabilities, which will be approved during the first half of 2018. The latter welcomes and takes into account the needs of people with disabilities and those of the business, thus granting a more transversal framework to the policy.

In this context, in addition to signing an agreement with Fundación Tacal, during the year several activities were done to sensitize and train employees, as well as condition the environment in order to integrate these employees in an adequate manner:

- Two events were held:
 - A breakfast with the CEO and Country Head Claudio Melandri and employees with disabilities.
 - Another acquaintance meeting between employees with visual disabilities from VOX and the Human Resources and Communications Division.
- A universal accessibility diagnostic was carried out (for more details see inset on the right).
- A sign language course was conducted in which 20 people participated, figure that is projected to increase in 2018.

- Another 45 employees were trained in sensibility, with the aim of preparing them to welcome and interact adequately with people with disabilities that currently work at the Bank, or that will work in the future.
- The Bank's selection processes are being adjusted and workstations are being adapted whenever necessary, in addition to the installation of Jaws software, especial for blind people.

MAKING AN ACCESSIBLE BANK

In accordance with a review of current regulation Santander defined that it will grant universal accessibility in all of its current branches. This, creating an accessible route that permits reaching specific agent and account executive's desks that fulfill the norm, offering:

- Tellers and attention desks that comply with accessibility.
- Exclusive parking spaces.
- At least one bathroom for the general use of persons with disabilities.
- Access ramps, elevation platforms or elevators for persons with reduced mobility at branches with two or more storeys or floor unevenness.

Remodeling work and adaptations will demand a MM\$10,000 investment, of which 10% has already been spent during the year. In addition, the diagnosis yielded that 7.2% of branches require the implementation of an elevator and 12.8% the incorporation of elevation platforms or ramps. 82.8% of branches will be intervened adjusting tellers and attention desks, and 76.1% will need the construction of bathrooms that comply with all demanded access guarantees.

	Executed by the end of 2017	Total	Advance %
Branches to be intervened	38	385	10%
Elevators	3	26	12%
Elevation platforms / ramps	4	46	9%
Teller / attention desk changes	38	298	13%
Bathroom changes	38	274	14%

* This table shows current figures, but might change as the project has been modified since the beginning.



BEST COMPANY FOR EMPLOYEE FINANCIAL FUTURE

Santander was recognized as "Best of the Best" in this award, an initiative developed by Principal in collaboration with People First and La

Tercera newspaper, distinguishing companies that have a greater commitment to contribute in the wellbeing and financial future of their employees.



BENEFITS AND INCENTIVES

Santander Chile's value offer includes reconciliation and flexibility measures, training of competences and languages, grants and boost to excellence, and health and sports initiatives, among others. Above all, those related to the wellbeing and financial future of employees, allowed the Bank to be recognized in 2017 in the Best Company for Employee Financial Future award as "Best of the Best".

CORPORATE VOLUNTEERING

Volunteering initiatives are an important element to channel the social concerns of Banco Santander's employees and develop capabilities and skills such as collaboration, team work, leadership and creativity. On the other hand, they strengthen the Bank's commitment with the society through the direct action of its employees within its sustainability strategy framework (for more information see pg. 129).

Leaves / Permits

199

for marriage or civil union agreement

229

for birth (parents)

8,938

family special

305

final degree examinations

4,716

plus permits

5,748

free evenings

Benefits for parents

620

birth bonus and presents

602

employees benefited with day-care

1,219

employees benefited with kinder garden

Be-healthy program

12,000

ecological backpacks delivered

234

people participated in talks

528

people attended healthy nutrition workshops

UNIONS

Labor relations at the Bank have always been open to all organizations, making efforts to build solid bases and integrate long-term approaches. Thus, a relevant relationship axis has been structured, which is part of Santander Group's corporate strategy. In addition, Santander Chile has characterized for having a high union membership rate through the years, not having labor conflicts and making efforts to be in permanent contact with them (open doors policy and regular meetings every month).

Thanks to the latter, between the end of 2017 and February 2018 an anticipated collective bargaining process took place, which covered 10,300 employees across the country ending successfully.

Union membership indicators	2015	2016	2017
N° of employees in unions	8,363	8,208	8,351
Percentage of union membership	71.3%	71.6%	75.5%
N° of unions	24	24	22
Jobs covered by collective agreement ¹	100%	100%	100%
Union membership rate in Chile ²	15.5%	16.6%	17.0%

1. Collective bargaining agreement terms are applied to all non-unionized employees that cannot be part of a collective bargaining (contributors, adherents and senior management), by virtue of the union's approval for this effect. / 2. Source: Dirección del Trabajo.

Total head count	2015	2016	2017
Total	11,723	11,354	11,068
Total men	5,225	5,120	4,996
Total women	6,498	6,234	6,072
Total indefinite contract	11,525	11,175	10,986
Indefinite contract men	5,147	5,048	4,967
Indefinite contract women	6,378	6,127	6,019
Total fixed-term contract	198	179	82
Fixed-term contract men	78	72	29
Fixed-term contract women	120	107	53
Total full-time	11,235	10,748	10,535
Full-time men	5,109	4,959	4,856
Full-time women	6,126	5,789	5,679
Total new hires	1,833	1,528	1,222
Total new hires men	821	691	596
Total new hires women	1,012	837	626
Average years	9.4	9.6	10.0
Average years men	10.6	10.8	11.1
Average years women	8.5	8.7	9.1

Gender and number	2015		2016		2017	
	Number	%	Number	%	Number	%
Total directives	375	3.20	336	3.0	305	2.8
Men	265	70.67	248	73.8	218	71.5
Women	110	29.33	88	26.2	87	28.5
Total supervisors	1,318	11.24	1,322	11.6	1,260	11.4
Men	669	50.76	675	51.1	654	51.9
Women	649	49.24	647	48.9	606	48.1
Total professionals	4,862	41.47	4,990	43.9	5,442	49.2
Men	1,998	41.09	2,081	41.7	2,189	40.2
Women	2,864	58.91	2,909	58.3	3,253	59.8
Total administrative	5,168	44.08	4,706	41.4	4,061	36.7
Men	2,293	44.37	2,116	45.0	1,935	47.6
Women	2,875	55.63	2,590	55.0	2,126	52.4

Health and security indicators	2015	2016	2017
% of total employees represented in parity committees	100%	100%	100%
Non-worked hours due to common illness or non-working accident	980,702	920,661	963,560
Absenteeism rate	3.5%	4.0%	4.4%
Severity of work accidents (days not worked)	2,141	4,206	3,182
Mortal accidents	0	0	0

Average rotation	2015	2016	2017
Total	11.7%	14.5%	11.9%
Average rotation men	12.5%	13.7%	12.9%
Average rotation women	11.0%	15.1%	11.1%

The client at the center



In order to contribute to the progress of people and businesses, as established in its Mission, Banco Santander has worked tirelessly in its commercial transformation. Thus, seeks to consolidate as the most recommended bank and as a referent in terms of customer satisfaction.

102

The Bank has adjusted its strategy and has undertaken a series of initiatives that contribute to the continuous improvement of the commercial attention model, the growing channel digitalization to increase its availability and the offer of an innovative generation of products and services. All of this leveraged in a corporate culture based on the Simple, Personal and Fair concepts.

Through its diverse business areas provides a value offer to different client segments, individuals, SMEs, companies and corporations, with products and services especially designed for each of them. During 2017, the coordinated work of the diverse areas and teams marked this period with milestones of great relevance to face the challenging scenario in which the financial industry is currently moving and continue advancing to have clients that are more loyal, active and digital.

620,386

Loyal clients

3.0%

Loyal client growth

8.9%

Consumer loan growth (installment loans)

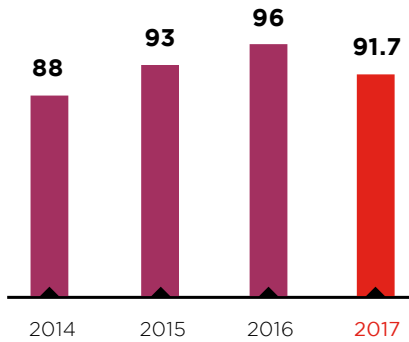


QUALITY PLAN

Improve customer experience and establish long-term relationships with them are fundamental strategic focuses for Banco Santander. The work carried out to achieve these goals has been constant and within the implemented initiatives in the year stand out: the consolidation of the Work Café branch model; the launch of emblematic products for the different client segments, like Life and Limited Santander LATAM Pass Plan; expansion of the 24/7 VOX attention model to all of the Bank's clients, and innovations in digital and virtual channels.

It should be noted that the Bank constantly surveys clients through studies oriented to know their voice and detect opportunities to improve customer experience. Under a collaborative work scheme, business areas receive the necessary input to implement plans and actions that increase quality of service.

Customer satisfaction evolution (%) / Considers grades 5, 6 and 7

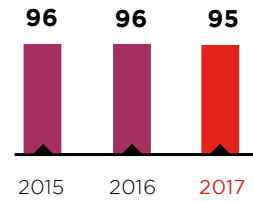


Source: Customer satisfaction external research - May to October 2017, GfK Adimark

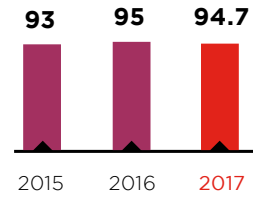
In terms of customer satisfaction a generalized reduction can be observed at an industry level -after successive years of important improvements-, of which Santander was not exempt. Despite this, the Bank maintained its relative position against the relevant competition with a high customer satisfaction level.

Satisfaction by channel (%) / Considers grades 5, 6 and 7

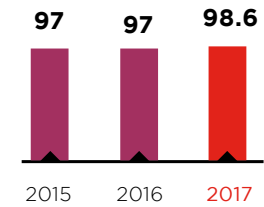
Branches



VOX



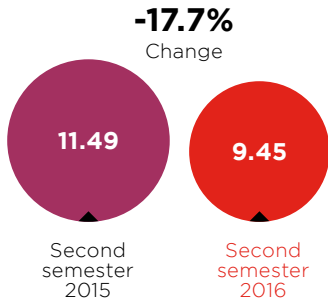
Web



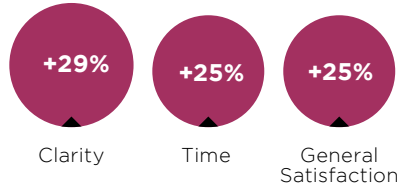
Source: Internal research GfK Adimark (VOX and Web). Eol Research (branches)



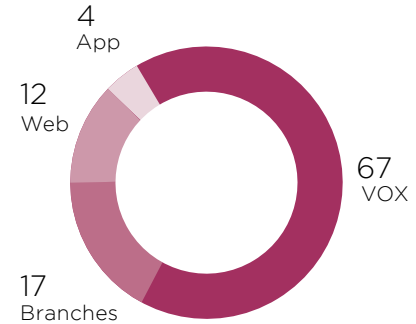
Sernac Financiero ranking
(Complaints per 10,000 debtors)



Net satisfaction per attribute
(Claims and complaints / Change %, January to November 2017)



Complaints per attention channel
(%)



Source chart 1: Servicio Nacional del Consumidor (SERNAC, Consumer Protection Agency), latest available information. / Charts 2 and 3: Clients and Service Quality Division.

REDUCTION OF COMPLAINTS

Customer's net satisfaction in relation to claims and complains, showed a considerable increase in 2017, mainly on the following attributes: clarity, which climbed 29%; time, which grew 25%, and general satisfaction that also increased 25%. This was achieved thanks to process automatization initiatives and measurements for daily management control.

On the other hand, the Financial SERNAC ranking as of the second semester of 2016 (latest available information), which considers complaints per 10 thousand debtors, showed a 17.7% reduction for Banco Santander.

These results were influenced by the collaborative work between the internal areas to reduce the complaints and the numerous measures implemented for this goal. Example of the latter was the improvement in webpay which allowed clients with a debt to pay with another bank's financial product.

Banco Santander counts with various channels to receive complaints. 67% of them are received through the Contact Center or VOX, 17% through branches, and the web site receives 12% while the App covers the remaining 4%.

ADVANCES IN THE COMMERCIAL ATTENTION MODEL

Banco Santander has been a pioneer in modernizing its commercial network introducing models which have transformed customer habits, making available to them all the advantages offered by technology and digital development. During 2017, the Bank continued to move from a carterized model -in which the account executive is responsible for a portfolio of clients- to a non-caracterized or integrated model, in which the client has the Bank at his disposal.

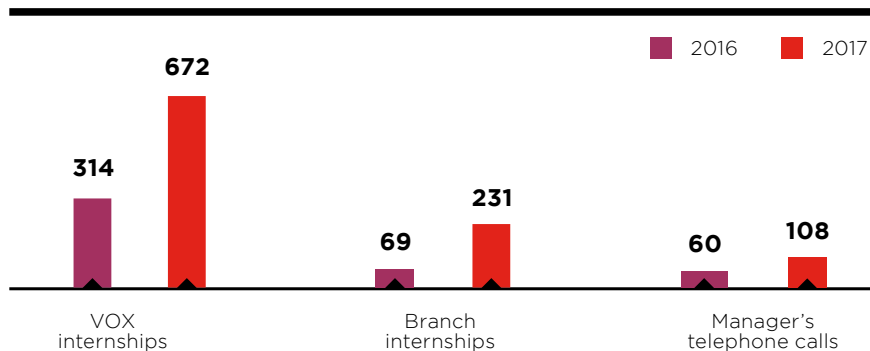
CONECTA PROGRAM

Started as a pilot plan which put in contact Central Service's areas with client's requirements and

expectations, the Conecta program was transformed into a permanent action that was expanded to a larger number of employees and extended to the 33 branches with the highest client influx.

It should be noted that the program consists of three initiatives: managers calling clients; internship in a branch; and call listening at VOX. During 2017 most of senior management at Central Services made telephone contacts with a select base of customers to learn about their opinion regarding the services offered by the Bank. This experience was incorporated as part of their routine tasks, defining for this effect two phone calls per month.

Figures 2017/2016 (Nº)



WORK CAFÉ

One of the most remarkable developments is the new Work Café branch model, redesign that aims at offering a better customer experience, increase efficiency and generate more income. At the end of the period, Santander had 20 branches under this format which became an icon for the Bank and a renowned competitive advantage facing clients.

They are multi-segment business centers, with 100% digital self-service processes and paperless, which allow completing regular financial transactions in an autonomous manner, although the help from specialized executives is also available.

In addition, through the Work Café Banco Santander made available to customers and non-customers a co-work space that fosters entrepreneurship, collaborative

work and the exchange of experiences between professionals of different disciplines.

It's a design that has no physical tellers and operates on an extended schedule from 9:00 to 18:00 hours. This experience has been so highly valued by clients that in 2017 the Bank took the decision to extend attention hours in all the Bank's traditional branches. Thus, tellers maintain their regular schedule until 14:00 hours, while commercial and post sales executives attend Monday to Thursday from 9:00 to 14:00 hours and from 15:30 to 18:00 hours, and Fridays from 9:00 to 14:00 hours as is common (for more information about the Work Café see pgs. 51 and 128).

In addition, the integrated model for middle-income individuals was launched, which has various advantages: first, the client does not depend on its account executive

as it is served by a group of trained executives for these effects; second, there's always someone available to serve the customer; and finally, can be attended at any branch or through VOX. This model was launched in mid-2017 in two zones and is being expanded towards the rest of the country.

For high-income individuals the specialized attention model Select continued to be strengthened with new products and services offered. SMEs have Santander Advance which makes available to clients a financial and non-financial offer, as well as the support of specialized account executives. For mid-sized and large companies the Business Centers were created, which total 16 points by the end of the year.



WORK
CAFÉ



— SANTANDER —



NEW INCENTIVES MODEL

Another relevant focus was the change applied to the incentives model for account executives, following international standards. The latter aims for a better alignment with the income statement and expand it to a larger number of executives throughout the distribution network.

The new scheme includes productivity as well as compliance with certain standards in terms of audit and quality of service, and integrates the risk variable.

It should be noted that with this change all products generate points or benefits, without having to sell one in particular. Neither does it set specific goals, but rather the achievement of a minimum from which all additional points generate rewards, which is very stimulating for executives.

NEO EVOLUTION

In this commercial transformation context an update was needed for NEOCRM, a tool that since 2012 has played a key role to deepen client knowledge, improve commercial effectiveness and increase satisfaction levels.

The new version is NEO Evolution, an intelligence tool that enables a client to interact with the Bank through any account executive at any branch, without the need of updating his historical records on each interaction.

Launched in December 2017, NEO Evolution not only makes a customer's historical records available to account executives, it also incorporates the Bank's new incentives model and all the Big Data development, which has allowed to reformulate predictive models through the integration of neural network systems that learn from the interaction between clients and each of the Bank's points of contact.

Implemented on a first stage in the Work Café branches, NEO Evolution will not only impact favorably in face-to-face customer service, it will also contribute to optimize account executive's time and provide greater client coverage rates, maintaining the Simple, Personal and Fair style.

DIGITAL BANKING

The Bank's business areas have managed to combine the best of the face-to-face world with the digital world. The irruption of technology has modified the relationship habits between customers and the Bank, and digital channels have enabled to simplify processes and achieve higher efficiency, productivity and profitability.

The drive on digital banking has been supported in four basic conditions:

1

Mobile first: the Bank's developments and innovations are oriented towards mobility, in such a way that all designs are thought primarily for the mobile platform.

2

Omnichannel: completely integrated channels that allow clients to operate indistinctively through a digital channel, a branch or VOX.

3

Contextual, personalized and relevant: offer in the customer's context, wherever and whenever he requires.

4

Full transactional and 100% digital: carry out all types of transactions and operations, not only financial, without human intervention halfway through the process.

In 2017 focus was set on three fundamental aspects:

Put the customer at the center of the experience.



The developments and innovations driven by Digital Banking in 2017 have aimed to put the customer at the center of the experience, which has translated into process simplification and efficiency. From the development of tools for the new commercial systematic -NEO Evolution- to the creation of a library that keeps all graphical elements for the interaction between clients and the Bank in its digital version, including all products and services which have been offered this year, they have all been thought from the perspective of putting the client at the center. As well, Digital Banking has directed its work to achieve a goal which is a complement of the latter: one experience, one Bank, one customer. Under this maxim, the client can interact with the Bank's different digital platforms in the same way.

Do things efficiently from a profit and loss standpoint.



All these developments also have as an important component the increase of the Bank's revenue and the reduction of costs. This is, make the offer more efficient in accordance with results. Improvements in relation to connectivity, advances in the notifications system, and the new tools for mobile devices as the blocking and unblocking of credit and debit cards, are efficient to the extent that they meet this double goal: ease the interaction between customer and Bank, and translate into a benefit for the institution either by increasing revenues or reducing costs.

Demand generation.



One of the milestones in the year was the creation of an area that determined a major change in the Digital Banking strategy in relation to the offering of products and services. If until last year potential customer universe was delimited by the condition of being a client of the Bank, during 2017 the action radius expanded to non-clients.

The implementation of enough infrastructure and cutting edge technology, together with improvements in the most demanded processes and service flows, allowed to increase the number of transactions through digital channels from 100 million monthly operations in December 2016, to 210 million in December 2017.



MAIN INITIATIVES

These figures were accompanied by great innovations that impacted the market, tearing down certain paradigms of the banking industry in Chile and the world: services offered without the need of physical documentation from clients, with absence of papers and contracts, with digital signatures and immediate delivery of checkbooks and credit and debit cards, all of them printed at Banco Santander's branches.

On this stage the collaborative work between the business areas and the Technology and Operations Division has been key. The latter has driven these innovations through the Agile methodology, DevOps and the use of new development technologies. This is the base for the success of programs like digital On Boarding, Life, Insurance App, and Investment App, among others.

On Boarding

In October 2017 was launched this tool, the first 100% digital On Boarding for non-customers to become clients of Banco Santander online, from a computer or mobile device. Through simple steps the client can validate his personal and work information, compare the products he needs and formalize the purchase at the branch he prefers.

It can also be done face-to-face approaching any branch, apply and in simple steps validate his information and get his products activated immediately.

Future customers will be able to choose between plans or single products, for example purchasing only a credit card.

The latter not only simplifies the lives of clients and employees, it's also an important tool for the distribution channels.

The new platform has enabled the purchasing of products by an average of 140 new clients per month.

Home Banking

During 2017, together with the strengthening of digital banking, a series of improvements were implemented on Home Banking, the www.santander.cl web portal for individual clients. The most significant achievement was passing the one million client mark anticipating to the projected deadlines.

Launched in the beginning of 2016, Home Banking allows clients to easily and intuitively find all the benefits offered by Santander. To date, the web portal registers over 240,000 visits per month,

supporting the project's success.

In 2017 was launched Card Blocking in the Bank's web portal. This unique service in the industry allows the temporary or definitive blocking of credit and debit cards, as well as the subsequent activation in the case of a temporary block. This function was used over 30,000 times per month.

Another progress during the period was the integration of WebPay into the Home Banking portal. The system allows clients to choose how to pay for their products (consumer or mortgage loans, or credit cards), either with their own personal checking account or using cards from other banks. On average, over 12,500 monthly users were registered.

In addition Multipago (multi-payment) was launched. The initiative enables clients to pay all their bills registered within the web portal in a single transaction, improving over the previous experience in which each bill had to be paid individually. To date an average of 700 multi-payments are done every month.

Another innovation was Multiferta (multi-offer), which allows clients to distribute their global credit amount (how much debt can be taken on a consolidated basis) among different credit products

NUMBER ONE IN DIGITAL BANKING

An important recognition for Banco Santander was being chosen as the number 1 digital bank in Chile. The distinction was based on the Customer Satisfaction Study 2017 prepared by GfK Adimark. Clients valued that the Bank is permanently adapting to their demands, offering

products and services that simplify their experience with the Bank's different platforms.

This award ratifies the work done over the last years at the Bank based on the drive from the business area's on strengthening digital banking.



such as an overdraft line, credit card line or a consumer loan, according to their needs. The risk assessment is done online and upfront. At the close of the year this tool was used by 100 clients a month, either to contract consumer loans or increase credit limits.

Improvements to 123 Click were also incorporated, which aim at perfecting customer experience delivering a clearer process from the insurance perspective and also improving the Bank's backing documentation. This tool totals an average of 2,800 operations a month.

98.9%, respectively.

The desk version of the platform was renovated, offering a friendlier experience for clients, and already has over 50% of the functionalities of the original version.

Santander App

The Bank's App was once more chosen -as in 2016- as the best evaluated App in the local market in accordance to the Client Satisfaction Study 2017 prepared by GfK Adimark. The latter based on a friendly and close format with a multiplicity of operations that have improved client experience.

The amount of digital transactions registered by the App supports the distinction, as in 2017 they quadruplicated in relation to the previous year reaching 80 million monthly transactions.

Availability and performance indicators were also significant, reaching 99.3% and 97.9%, respectively, in December 2017.

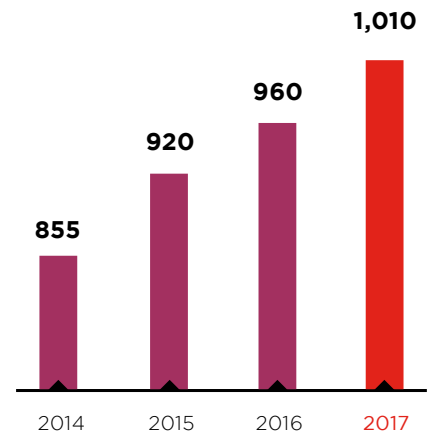
Adding up to the latter is the already mentioned blocking and unblocking of credit and debit cards, functionality available 24

hours a day.

DIGITAL CLIENTS

One of the most important highlights of digitalization relates to the number of digital clients reached by the Bank. Although it was projected that by the end of 2018 the Bank could surpass the one million frequent users of digital platforms, the goal was reached much sooner as by the end of December 2017 the records showed one million 10 thousand users.

Evolution of digital clients (thousands)



Source: Technology and Operations Division

Office Banking

The substantial increase in 2017 in the Bank's amount of digital transactions had an important incidence factor in Office Banking. The total volume of transactions duplicated, reaching 30 million per month. Also, increasing client availability and performance indicators were registered (availability refers to the capability of opening the application in less than five seconds; performance relates to the capability of operating in the application within the same time). In December 2017 these indicators reached 99.8% and



MERITOLIFE

1
Digital program from Santander Life which allows the accumulation of merits and access to exclusive recognitions.

2
Each time a customer pays his Santander Life products on time adds merits. The more merits accumulated, the more he progresses and goes up to another level, which allows accessing better recognitions.

Merits are not spent when using recognitions. They are only lost when Santander Life products are not paid on time:

PAYMENT	MERIT
Payment on time of an installment of your Personal Life loan.	500
Payment on time (total monthly amount) of your Life credit card.	500
Payment on time of your Life credit card (less than the total amount).	300
Reaching 30 days overdue on your Personal Life loan.	-500
Reaching 60 days overdue on your Personal Life loan.	-1,500
Reaching 60 days overdue on your Life credit card.	-1,500
Reaching 90 days overdue on your Personal Life loan.	Lose all
Reaching 90 days overdue on your Life credit card.	Lose all

LIFE, A REWARD FOR CLIENTS

The transformation plan executed by Banco Santander included a new approach on the commercial model for low-income individuals, with the goal of adapting it to the new needs and expectations of this client group. Thus, by the end of 2017 - and aligned with the final milestone in the integration of the Banefe network with Banco Santander- Life was launched, an unprecedented value proposition for the middle and low-income segments which are now welcome in Santander's broad branch network.

At December 31, 2017, after a few days of being launched, the model counted with 482 new Life Plan customers and 300 clients with a Life credit card.

Life innovates radically regarding the traditional propositions for this segment and Banco Santander is the first to take this step taking charge of client's fundamental motivations: to progress, the need to be recognized and that their efforts are worth it, time saving, and the availability of products and services that work well.

Based on this, a new relationship and accompaniment paradigm is proposed, where the efforts to comply on time with financial obligations is transformed into merits and acknowledgements.

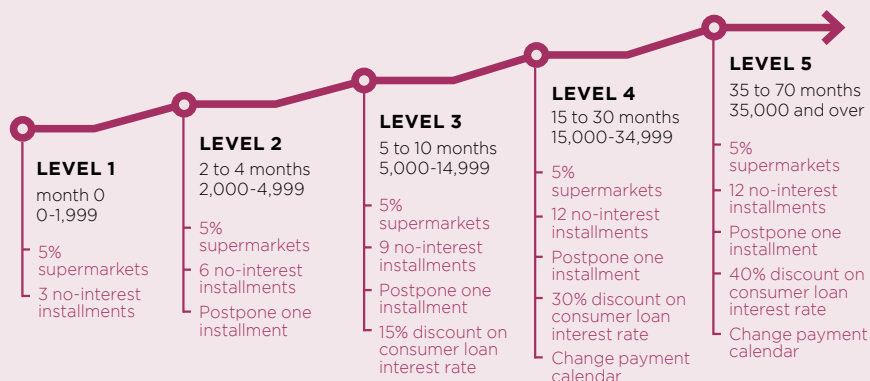
Life offers modern and technological products and services solutions, where their design includes three fundamental concepts:

1
New generation products, simpler and more flexible, that can be purchased digitally (credit and debit card, consumer loan and checking account).

2
A financial merit program called MERITOLIFE, which registers the timely payment of obligations transforming them to "merits", which are accumulated in a client's personal account. Customers add up merits when they pay on time, and subtract when they pay late. The level of accumulated merits allow to access different recognitions.

3
A digital application accessible from within the Santander App for individuals makes the content of this new proposal tangible: review accumulated merits, learn how they were obtained and request acknowledgements.

Among available acknowledgements are: discount on the first purchase; recurring discounts on supermarkets; no-interest installments; flexibility for the payment of one installment or access to rebates on the amount of an installment. All these rewards are accessible as clients comply with their financial commitments and accumulate increasing amounts of merits.



ACKNOWLEDGMENT LEVELS

Each level offers different recognitions. Merits and acknowledgments are the axis of the relation with clients and a positive reinforcement on good payment behavior.



SANTANDER LIFE CREDIT CARD

Is the key to enter Life and has the following characteristics:

- Purchased digitally through On Boarding (also face-to-face).
- Ready to use, activate and use on the same day.
- Returns up to \$10 thousand on the first purchase.
- Returns 5% on supermarket purchases (up to \$5 thousand per month).
- Returns are immediate and notified online.
- Offers up to 12 no-interest installments (depending on merit level).

SANTANDER LIFE APP

Another characteristic of this value proposition is that it stimulates client's behavior as a digital user. Through the Santander App clients can review accumulated merits and access available recognitions.

MEANS OF PAYMENT

The 2017 period was also marked by the strategy used in means of payment with renewed launches for individuals and SMEs. This way, Santander seeks to consolidate its leadership with the best value offers in the credit card market.

The latter had positive repercussions: revenues from the sale of plans for the entire credit card pool increased 49% in 2017 when compared to the previous year, while the number of plans sold grew 58%, in relation to the same period.

One of the most emblematic was Limited Santander LATAM Pass Plan, oriented to the high-income or Select segment, in which the plan's principal credit card is WorldMember Limited. Among other benefits, the plan enables the accumulation of 33% more LATAM Pass kilometers in the tranche between \$1.5 and \$4 million, over the total amount purchased during the month with all Santander LATAM Pass credit cards.

For the SME segment four new plans were launched seeking to strengthen the role of the Bank as their strategic partner:

- **Plan Atrévete:** oriented towards entrepreneurs and business men that are starting their own business and require a transactional platform which includes a checking account, debit card, Office Banking or Home Banking.

- **Plan Pyme:** designed for legal or natural persons with business quality, includes a checking account, line of credit, debit and credit card, plus Office Banking. Includes the VISA Empresarial credit card, which allows purchases in up to six no-interest installments.
- **Plan Empresario LATAM Pass:** oriented towards natural persons with business quality, from the SME 1 and SME 2 segments, offering the four basic products plus Home Banking. Includes a WorldMember Business credit card with the same benefits that natural persons currently have with the same card.
- **Plan Empresa Black:** includes access to the WorldMember Business credit card and Home or Office Banking, depending if it's a natural or legal person.

All of the abovementioned plans have a flat rate. Current customers can also access these new alternatives through a personalized and pre-approved offer.

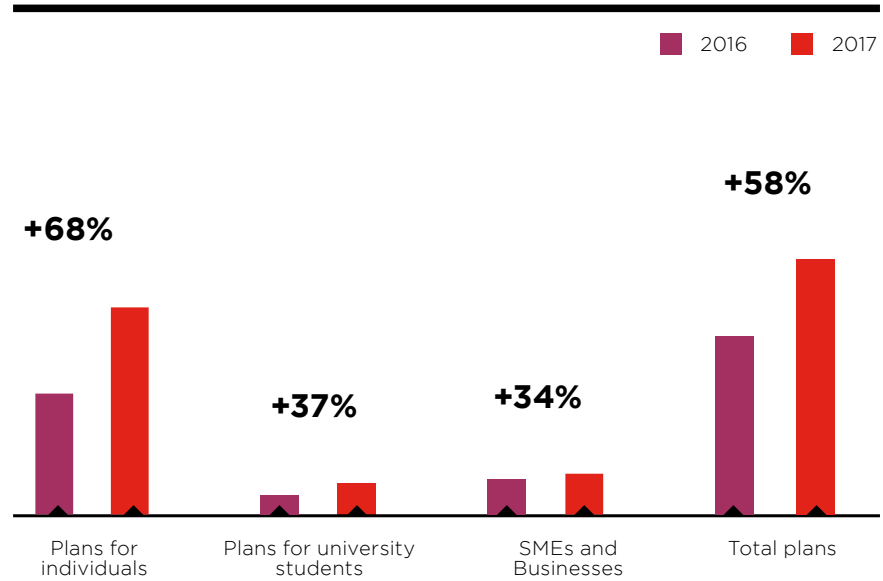
In addition, the value offer for the university segment was updated with new products, which implied a 37% increase in the sale of new plans for this client group.

CARD IN 10 MINUTES

Adding to the abovementioned is the reissue of cards at branches. Changes introduced in this process allow clients to obtain a new card in 10 minutes, at any of the 230 branches available across the country, and activate it immediately. This considerably shortens waiting times between the application and final delivery in order to be able to use the product.

The same applies to checkbooks, as since 2017 it's possible to print a 12-page document upon client demand, at any of the branches across the country.

Increase in sales of plans (%)



112

AGREEMENT FOR SMES

Together with the opening of a new Work Café branch and with the purpose of boosting entrepreneurship and innovation, Banco Santander signed in 2017 an agreement with the Asociación de Emprendedores de Chile, ASECH (Chilean association of entrepreneurs). The alliance includes the Bank's active participation in the most important activities carried out at a national level, as well as the accompaniment and delivery of solutions to entrepreneurs that are starting their businesses.

During the year over 9 thousand entrepreneurs got in touch at close to 90 events like trade shows, summits, seminars and entrepreneurship working days.



1 million

monthly calls
through VOX

1,116

VOX
executives

MM\$26,631

monthly sales
through VOX

SANTANDER TOCTOC ALLIANCE

In the mortgage area Banco Santander entered into an alliance with TOCTOC, with the purpose of offering to clients a complete advisory service, including personalized search and financing, during the purchase or rental process of a property.

This new tool can be accessed directly through the Bank's website or at www.toctoc.com/santander. At the site clients can find information on reference market values, capital gains in a sector, neighborhood data, nearby schools, green areas, and commerce and security indicators, among others.

OMNICHANNEL STRATEGY

Changes introduced into the attention model also consider the strengthening and integration of channels, as an essential requirement to efficiently improve quality of service.

Banco Santander's omnichannel strategy is based on the increasing strengthening of complementary channels, in order for them to be available for clients whenever and wherever they need. Currently, all channels operate linked with a unique database, so independent of the channel used service experience will be similar, as each one of them will deliver an answer to client's needs and requirements.

A good example is the Contact Center or VOX, which has transformed into a digital access facilitator and a powerful support for the rest of the channels. In 2017 VOX broadened its attention model to a 24/7 system, extending it from an emergency service to a full service option for all customer segments. As well, by the end of the year, any client that reaches Santander through VOX has the option to choose between self-service or direct contact with an executive, noticeably improving their service experience.

In addition to contact simplification integral executives were incorporated, with resolution capabilities so as to give response to client's needs from the first contact, advise them so they can conduct operations and activate products, as well as guaranteeing attention of calls from clients to branches. Making use of this channel, clients can purchase a consumer loan or apply for a checking account, a credit card, a line of credit, or an increase in the credit limit. They can also invest in mutual funds, stock, time deposits, purchase foreign currency and insurance. Adding to the latter is the possibility to inquire about products and services, requests and complaints, card blocking and no-payment orders.

In response to the multi-contact which clients are looking for, the online Chat was created on the Bank's public website. This is a virtual branch for clients and non-customers to talk to executives on real-time and solve their banking concerns, without the need to be derived to another attention channel. The VOX chat is available every day of the week and counts with an assistance service in case of emergencies or unexpected situations, and works in extended schedule. The number of daily contacts in this platform reaches one thousand people.

These advances were complemented with a seven-week training program for all executives, and improvement of profiles and the induction process, pointing towards satisfying client's needs, empathizing with their emotions and thus achieve higher loyalty levels. These initiatives have had such a positive impact that, in 2017, in the evaluation at the end of calls, 97% of clients are satisfied with their attention and 96% say their requirements were solved.

The latter not only adds value to clients, but also directly impacts on the Bank's revenues. In 2017, 21% of checking account plans and 16% of consumer loans were sold through VOX.

Value creation for shareholders

Banco Santander Chile is the country's leading financial institution, by market share as well as by capital strength and profitability. The Bank specializes in the financing business, product innovation, risk management, and strong orientation towards customer quality of service with a marked retail vocation. The Bank has an active participation in the local market, leveraging on Santander Group's international network.

114

The Bank originates in 1978 with the opening of a subsidiary of Banco Santander in Chile mainly dedicated to international trade. In 1982 the assets and liabilities of Banco Español Chile, at the moment under liquidation, are acquired. During the following years the Bank develops an integral financial group concept, incorporating innovative technological solutions to better serve clients.

In 1993 Fincard is acquired, to that date the largest credit card processing company in the country, thus entering the low-income segment. The next year is launched SuperHipoteca, a product that

creates great impact at a national level, allowing the Bank to duplicate its business volume in only eight months. Financiera Fusa is acquired in 1995, which is merged with Fincard giving birth to Banefe, Santander's specialized division to serve middle and low-income individuals.

Santander Chile merges with Banco Osorno y la Unión in 1996, turning into the largest bank in the country with leading positions in all business segments. Furthermore, in 2000, the www.santander.cl web portal is launched and in 2001 the Univerisia portal is created with the support of Santander Group and the country's

main universities. That same year a bancarization effort through Banefe is started.

In July 2002 an Extraordinary Shareholders' Meeting is held in which the merger between Banco Santander Chile and Banco Santiago is approved, through the incorporation of the former into the latter. This operation gives birth to the largest bank in the country leading in all business segments. Since then the Bank maintains a universal bank profile with a marked retail orientation, with presence in all business segments and the largest distribution network spread across the country.

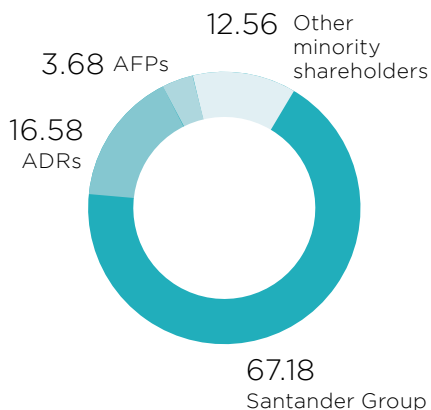


SHAREHOLDER STRUCTURE

Banco Santander's basic capital as of December 31, 2017 is divided into 188,446,126,794 ordinary shares, of only one class, without par value. Each share represents one vote. The shares trade in the Santiago Stock Exchange and in the New York Stock Exchange (NYSE) as ADRs (American Depositary Receipts).

The largest shareholder is Santander Spain, which controls 67.18% of the company through Santander Chile Holding S.A. and Teatinos Siglo XXI Ltda. The rest of the shareholders include Pension Fund Administrators (AFP), which as of December 31, 2017 conjointly hold 3.68% of the shares, and other minority shareholders. Among the latter are included ADR holders, which hold as a group 16.58% of the property.

Banco Santander Chile Shareholder Structure (% as of December 31, 2017)



Business name or shareholder name	# SHARES	% OVER TOTAL
Santander Chile Holding S.A.	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones S.A.	59,770,481,573	31.72
Santander Group	126,593,001,268	67.18
The Bank Of New York Mellon (ADRs)	31,238,866,071	16.58
Banco de Chile on behalf of third parties	5,364,197,536	2.85
Itau-Corpbanca on behalf of third parties	5,167,453,600	2.74
Banco Santander on behalf of third parties	3,086,841,253	1.64
A. F. P. Habitat S. A.	1,812,969,102	0.96
A. F. P. Provida S. A.	1,804,545,502	0.96
A. F. P. Cuprum S. A.	1,421,624,255	0.75
A. F. P. Capital S. A.	1,283,622,517	0.68
Banchile Corredores de Bolsa	971,198,701	0.52
Santander Corredores de Bolsa Limitada	674,919,074	0.36
LarrainVial S.A. Corredora de Bolsa	382,514,907	0.20
B.C.I. Corredor de Bolsa S.A.	370,367,814	0.20
A. F. P. Modelo S. A.	358,315,142	0.19
A. F. P. Planvital S. A.	259,898,955	0.14
Bice Inversiones Corredores de Bolsa S.A.	257,346,618	0.14
Banchile Administradora General de Fondos	255,962,118	0.14
Valores Security S.A. Corredores de Bolsa S.A.	254,065,196	0.13
Corpbanca Corredores de Bolsa S.A.	238,452,951	0.13
Banco Santander - HSBC Bank PLC Londres	194,382,008	0.10
Btg Pactual Chile S.A. Corredores de Bolsa S.A.	155,481,106	0.08
Fondo Mutuo Santander Acciones Chilenas	135,575,202	0.07
Inversiones Antares S.A.	134,122,227	0.07
Aberdeen Chile Fund, Inc.	113,001,987	0.06
Fondo Mutuo Security Chile Long-Short	107,789,111	0.06
Soc. Adm. de Fondos de Cesantía de Chile	107,612,837	0.06
Fondo Mutuo Etf It Now Ipsa	98,572,123	0.05
Fondo Mutuo Tanner Capitales	96,585,783	0.05
Nevasa Corredores de Bolsa S.A.	91,744,175	0.05
Other 11,475 shareholders	5,415,097,655	2.87
Total shares	188,446,126,794	100.00

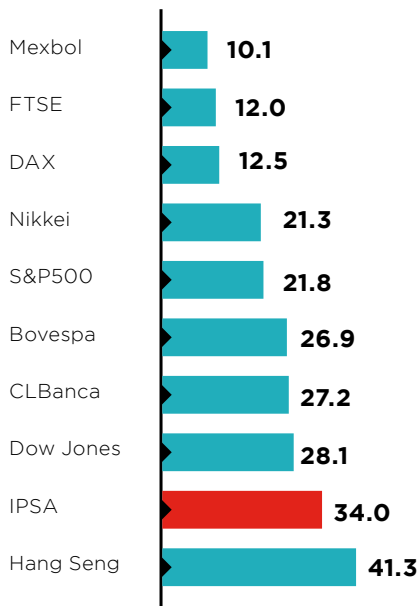
STOCK PRICE PERFORMANCE

Although the economy had a weak performance during 2017, the better external scenario, the significant increase in copper prices, an improvement in trust and better economic perspectives for the following years, drove a substantial increase in the price of local assets. During the year the IPSA climbed 30.6% (34.0% total return) in a context in which the global stock exchanges had good performances, for example, the Dow Jones increased 28.1%.

Regarding the shares of Banco Santander Chile, the market was optimistic about the evolution of its strategy and results. The latter triggered an important demand for the stock, both internal and external. This way, Santander Chile's share price increased 29.3% closing the year at \$48.2 (US\$31.3 per ADR) and creating value for shareholders for MMUS\$3,339 in 2017. When adding the dividend paid during the year, which amounts to 70% of the attributed net income of 2016 for an amount of \$1.75459102 per share, total return perceived by shareholders during the year reached 35.1% (49.3% per ADR). This figure compares with a 34.0% for the IPSA and the 27.2% for the average of the banks trading in the Santiago Stock Exchange represented by the CLBANCA index.

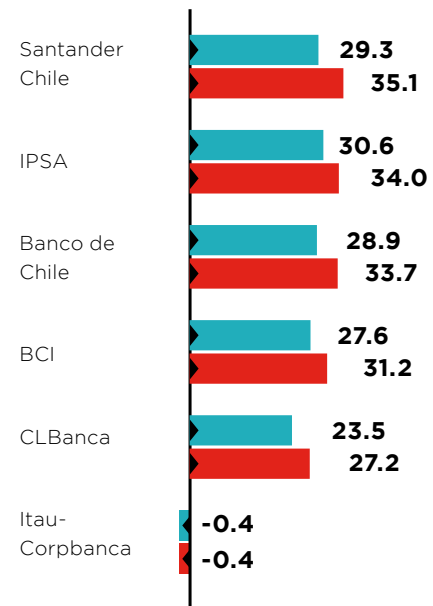
In terms of valuation, the Bank maintains its position among the most valued banks in the world, trading by year-end at a price/book value ratio of 2.9 times, above the average of banks in different latitudes. The high multiples at which the Bank's shares trade reflect the optimism regarding future performance expectations for the institution, the market's positive evaluation on its strategy and the good financial results achieved by the Bank during the year.

Total return, global markets (%)



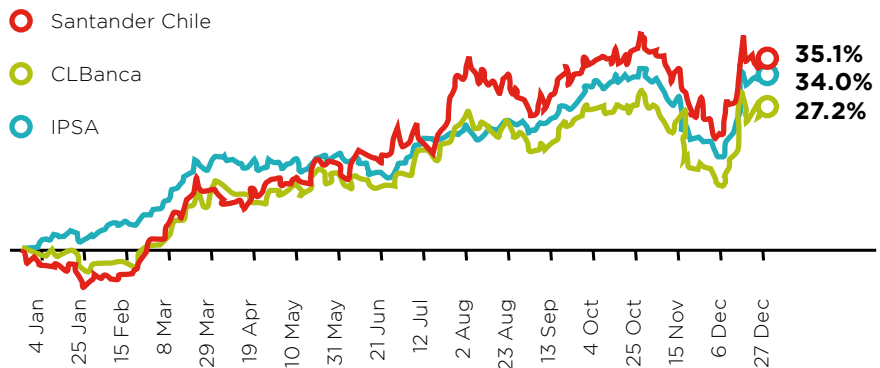
Source: Bloomberg

Chilean bank's stock performance 2017 (% change in pesos)

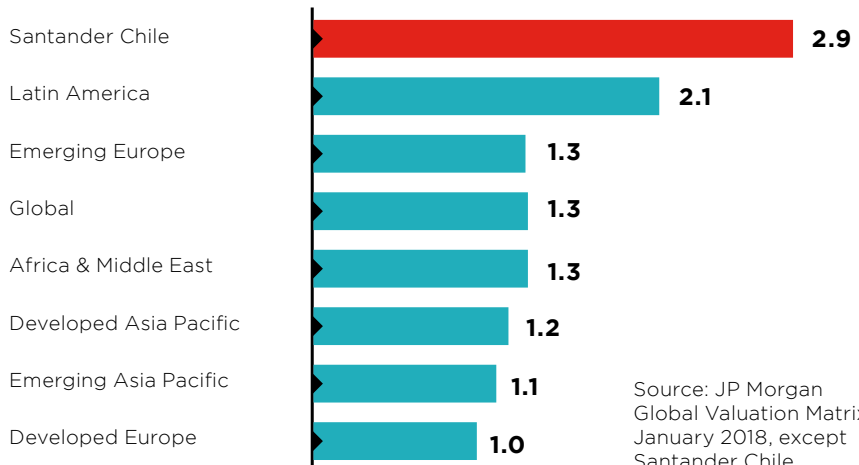


■ Share price change ■ Total return including dividends

Total return, compared performance (%)



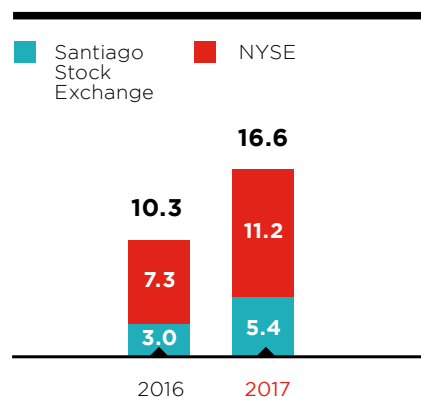
Price / book value multiple (times)



Source: JP Morgan Global Valuation Matrix, January 2018, except Santander Chile

Santander Chile's stock is one of the most traded at a local level considering transactions in the Santiago Stock Exchange and the NYSE. For the year 2017 as a whole, the average daily traded volume reached MMUS\$16.6 of which MMUS\$5.4 correspond to the local share and MMUS\$11.2 to the ADR. This figure is 20.9% higher compared to the one registered in 2016. In terms of shares, the average daily traded volume exceeds 251 million shares, 62.1% higher than in 2016.

Average daily traded volume (US\$ millions)



Source: Bloomberg

Stock indicators	2017	2016	CHANGE 17/16
Closing share price (\$)	48.2	37.3	29.3%
High share price (\$)	50.7	38.1	33.1%
Low share price (\$)	34.7	29.1	19.1%
Closing ADR price (US\$)	31.3	21.9	43.0%
High ADR price (\$)	32.1	23.5	36.5%
Low ADR price (\$)	21.4	16.0	33.7%
# shares (million)	188,446.1	188,446.1	n.a.
ADR ratio	400.0	400.0	n.a.
Earnings per share (\$)	3.00	2.51	19.6%
Earnings per ADR (US\$)	1.95	1.50	29.7%
Dividends per share (\$)	1.75	1.79	(1.8%)
Dividends per ADR (US\$)	1.04	1.08	(3.0%)
Payout policy (%)	70.0	75.0	n.a.
Book value per share (\$)	16.49	15.38	7.2%
Book value per ADR (US\$)	10.72	9.22	16.3%
Price / earnings per share (times)	16.1	14.9	n.a.
Price / book value per share (times)	2.9	2.4	n.a.
Market capitalization (MMUS\$)	14,732	10,303	43.0%
Average daily traded volume (thousands of shares)	251,527	208,064	20.9%
Average daily traded volume (MMUS\$)	16.6	10.3	62.1%
Total return (including dividends) in pesos	35.1%	23.8%	+ 1,130 bp
Total return (including dividends) in dollars	49.3%	30.8%	+ 1,852 bp



PAYOUT POLICY

The Bank's payout policy is to distribute at least 30% of net income attributable to equity holders as dividends, in accordance with current dividend regulation set forth in the Ley de Sociedades Anónimas and the General Banking Law. Nevertheless, during 2017 the Ordinary Shareholders' Meeting held in April 26, agreed to distribute as dividends 70% of the net income attributable to equity holders of 2016.

It should be noted that the dividend reinvestment program oriented towards retail shareholders of Banco Santander launched in 2016, offers shareholders to reinvest their perceived dividends in shares of the Bank without paying any kind of fees. As well, shareholders can purchase and sell stock of any issuer through the Santander Shareholder's Department with preferential fees.

ACTIVITIES WITH INVESTORS

The Investor Relations area together with the Shareholders' Department of Santander Chile deployed a broad agenda of activities during the year to keep shareholders and investors in general dully informed about the Bank's business performance.

To ensure a permanent and fluid contact with the different investors and minority shareholders, diverse communication channels are used, including: Shareholders' Meeting; publications like the Annual Report, 20-F Report and quarterly press releases; webpage with all the relevant information; participation in investment conferences in Latin

America, Europe, U.S. and Asia; meetings and visits to branches; telephone conferences; email and SMS; and breakfasts with local investors and minority shareholders.

In total more than 800 contacts were held with investors of all kinds in 10 countries. Moreover, in November 2017, the Shareholders' Department extended an invitation to minority shareholders to attend Aida opera at the Teatro Municipal de Santiago. This first class show was well attended and made participants very happy.

RISK RATING

Banco Santander is one of the best rated private companies in Latin America and emerging markets.

INTERNATIONAL RATINGS

Currently three rating companies classify Banco Santander: Moody's, Standard and Poor's (S&P) and Fitch Ratings. Moody's and S&P maintain negative perspectives, which respond mainly to the negative outlook on the sovereign risk by Moody's, and the downgrade on the sovereign from AA- to A+ in July 2017 by S&P.

Moody's

Bank deposits	AA3
Baseline Credit Assessment (BCA)	a3
BCA adjusted	a3
Senior bonds	AA3
Commercial paper	P-1
Outlook	Neg

Standard & Poor's

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

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

LOCAL RATINGS

Banco Santander's shareholders have named Fitch Ratings Ltda. and Feller Rate Clasificadora de Riesgo Ltda. to rate the public securities issued by the institution, which are set forth in the following tables:

Fitch Ratings

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

Feller Rate

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

The high multiples at which the Bank's shares trade reflect, among other things, the optimism regarding future performance expectations for the institution and the market's positive evaluation on Banco Santander.

Sustainable management of the supply chain

In addition to maintaining stable relations, of mutual benefit and based on ethics, in 2017 Banco Santander strengthened its Global Purchasing Model¹ with a special emphasis on risk. Thus, version 2.0 of this instrument provided the actuation guidelines for reaching agreements and control, establishing the relevance of risks associated to the service, mitigation, improvement and remediation, as well as establishing adequate risk control mechanisms and effective and permanent monitoring.

120

Together with the increased emphasis in risk mitigation, the Bank also wanted to highlight the importance of including innovation in products and services, as well as driving improvements in the relationship with suppliers.

1. For more information please see https://www.santander.cl/nuestro_banco/sostenibilidad/proveedores.asp

Supply Model Implementation	Homologation of critical services and suppliers
Contract clauses (Service/Norm SBIF 20-7)	Suppliers Committee (supplier service monitoring)
Definition of critical suppliers	Annual and monthly supplier evaluation

EVALUATIONS AND REWARDS

The model demands undertaking monitoring to guarantee that providers comply with minimum demanded conditions in several areas, the most relevant being that of social obligations with their employees. Monitoring is done through external revisions (audits) and internal revisions (evaluation platforms).

In order to reinforce good practices, over the last 17 years the Bank conducts an annual award ceremony to distinguish those suppliers that deliver high quality and innovative products and services, which also offer the highest risk mitigation, exhibit best practices with their employees and maintain the best financial health.

In the reported year, 24 external entities were awarded (six winners and 18 outstanding) among the 369 which provide services to the Bank. It should be highlighted that Banco Santander Chile's evaluation model was presented as "Best Practice" at Santander Group's Global Suppliers Committee.

SANTANDER SEMINAR

Titled "Santander World and Relation with Our Providers", the first seminar oriented towards these stakeholders was held in 2017. Its main function was to highlight the strategic role that external companies play in the Bank's processes to ensure optimal performance, and in value creation for clients.

Ninety suppliers and twenty Banco Santander invitees were part of the event, which attended talks regarding the national economy and relevant topics.

ENSURING SUSTAINABILITY

The Bank counts with a series of other criteria to help ensure sustainability in the supply chain, both at a corporate as well as a national level.

PROPYME SEAL

Since 2011, Santander adheres voluntarily to the Propyme Seal (pro SME), which guarantees payment to SMEs in less than 30 days since reception of the invoice. The initiative promotes good practices and generates shared value, as it allows companies in this segment to count with the necessary cash flow to continue operating. In 2017, payment was made on average in 10.6 days.

GLOBAL COMPACT

The Bank adheres to the Ten Principles of the United Nations' Global Compact, which implies that contracts with suppliers include a clause that establishes the commitment to respect and comply with them.

- Ensures compliance with the Corporate Policy on Human Rights on this respect.
- Maintains a high percentage of local suppliers in favor of local employment.

Nº of suppliers by billing level	2015	2016	2017
MM\$ 600	124	90	84
MM\$ 180 < MM\$ 600	137	94	104
MM\$ 30 < MM\$ 180	101	140	181
Total	362	324	369

Expense breakdown (%) ¹	2017
Technology	35%
Operations	39%
Marketing and advertising	2%
Real estate	13%
Personnel	4%
Decentralized	5%
Institutional	2%

1. Only suppliers evaluated in 2017.

Supplier management	2015	2016	2017
Nº of suppliers (Based on suppliers billing > MM\$ 30) ²	630	737	766
Annual billing (MMM\$)	414	411	439
Local suppliers (%)	94	95	94
Evaluated suppliers	362	324	369

2. In 2015 the range definition was corrected (MM\$ 30 instead of MM\$ 5).

Our commitment with society



Banco Santander contributes to economic and social progress through programs that invest in the community and which are focused on education. It has defined this line of action as it believes it's the main driver of people's prosperity.

This way, the Bank delivers tools and learning opportunities in three areas:

1 HIGHER EDUCATION

Through the Programa de Apoyo a la Educación Superior (PAES, Higher Education Support Program), Santander contributes to prepare future professionals in the context of globalization, generating international experiences that broaden their view of the world and provide them with new tools to be put to society's service.

2 PRIMARY AND SECONDARY EDUCATION

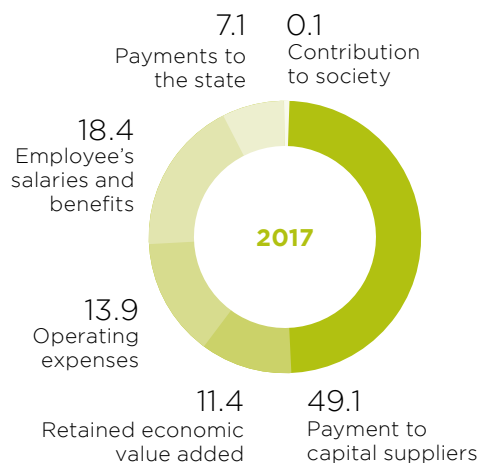
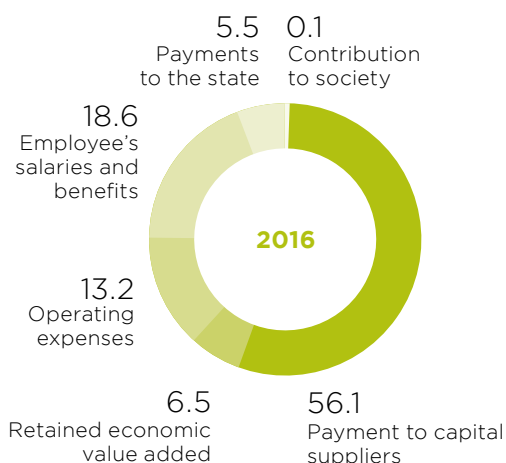
For the Bank, the development of children and youngsters in school age is key for the future. Thus, it finances through Fundación Belén Educa the Programa de Orientación Vocacional (Vocational Guidance Program) oriented to students attending their schools.

3 FINANCIAL EDUCATION

People's financial health directly impacts on their quality of life and in the construction of society. That's why Santander drives programs and actions that seek to deliver tools that diminish information gaps and boost education in this area.

122

Economic value added and distributed (%)





HIGHER EDUCATION AS A DRIVER FOR DEVELOPMENT

FOCUS ON ENTREPRENEURSHIP

Together with the PAES program, during the year Banco Santander gave a special impulse to entrepreneurship as a key factor to promote people's development and growth in companies. In this context, the following two initiatives stood out, Santander X and BRAIN Chile.

A global ecosystem of university entrepreneurship

During the year was launched Santander X, an international digital platform that aims to become the world's largest ecosystem of university entrepreneurship. In it students and entrepreneurs around the world contact other members within this ecosystem to share ideas and knowledge, and attract investment. This way, the interchange of best practices is facilitated, as well as monitoring of diverse startups and measurement of their impact.

By the end of 2017, the platform counted with over 60 universities from Argentina, Brazil, Chile, Spain, Mexico, Portugal and Uruguay. Among the participating Chilean institutions was the Pontificia Universidad Católica de Chile.

During the next four years, Santander Group will invest US\$59 million around the world with the goal of connecting over one thousand institutions.

Adding value to the country

The BRAIN Chile program was created in 2015 to promote the transformation of initiatives based on the application of science and technology, into entrepreneurship that add value to the country. The program is organized by Banco Santander Chile and the Innovation Center from the Pontificia Universidad Católica de Chile. The third version, which took place in 2017, counted with the participation of 220 projects from 597 people. Among them, 27 Mexican teams that arrived to the program thanks to

“Santander X aspires to become the connecting point of all entrepreneurs. It will be the largest global ecosystem of university entrepreneurship. It will open the doors to talent in order to build a better world for everyone”.

Ana Botín, President Banco Santander

a pilot prepared with the Bank, promoting integration and networking.

On a first stage, 34 projects were selected to participate in a boot camp with several workshops focused on product and service design, and intellectual property and entrepreneurial mindset, among other topics. In addition, entrepreneurs received mentoring from companies from different industries, gaining new knowledge, tools and networks to continue developing their projects.

After the boot camp, the top twelve projects were chosen to advance to the Acceleration Stage, where each one received \$3 million to build prototypes in labs and in the FabLab UC. During ten weeks they obtained new tools to continue developing their business model together with support from a mentor.

Finally, these twelve initiatives split between them a \$47 million prize. The three projects that were awarded the largest amounts were NeuroRehab Technologies with \$9.25 million, Carnes Deliscia with \$8.375 million and Clinic Hub with \$6.55 million.

BROADENING HORIZONS AND PERFECTING KNOWLEDGE

Over the last two decades, Banco Santander through the Santander Universidades Division has been helping to prepare tomorrow's professionals within the context of an increasingly globalized and demanding world.

To this extent it developed the Programa de Apoyo a la Educación Superior (PAES,

Higher Education Support Program), which is implemented in all the countries in which Santander Group is present and holds agreements with over 1,100 study centers around the world. This initiative seeks to generate international experiences that broaden horizons and deliver new tools, both elements that today constitute important competitive advantages in the labor market. In addition promotes international student and teacher mobility, and drives entrepreneurship initiatives in science and technological areas, aware that these areas are generators of change and promoters of innovation, indispensable to face the future.

Santander Grants

In Chile, the PAES program has been present for 15 years, period in which it has benefited over 2,700 students, teachers and researchers from the different universities in the country with mobility and fellowship grants.

In 2017 US\$2 million were allocated to finance 496 grants, broken down in the following categories:

- **113 international mobility grants:** oriented to junior and senior undergraduate students that wish to study one academic semester in one of the universities around the world that have a collaboration agreement.
- **221 Ibero-America Undergraduate Students grants:** oriented to junior and senior undergraduate students that wish to undergo a six-month internship in a university in Argentina, Brazil, Spain, Chile, Colombia, Mexico, Peru, Portugal, Puerto Rico or Uruguay.
- **62 Ibero-America Young Teachers and Researchers grants:** oriented towards teachers and researchers of participant universities, interested in a two-month academic internship in one of the universities in the Ibero-American area.
- **100 SME Santander Universidades grants:** aiming to support undergraduate students and become a growth ally, establishing contacts between students and companies and institutions, and facilitating their subsequent job placement.



SANTANDER GRANTS AWARDS

At the Teatro San Ginés in Bellavista, was held the award ceremony for students and teachers which were awarded the close to 500 grants delivered by banco Santander in 2017. Some of the destinations chosen for an academic semester were universities in Germany, Spain, Mexico, United States, Australia, Brazil and Canada.

Scientific Research Award

In its fifth version, this initiative awarded in its Senior Researcher category the study “Health impacts of arsenic exposure in northern Chile”, conducted by Dra. Catterina Ferreccio of the Pontificia Universidad Católica de Chile. Research results were transmitted to the community, recommending the avoidance of future exposures, maintain a healthy life and watch over health issues associated to arsenic.

On the other hand, the Junior Researcher category award was for matron nurse Báltica Cabieses from the Universidad del Desarrollo, for her research “Developing intelligence in the primary public health system for international immigrants in Chile: a multi-method study”. Central aspects emerged from the document like mental health of international immigrants, children’s health, informal immigrant worker’s health, immigrants in absolute poverty situation, multi-dimensional and health of multinational families.

Both awards distribute a US\$110 thousand total amount: US\$70 thousand for the Senior Researcher category, US\$30 thousand for the Junior Researcher category and US\$5 thousand as a grant for the senior researcher from each winning study.

UNIVERSIA

This network of 1,341 universities –the most important in Ibero-America, with presence in 20 countries- is focused on generating new opportunities for educational institutions, promote innovation and manage and drive employment programs that foster the incorporation of university students into the labor market.

In Chile, Universia counts with the participation of 60 universities and an active agenda. These initiatives are undertaken around two central guidelines, which during the year were carried out in the following way:

1

Academic projects that promote knowledge and investigation.

The XV University Chancellor’s Meeting was held, in which the main authorities of the country’s different educational institutions analyzed the expositions of the program chiefs of presidential candidates Carolina Goic, Alejandro Guillier, Beatriz Sánchez and Sebastián Piñera. Claudio Melandri, CEO and Country Head of Banco Santander Chile, highlighted the Bank’s mission of contributing to the progress of

people and the society through education, devoting time, resources and efforts to the universities and their students. Afterwards, José Pedro Fuenzalida, general director of Universia Chile, highlighted the network’s reach as well as the fact that in Chile, together with promoting meeting points for various fields, is driving academic projects and value added services to their partner institutions, with a focus on digital training.

2

University services to promote internships and first jobs, identify training needs and apply marketing tools.

Universia arranged 42,195 first jobs for recent graduates and 289,164 total jobs through the labor community Trabajando.com.

The 7th Postgraduate Meeting was held, gathering 28 Chilean higher education institutions which promoted all their fellowships offer to the close to 1,800 interested attendees. At the meeting, organized together with Trabajando.com, five grants for US\$3 thousand were raffled among attendees.



SUPPORT TO PRIMARY AND SECONDARY EDUCATION

SANTANDER LEARNING SPACES IN CAMPS PROJECT

In order to complement formal education and boost the capabilities and talents of children and youngsters that live in high vulnerability contexts, Banco Santander together with Fundación TECHO Chile have driven the construction and implementation of learning spaces at camps.

Thus in 2017 a book collection campaign was done gathering over one thousand reading texts. In addition, this initiative enabled four learning spaces for children in equal number of camps at Lampa and Colina communes, in the Metropolitan Region.

VOCATIONAL GUIDANCE PROGRAM

Undertaken by Fundación Belén Educa, its goal is to guide, accompany and train youngsters from vulnerable sectors through the vocational choice process, and is comprised of three instances:

- **Santander Academic Excellency grants:** for the 14th consecutive year, the Bank gave grants to ex alumni of the Fundación Belén Educa for their outstanding school performance, leadership, commitment and responsibility during their study years. In 2017 four students were awarded from schools Raúl Silva Henríquez, José María Caro, Juan Francisco Fresno and Manuel Vicuña, totaling 47 beneficiaries with this grant.
- **Tutorials:** without interruption since 2008, volunteers from Santander have given vocational support to senior students from diverse schools in this network (composed of twelve educational institutions with high vulnerability indices). In 2017 a record was achieved in the number of tutored students, as 33

students from schools Carlos Oviedo Cavada and Lorenzo Sazié were advised from equal number of tutors in six meetings held throughout the second semester.

- **Keynote speeches:** twelve managers and deputy managers from Banco Santander addressed high school students from Carlos Oviedo Cavada School to motivate and encourage youngsters to acquire helpful tools for their academic and work future based on their own vital experiences. “Keys for success”, “Decision making and how they impact life”, “Vocation, ¿what do I base myself on to choose a career?” and “Careers and employment”, were the themes presented by volunteers to the different specialties taught by this school. Afterwards, students had the chance to talk in depth with the Bank’s directives and clear different doubts about their lives and their work.
- **Professional internships:** since 2003 Santander has opened its doors to students from Belén Educa for professional internships –a requirement for them to obtain their Technical Professional College degree. Between December 2017 and February 2018, 30 students from the Administration specialty from Carlos Oviedo Cavada and José María Caro schools completed their professional internships at Banco Santander.



EDUCACIÓN FINANCIERA

People’s financial health directly impacts their quality of life, especially given the current massification and diversification of financial products and services. According to international and national studies conducted by the Organization for Cooperation and Economic Development (OECD), the World Bank, Banco Santander and other researches on the issue, there

are low financial literacy levels within the population. According to the last version of the PISA test, 38% of students in our country do not reach the minimum competencies in this issue. Adding to the latter is the fact that, according to figures from the SBIF, 98% of Chileans over fifteen years of age hold at least one financial product.

Since 2013 Banco Santander has created programs and driven concrete actions to deliver tools that contribute to people’s financial knowledge and the reduction of information gaps.

FINANCIAL EDUCATION AT SCHOOL PROGRAM

This initiative is carried out since 2016 together with the Public Policy Center of the Pontificia Universidad Católica de Chile and points towards improving financial capabilities and knowledge of students at educational institutions through innovative and integral methodologies.

Based on a survey about Financial Education in schools (whose results are explained in Stage 2 further down) and the experience from 2016, during the year the project was expanded and carried out in four stages:

1

2nd version of the course to train directors of educational institutions

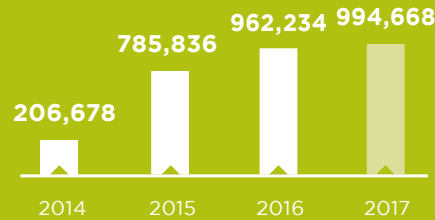
It’s a blended course, in which 110 directors from all over the country participated, covering financial resource management in educational institutions, and development of financial knowledge for life and creation of collaborative projects in order to generate learnings in this matter. To promote participation Banco Santander granted a scholarship to all registered participants, which financed 90% of the course’s cost. The multiplier effect of this course will occur once each trained director develops and executes a project taking into account the reality of



SANTANDER INVITED BELÉN EDUCA STUDENTS TO THE IV FINANCIAL EDUCATION FAIR

157 students from four schools from Fundación Belén Educa participated in this initiative, organized by the Superintendency of Banks and Financial Institutions (SBIF) in the context of the Financial Education Month.

Visits to Sanodelucas Tips and Advices evolution



Source: Google Analytics.

94,343

Sanodelucas Tips and Advices beneficiaries

Refers to the number of unique users, condition defined as: a) Sessions equal or longer than 90 seconds, b) Sessions with an event.

their respective schools, so close to 60 thousand people are expected to benefit indirectly.

The best students from the previous year's course were in 2017 "Financial Education Ambassadors", role that committed them to carry out a series of keynote speeches at their respective schools about the importance of working this issue in the educational system.

2

Citizen perception survey about Financial Education

This survey was carried out between June and October 2017 to measure the financial literacy level of Chileans and thus generate reference indicators, detecting expectations, needs and perceived barriers for the population on this issue, contributing with public policies in this area. In 2016 a survey was conducted to gather information regarding the level of knowledge of teachers and school directors in all Chile about how trained and interested they are to teach these topics to students.

3

Implementation of the winner project from the "Las Lucas se Educán" 2016 contest

In 2017 started the implementation pilot of "Gymkana Financiera", winner

project from the "Las Lucas se Educán" contest conducted the previous year at José María Caro School, from Belén Educa. It's an online platform in which high school students learn financial concepts through informative videos, which are tested afterwards through a competition in pairs.

4

Financial Education International Seminar "El Futuro comienza en el aula: Educación financiera para la vida".

This meeting was held within the Financial Education Month framework, with the goal of highlighting the importance of financial education in the school stage, as well as delivering knowledge, good practices and useful tools for the academic community.

The seminar started with an exposition from Enrique Castelló, PhD in Economics and teacher from the Universidad Complutense de Madrid, followed by a discussion panel conformed by Eric Parrado, Superintendent of Banks and Financial Institutions, Paola Linconao, runner-up in the Global Teacher Prize 2016, Carolina Flores from the Educational Quality Agency and Harald Beyer, director of the Public Studies Center (CEP).

SANODELUCAS

In the year, this project, pioneer in the industry and started in 2013, changed its focus to position itself as a concept umbrella for all of Santander's financial education initiatives. Thus, at the www.sanodelucas.cl website is available all the information regarding activities and projects from Banco Santander in this area, divided into four chapters:

- **Sanodelucas tips and advices:** corresponds to the original financial education portal, delivers advice regarding the issue with a renewed design. As can be seen in the chart, the number of visits is rising.
- **Sanodelucas Education:** is the Financial Education Program at schools, previously explained.
- **Sanodelucas First Steps:** its goal is to train on the good use of the principal financial products the people that use them for the first time (mainly youngsters).
- **Sanodelucas Expert:** is the Financial Education Seminar, previously explained.



WORK CAFÉ AS A STRATEGIC CENTER FOR CONTRIBUTING TO SOCIETY

This space is also used as a strategic center for delivering keynote speeches that contribute to society, which during 2017 turned around entrepreneurship. Carried out by the Chilean Association of Entrepreneurs (ASECH), they gathered one thousand attendees in ten speeches, which were transmitted through Facebook Live to close to a million people generating 7,500 reactions.

Fernanda Vicente

Director of ASECH, President of Mujeres del Pacífico

Nicolás Shea

Entrepreneur, founder of Cumplo, Start-up Chile, eClass, Jóvenes al Servicio de Chile, ASECH and TOD@S

Daniel Undurraga

Co-founder and CTO of CornerShop

Francisco Gazmuri

Executive Director of ASECH

Tadashi Takaoka

Manager Entrepreneurship at CORFO

Juan Pablo Larenas

Director of ASECH

José Tomás Infante

Founder of Cervecería Kross

Marcelo Guital

Director of ASECH

Óscar Solar

Director of ASECH

Alejandra Mustakis

President of ASECH

CORPORATE VOLUNTEERING

In accordance to its Volunteering Policy, Banco Santander promotes throughout the year, and across the country, employee participation in the diverse corporate volunteering initiatives, procuring to offer a broad variety of possibilities to help. The latter considering the Bank's mission, as well as the current situation, community needs and employee expectations.

Among the corporate volunteering initiatives promoted by the Bank stands out the Annual Solidary Project contest, through which employees have the possibility to apply for financing to implement initiatives that help communities, new or existing, carried out by themselves. In the 2017 version of this contest over 50 applications were submitted from employees from all the country's regions. 13 projects were selected, each being granted one million pesos for their implementation, gathering over 200 volunteers.

SUPPORT IN EMERGENCIES

Santander's commitment with society's development goes beyond the established initiatives, so each time the country suffers an emergency situation the Bank carries out some type of activity or extra effort to help the victims.

Thus, at the beginning of 2017, in the wake of the fire that affected the central-southern part of Chile, the Bank initiated several activities to help in different fronts:

- **Chile Helps Chile Campaign:** carried out by TECHO Chile, Canal 13 and Banco Santander, \$1,555,768,324 were raised with which 500 emergency houses were built in 19 affected communes.
- **Campaign 1 + 2:** each peso donated by employees was duplicated by the Bank to help victims. Employees not only put money themselves, but also encouraged clients to donate money through an account especially opened by Santander to collect funds.

492

Total number of volunteers

3,918

Total hours donated by the Bank

\$50,481,334

Valuation of contributed hours

- **Supply delivery at affected areas:** Santander together with its employees collected four thousand personal grooming kits, environmental hygiene supplies and veterinary health products to be delivered to Santa Olga, Marchigüe, Constitución and Talca.
- **Support to Chile's Fire Brigades:** delivery of fire-fighting equipment to fire brigades of ten communes (Cauquenes, Empedrado, Licantén, Constitución, Buin, Hualañé, Vichuquén, Florida, Bulnes and Angol).
- Financing of flight hours to support fire-fighting in the Paine commune.

“We have been together with TECHO since their beginnings, as the work carried out there is closely related with the mission of Banco Santander, which is to help people progress. As a company we take this role very seriously and our employees also have: there are several who have joined as volunteers over the course of these years in the different initiatives carried out by TECHO Chile throughout the country”.

Claudio Melandri, CEO and Country Head

Volunteering initiatives 2017	Commune /city	Region	Nº volunteers
Fund collection for wildfires (TECHO)	Santiago	Región Metropolitana	13
Easter eggs collection (Hogar de Cristo)	SANTIAGO	Región Metropolitana	11
Book collection (TECHO)	SANTIAGO	Región Metropolitana	16
Construction of recreational areas at “Personitas” Kindergarten in Santa Olga, affected by wildfire (Hogar de Cristo)	Constitución	Región del Maule	9
Construction of recreational areas at “Las Corrientes” School, affected by wildfires (Hogar de Cristo)	Constitución	Región del Maule	15
Exterior painting at “Rocío de Amor” Kindergarten (Hogar de Cristo)	Iquique	Región de Tarapacá	34
Construction of recreational areas at “Hualqui” School, affected by wildfire (Hogar de Cristo)	Hualqui	Región del Biobío	14
Exterior painting at “Los Patroncitos” Kindergarten	Antofagasta	Región de Antofagasta	19
Tutorships (Belén Educa)	Diverse communes	Región Metropolitana	33
Construction of recreational areas at “Esperanza de niños” Kindergarten	Calama	Región de Antofagasta	10
Construction of learning space at “Nueva Comaico” Camp (TECHO)	COLINA	Región Metropolitana	33
Keynote speeches (Belén Educa)	Maipú	Región Metropolitana	12
Happy Park (Pequeño Cottolengo)	Diverse communes	Región Metropolitana	63
Solidary Projects	Diverse communes	Todo el país	210
TOTAL			492

TECHO CHILE

Santander holds an alliance with TECHO Chile since their beginnings, working together over the last 20 years. The Bank collaborates with the foundation in the promotion of habitability

and improvement in the quality of lives of vulnerable families and communities in the country. In addition, it's present in all emergency campaigns (for more information see Support in Emergencies).



CULTURE

For over two decades, Banco Santander encourages and spreads out cultural and artistic expressions that contribute to the integral development of people and help value the country's cultural heritage. During 2017 this commitment was made manifest in diverse activities:

SANTANDER NATIONAL THEATER TOUR

Four plays toured the country to make culture reach the Bank's employees and customers and their families in 22 performances, two theatrical pieces for adults ("Our Women" and "I'm a Disaster") and equal number for all the family ("Alice through the mirror" and "The Little Prince"). Together, these shows were seen by over 9,600 people in a tour that covered nine cities between Arica and Punta Arenas.

CIRQUE DU SOLEIL: "SÉP7IMO DÍA - NO DESCANSARÉ"

Argentinean rock group Soda Stereo revived in Santiago thanks to the magic of Cirque du Soleil with the "Sép7imo Día - No Descansaré" show, which was seen by over 120 thousand spectators, four thousand of them customers.

"CABO DE HORNOS" BOOK

To give life to this work and commemorate the 400 years of the discovery of this mythical place in our country, distinguished specialists in the most diverse topics on the southernmost region of the planet were gathered. The book unites ten authors, and contains a logbook covering between Hoorn and Cabo de Hornos, a 16 thousand kilometers journey carried out by Dutch sailors four centuries ago. It's the 32nd edition from Banco Santander together with the Museo Chileno de Arte Precolombino through the Cultural Donations Law.

"CASAS DE CAMPO" BOOK

The third volume was launched of a collection that rescues by geographic zones Chile's historical heritage contained in each of these houses, through their architecture and surroundings. Prepared together with the Corporación Patrimonio Cultural de Chile and the Cultural Donations Law, this work covers the territory between the Maule and Cautín valleys. In this book's edition participated a team of professionals with distinguished careers, such as researcher and academic Teresita Pereira, architect and historian

Hernán Rodríguez, geographer Valeria Maino and photographer Max Donoso.

WINNER OF PALOMA O'SHEA PIANO CONTEST

Over 1,160 people attended the concerts and masterclasses, in the cities of Frutillar, Castro, Valdivia and Rancagua, offered by Spanish piano player Juan Pérez Floristán, winner of the XVIII version of the Santander Paloma O'Shea International Piano Contest.

ARTISTIC INTERVENTION OF BANDERA STREET

Thanks to a public-private alliance, Bandera, one of the main avenues in downtown Santiago, was intervened between Moneda and Compañía streets at the end of 2017 in order to transform it into a colorful pedestrian walkway. The first section of this work, denominated "Social Connection", is located in front of the Bank's headquarters and counted with Santander's support.



Our commitment with society



The efforts undertaken by Banco Santander on this issue translated into significant reductions in the most relevant consumptions generated by the operation of the Central Services buildings.

Banco Santander's commitment with the environment is apparent in two ways:

1

Direct: through a responsible and efficient use of natural resources in its daily operation.

2

Indirect: represented by its banking and financial operation (for more information regarding the analysis of social and environmental risks of the Bank's operations and financing, see pg. 70).

NEW ENVIRONMENTAL POLICY

Santander's direct environmental management has a new version of its Environmental Policy, which focuses its actions on the prevention of contamination, the continuous improvements of its processes and goals, and compliance with current environmental regulation. Together

with this, the Bank continues to work to reduce the environmental impact of its activities through efficient energy consumption, reduction in paper usage, recycling promotion, and correct treatment of residuals and their reuse.

The implementation of this new version also contemplates the incorporation of environmental care concepts into the corporate culture to motivate, train and commit employees and other stakeholders in this issue.

In addition, the Bank is spreading among its employees the relevant information about the performance of its environmental work and the activities carried out for the development, care and conservation of the environment.

The Environmental Management System (SGMA in Spanish) watches over compliance with these aspects, whose functions are permanently revised in order to advance continuously in Santander's environmental performance.

NEW ISO ADAPTATION PROCESS

Banco Santander Chile has its Environmental Management System certified under norm ISO 14,001:2004 valid until September 2018¹. With the goal of updating and recertify under the new ISO 14,001:2015, during the year new concepts and requirements were integrated, such as:

- Settle environmental management on Banco Santander Chile's Sustainability Committee, headed by the CEO and Country Head. Thus, the issue will be discussed at a top management level, and transversal to all areas.
- Identify the needs and expectations of interested parts.
- Implement actions to tackle risks and opportunities.
- Focus on the life cycle in the analysis of environmental

1. It's important to note that the certification as well as the actions and measurements always refer to the three most important buildings from Central Services (Bandera N° 140, Bandera N° 150 and Bombero Ossa N° 1068). These three buildings as a whole contribute around 50% of the Bank's total revenues.

management.

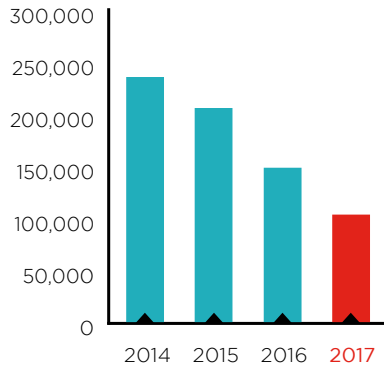
IMPORTANT SAVINGS

Efforts undertaken in this sense -incorporation of cutting-edge technology and awareness-raising campaigns- are manifest in significant reductions in consumptions, as can be seen in the following charts.

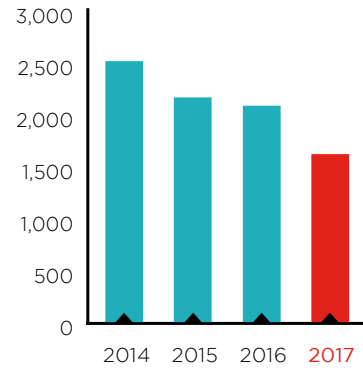
HYDRIC RESOURCE

Performance improvements in this variable have allowed for a permanent reduction in its consumption, achieving a 31% drop with respect to the previous year.

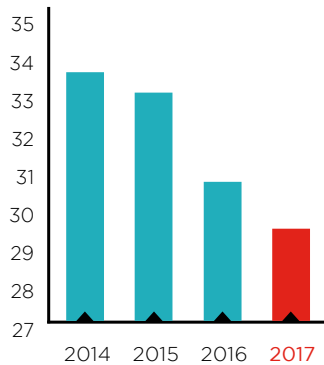
Water consumption
(m³)



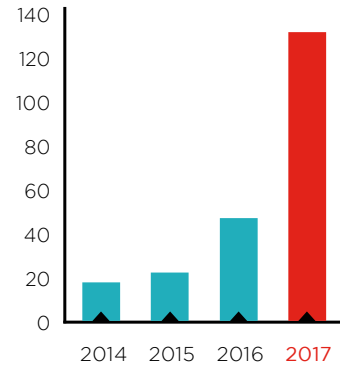
Paper consumption
(tons)



Energy consumption
(kws)



E-Waste recycling
(tons)



PAPER

Despite being a relevant resource for the Bank's operation, the latter has undertaken huge efforts to incorporate cutting-edge and more efficient equipment and technology, obtaining as a result a better usage of this resource. Thus, during 2017 a 22% saving in consumption was achieved, way larger than the previously achieved level.

ENERGY

The incorporation of more advanced technologies in equipment and lighting, together with awareness campaigns in the efficient use of the resource, point towards an improvement in this indicator. During the exercise a 4% saving was achieved, figure expected to increase in the future.

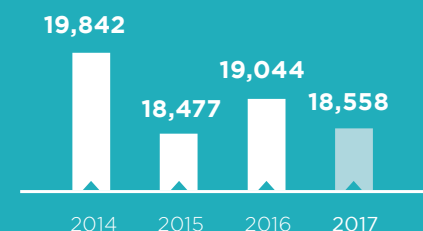
E-WASTE

Electronic garbage or E-Waste is the most significant residual generated, which during the exercise achieved an important recycling level, increasing 176% with respect to 2016.

CLIMATE CHANGE

Carbon footprint measurement is part of Banco Santander's environmental care. Thanks to the incorporation of clean technologies and the control of maintenance frequencies and routines of emitting equipment, among other actions, a reduction was achieved, which is set forth in the adjacent chart.

CO² total emissions
(tons)





TRANSVERSAL INITIATIVES

ENERGY EFFICIENCY PLAN

On this same line of savings, within the context of the Energy Efficiency Plan (PEE in Spanish), in 2017 an energy consumption and control management project was started to monitor in real-time variables such as peak demand, power factor demand, and power factor in 50 branches. This information will allow the definition of daily consumption goals per branch, triggering an alarm in real-time when they exceed the goal. The execution of this project is expected to begin in 2018.

The first steps were executed through two monitoring and control pilots in branches, reaching 5.9% savings in energy consumption and a 40% lower peak energy demand. The total project considers a \$247,413,495 investment.

LESS WATER

At the end of the year 60% of the bathroom remodeling plan of some floors from Banco Santander's buildings located on Estado and Bombero Ossa streets had been completed. In addition to modernizing facilities, the better technologies used in faucets will

allow to save up to 70% of water compared to traditional taps. Efficient use toilets, on the other hand, will use 30% less of this element.

INTERNAL PRO-ENVIRONMENT CAMPAIGNS

The initiative "Let's Take Care of the Environment Together" was carried out in order to raise awareness and commit all employees and teams in taking care of the planet, avoiding conducts like excess printing and leaving the air conditioning on in meeting rooms, among others. In addition, like in previous years, Santander adhered to the "Hour of the Planet", promoted worldwide by the World Wildlife Fund, turning off all lights at its corporate buildings between 20.30 and 21.30 hours on March 25th.

FINANCIAL PRODUCTS WITH ENVIRONMENTAL IMPACT

Santander's commercial activity also includes those financial products and services with environmental value added, as through these the Bank contributes to the transition towards a low carbon economy.

Thus, in 2017 Santander Chile financed 100% of the value added tax for the construction of windmill projects Aela Eólica Llanquihue SpA and Aela Eólica Sarco SpA. Both projects, which belong to Actis fund and developer Mainstream, will have a combined installed capacity of 299 MW and will supply clean energy to the system from 2018.

As well, the Bank acted as sole advisor for Colbún in the acquisition of photovoltaic parks from Sun Edison in Chile (Solar Park Olmué and Solar Park Santa Sofía) and their respective long-term energy supply contracts.

CORPORATE MANDATES

Since 2009, Santander Group adheres to the Equator Principles, which implies that all projects larger than US\$10 million must be analyzed regarding their social and environmental risks. Thus, the Bank gives specific training on these factors to risk and business specialists, and updates the analysis tools for their evaluation.

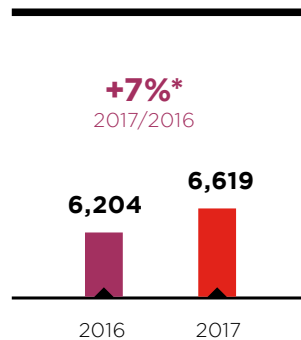


Banco Santander worldwide

“ Our success in 2017 shows that our way of doing business, and our focus on building loyalty, is creating a virtuous circle that delivers growth, profitability and strength. ”

In 2017 we obtained excellent results the right way: through profitable growth and a strong balance sheet, while helping people and businesses prosper.

Attributable profit
(Millions of euros)



* +7.4% in constant euros

11.8%

Return on tangible equity (underlying)

10.84%

Fully loaded CET1 capital ratio

4.08%

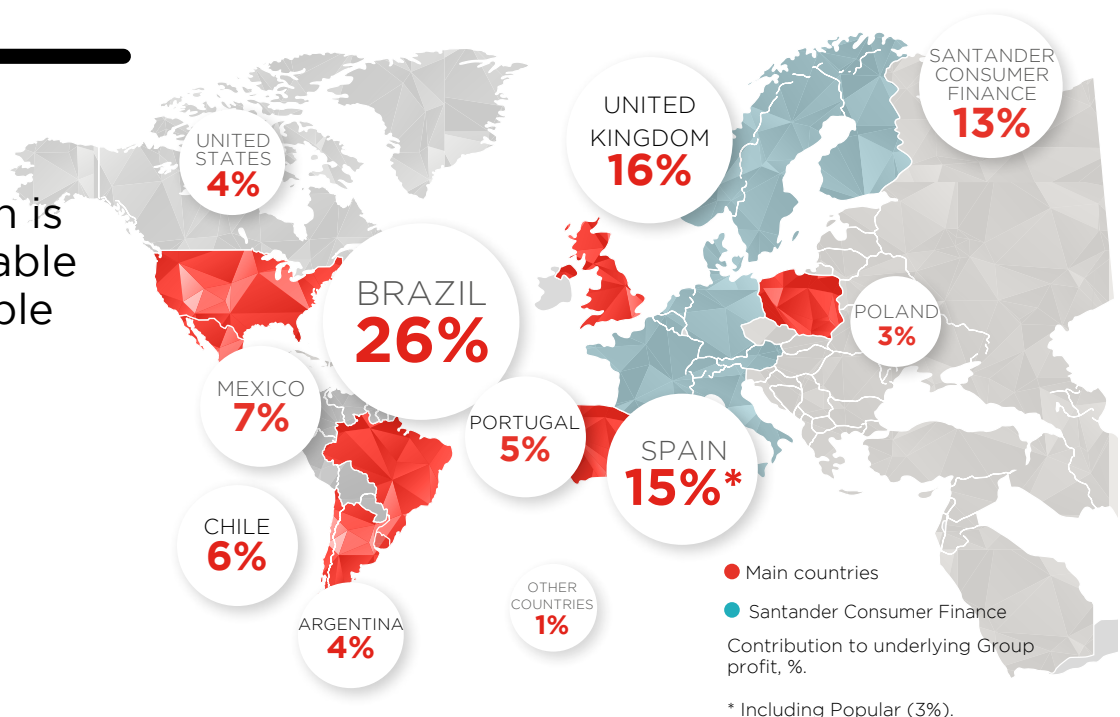
NPL ratio

47.4%

Efficiency (cost-to-income)

134

Balanced geographic diversification is key to our stable and predictable growth.





We are one of the most profitable and efficient banks in the world, allowing us to lend more to customers, increase the per share dividend and organically generate capital.



Our leading positions in 10 core markets, with a total population of a billion people, provide us stability and new opportunities.



Our scale, our diversification and the predictability of our business give us strong foundations on which to innovate.



Ana Botín, Group executive Chairman of Banco Santander



81%
of employees believe that their colleagues behave in ways that are more Simple, Personal and Fair



77%
of employees are engaged



17.3 (+13%)
Million loyal customers



25.4 (+21%)
Million digital customers



People
202,251

Employees who are more motivated and committed...

...make our customers more satisfied and loyal...



Customers
133
million



Communities
2.1

million people helped in 2017

...which results in more investment in communities.

...which drives profitability and sustainable growth...



Shareholders
4.0
million



44,862
scholarships granted in 2017



1,295
agreements with universities and academic institutions in 21 countries



16.6%
total shareholder return



+11%
cash dividend per share growth

Figures excluding Banco Popular, except number of employees and data on shareholders.

Simple | Personal | Fair

Creating value

We aim to be our customer's bank of choice. Through innovation, we are transforming our business to become a more profitable and sustainable bank.

We are meeting our targets earlier than expected...

136





...with a clear strategy and a strong culture

2016	2017	Goals 2018	Further info ⁷ .
4	5	Most countries	Pages 40-41
13.9	15.8	17	Pages 42-45
1,356	1,494	1,646	Pages 42-45
2%	2%	> competitors	Page 58
8	7	All	Page 45
20.9	25.4	30	Page 42
8.1%	10.6%	c. 10% ²	Page 59
10.55%	10.84%	>11%	Page 59
1.18%	1.07%	1.2% ²	Page 59
48.1%	47.4%	45-47%	Page 59
1.0%	1.0%	double digit	Page 60
11.1%	11.8%	>11.5%	Página 59
40%	40%	30-40%	Page 46-47
37	45	130 ⁴	Page 49
1.7	2.1	5 ⁴	Pages 48-51

Simple | Personal | Fair

Just as important as what we do is how we do it: Simple, Personal and Fair. This culture is based on our corporate behaviors.



I show respect



I truly listen



I talk straight



I keep promises



I actively encourage cooperation



I bring passion



I support people



I embrace change

The Santander brand

In 2017 we defined a strategy to evolve towards a brand which is more customer-focused, modern and digital, sustainable and committed to communities. Our brand positioning revolves around the idea that prosperity is created day by day. The evolution of global sport sponsorship responds to this strategy: we are entering a new phase in the UEFA Champions League.

The flame, which has been part of our logo since 1986, reflects our commitment to progress and is inspired by fire and what its discovery meant to human progress.



Risk culture: risk pro

Santander has a solid risk culture, called risk pro, which defines the way in which we understand and manage risks in our day-to-day activities. It is based on making all employees responsible for the risks they generate and its principles must be known and assimilated into the way of working throughout the Group.

risk pro

All the Santander team engaged in risk

94%

of employees recognize and are responsible for the risks in their daily work

1. Excluding Popular. / 2. 2015-2018 average. / 3. Except in the United States, where it will be close to our competitors. / 4. Total amount 2016-2018. / 5. 2016 and 2017 are calculated using underlying profit. RoTE on attributable profit was 10.4% in both years. / 6. Constant euros.

The Santander vision



Our purpose

To help people and businesses **prosper.**



Our aim

To be the **best retail and commercial bank**, earning the lasting loyalty of our people, customers, shareholders and communities.



A bank that is...

Simple | Personal | Fair

We are committed to generating growth in a sustainable, predictable and responsible manner.

Our strengths

1

We have **SCALE** and the potential to grow organically

- ▶ We are the leader in market share in five of our core markets. We are also in the top three in seven of those markets in terms of customer satisfaction.
- ▶ We have 133 million customers in markets with a total population of more than one billion.
- ▶ We have more than 17 million loyal customers and 25 million digital customers. This implies huge potential for organic growth through increased loyalty and digitalization.

Our critical mass gives us efficiency, sources of growth and new business opportunities.

POSITION OF BANCO SANTANDER IN MARKET SHARE IN LOANS

#1 SPAIN ARGENTINA ¹ PORTUGAL ¹ CHILE SCF	#3 BRAZIL ¹ MEXICO POLAND	
		#5 UK ² U.S. ³

1. Includes only private sector banks.

2. Mortgages, consumer and commercial loans.

3. Santander Bank market share in the States in which the Group operates.

to continue growing

2

PREDICTABLE GROWTH: diversification by country and business, which contributes higher profits in a more stable manner

- ▶ Our diversification by country and business allows us to maximize results throughout the cycle and it is the key to our positive performance.
- ▶ Geographically, we have a balanced distribution between mature markets (which provide stability), and developing markets (which fuel growth in revenue).
- ▶ By business, there is a good revenue mix between products for individuals, consumer finance, SMEs, companies and other products.

Our unique business model allows us to deliver better results with less volatility and higher growth.

Distribution of underlying profit
(%)



and to be successful in the long term

3

Focus on INNOVATION to increase customer loyalty and operational excellence

- ▶ Our technological transformation contributes to increase the number of loyal and digital customers.
- ▶ The digitalization of our commercial business allows us to offer our customers products and services that are more simple, personalized and modern. This increases customer satisfaction and loyalty.
- ▶ We have launched a wide array of initiatives at the bank, focusing on four main areas: blockchain, data, payments and services.

Our digital transformation is paying off: we have more digital customers and more digital transactions and sales.

Percentage of transactions and sales in digital channels
(%)



Glossary

This Annual Report is an exercise in transparency, containing relevant information for the Bank's different stakeholders about the institution's economic, environmental and social performance. With the goal of strengthening this aspect, we attach a glossary that explains technical terms contained in this report, so as to facilitate their comprehension.

ATM

Automated Teller Machine (ATM) is an electronic banking outlet, which allows customers to complete basic transactions without the aid of a branch representative or teller.

BACK OFFICE

The group of activities that support the business, like computer work, communications, accounting or human resource management.

BENCHMARK

Term used to refer to a level of quality that can be used as a standard when comparing products, services and processes in organizations that have the best practices and results in an area of interest.

CAPEX

CAPital EXpenditures. Refers to investments in fixed assets.

CORE CAPITAL

The basic capital of a Bank under Basel I.

COMEX

COMercio EXterior, Spanish lingo for international trade.

CORE DEPOSITS

Is the sum of demand and time deposits from retail customers.

DJSI CHILE

In 2015 arrived to Chile the first index with sustainable criteria managed

by S&P Dow Jones Indices, to certify and group Chilean companies that comply with environmental, social and corporate governance standards, and which are part of the IPSA, the principal stock index in the local market.

FACTORING

Financial tool that allows companies to transform assets into liquid resources, through the sale of a firm's accounts receivable to a financial institution known as a factor.

FAST TRACK

To accelerate a project's progress, with the goal of achieving more rapid results than usual.

FATCA

Acronym for Foreign Tax Compliance Act, a United States legislation that primarily aims to prevent tax evasion by U.S. taxpayers by using non-U.S. financial institutions and offshore investment instruments.

FED

Acronym for Federal Reserve. The Federal Reserve System is the central banking system of the United States.

MMFF

Acronym for Mutual Funds, which are pools of money from natural and legal persons (denominated participants or contributors) that are managed by an investment company on account and risk of participants.

FTSE4GOOD

Sustainability stock index created by the London Exchange in 2001. Incorporates traded companies from all over the world that comply with the index's established pre requisites, such as CSR (Corporate Social Responsibility) practices on environment, shareholder relations and human rights, based on the principles of responsible investment.

GREEN HOUSE GASES (GHG)

Gases whose presence in the atmosphere contribute to the green-house effect. The most known is CO₂ (carbon dioxide), although also participate methane (CH₄), nitrogen oxide (N₂O) and fluorinated gases.

GLOBAL REPORTING INITIATIVE (GRI)

Independent institution that created the first global standard of guidelines for the preparation of a sustainability report to promote compliance with certain characteristics, such as comparability, rigor, credibility, periodicity and verifiability.

CORE INCOME

Definition given by Santander to the sum of net interest income and net fee and commission income from one or more business segments.

ISO 14,001

International standard of environmental management systems to identify, prioritize and manage companies' environmental risks.

LEASING

A financial arrangement in which a person or company (the lessor) transfers the right to use an asset to a renter, in exchange for the payment of rental rates during a determined period of time, at the end of which the renter has the option to purchase the asset for a pre-arranged price, or turn it back to the lessor.

LOAN-TO-VALUE (LTV)

The ratio of money borrowed on a property to the property's fair market value.

MARK TO MARKET

Refers to accounting for the value of an asset or liability based on the current market price instead of book value.

MARKET MAKING

The process whereby a firm attached to the stock market engages in the buying and selling of financial securities such as stocks, shares, bonds and currencies, providing public bid and ask prices and thereby acts to establish a market price for these securities at all times.

MATERIALITY

Process established by the GRI to define the content of sustainability reports. Covers a wide variety of activities of internal and external information collection in order to establish the most significant aspects to be included: significant economic, environmental and social impacts, or those that have a substantial weight in stakeholder's assessments and decisions.

NEOCR

Santander's Customer Relationship Management platform that consolidates customer's information and significantly simplifies client portfolio management, speeding up attention and facilitating commercial work.

OCDE

The Organization for Economic Cooperation and Development

(OECD) is an intergovernmental economic organization with 35 member countries founded to stimulate economic development and world trade. Members are committed to democracy and the market economy. The OECD represents 80% of the world's GDP. On May 7th, 2010 Chile became the first South American country to be part of this organization.

SDG

The United Nation's Sustainable Development Goals (SDG) are fruit of the agreement reached by the U.N.'s member-states and are composed of a declaration, 17 Sustainable Development Goals (SDG) and 169 targets. Member-states have agreed to try to reach them by 2030, in a universal call to adopt measures to eradicate poverty, protect the planet and guarantee that all people enjoy peace and prosperity.

THIRD SECTOR ORGANIZATIONS

Group of entities (associations, foundations, and NGOs among others) which are not public and are not-for-profit. They undertake social action projects or defend collective interests of any kind. These entities complement the other two sectors, public and private.

GLOBAL COMPACT

United Nation's instrument, announced in 1999 by U.N.'s secretary general Kofi Annan at the World Economic Forum (Davos). Is part of the initiatives oriented to pay attention to globalization's social dimension. Consists of Ten Principles, which cover the human rights, labor regulation, environment and fight against corruption areas (for more details see <http://www.unglobalcompact.org>).

EQUATOR PRINCIPLES

International initiative whose guidelines serve financial institutions to determine, evaluate and manage the risks of social and environmental projects. In 2013 the third version (EPIII) was launched, which increased the emphasis on human rights, climate change and transparency.

SELECT

Banco Santander's high-income individuals customer segment.

PROPYME SEAL

Created by the Ministry of Economics in 2011 to acknowledge those large companies -with at least 5% of SME suppliers- that pay invoices to smaller firms in thirty days or less.

SOFT COMMODITY

Soft commodities, or softs, are commodities such as coffee, cocoa, sugar, corn, wheat, soybean, fruit and livestock. Generally refers to commodities that are grown, rather than mined.

SPREAD

The difference between two interest rates.

STAKEHOLDER

A person, group or organization that has interest or concern in an organization. It can either affect or be affected by the business. The primary stakeholders in a typical corporation are its investors, employees, customers and suppliers.

UF

A system used to express the adjustability or adjusted value of a currency, depending on inflation, authorized and administered by the Central Bank of Chile.

VOLCKER RULE

The banking system reform law passed in Barack Obama's government in the United States in 2010. Its name is in honor of Paul Volcker, former president of the Federal Reserve (FED).

WORKFLOW

A workflow consists of an orchestrated and repeatable pattern of business activity enabled by the systematic organization of resources into processes that transform materials, provide services, or process information.

General information

IDENTIFICATION OF THE COMPANY

Banco Santander Chile was incorporated 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 Superintendency 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 denomination or legal name change from Banco de Santiago to Banco Santiago, together with the merger with former Banco

O'Higgins, the legal dissolution of the latter and the quality of Banco Santiago as legal successor of said bank, appear in Resolution N° 6 of the SBIF on January 9, 1997 and the legal publications in the Official Gazette on January 11, 1997, which were duly protocolized 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, whose minutes were reduced to public deed on July 19, 2002 at the Notary Office of Nancy de la Fuente in Santiago, in which were approved the merger between Banco Santander Chile and Banco Santiago through the incorporation of the former into the latter, acquiring the latter the assets and liabilities of the former, and an agreement for the anticipated dissolution of Banco Santander Chile and the name change of Banco Santiago for 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.

Afterwards, an Extraordinary Shareholders' Meeting held on April 24, 2007, whose minutes were reduced 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 aforementioned 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, whose minutes were reduced 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 by-laws and the approvals of the SBIF, among others, reduced the number of regular Board members from 11 to 9 (maintaining two alternate directors), eliminated the possibility of using the legal names Banco Santander Santiago or Santander Santiago and defined an updated version of its by-laws.

RISK FACTORS

Given the company's banking business nature, there are some risk factors that may affect the institution. Among them:

CHILEAN ECONOMY

A substantial part of the Bank's customers operate in Chile, hence an adverse change in the local economy could have a negative impact over the company's results and financial condition in terms of delinquency levels and loan portfolio growth. It's important to note that the Bank's credit risk is monitored by the SBIF. The Bank also has a Credit Risk area which has developed norms and strict guidelines to minimize a possible impact on the organization if an increase in delinquency levels were to happen due to an adverse change in the local economy.

This area is completely independent from the commercial areas, with

a control over loans from the admission process. As well, the Bank has a special monitoring section to detect in early stages any deterioration and undertake a correct monitoring of the loan portfolio.

Finally, if it were the case, the Bank has established mechanisms to recuperate non-performing or charged-off loans.

MARKET RISKS

Given its line of business, the company is exposed to market risks, which are defined as the effects over the Bank's financial condition that significant fluctuations in interest rates, inflation and exchange rates may generate. The Bank has a specialized area dedicated to minimize these risks with strict limits on net positions in foreign currency, UF and nominal pesos as well as other models that measure the Bank's sensibility to changes in the exchange rate and interest rates.

These limits are revised bi-weekly by Board members and the Bank's senior management in a specialized committee, and its measurement is conducted by an area independent of the commercial divisions. Also, the Bank has implemented warning systems and action plans in case that the internal or the regulatory limits are exceeded.

Finally, the General Banking Law and the Central Bank of Chile have established regulation to limit the Bank's exposure to these factors.

EVENTS IN OTHER COUNTRIES

Asset prices in Chile, including banks, are influenced to a certain extent by economic, political and social events in other countries in Latin America, the United States and the large economies in Asia and Europe. The latter is due to the indirect effect that may impact local economic growth and the companies that invest in those countries, and thus on the Bank's financial condition.

RESTRICTIONS TO THE BANKING BUSINESS OR CHANGES IN BANKING REGULATION

The Chilean banking industry, as is the case in most developed countries, is highly regulated. In particular, the local banking industry is subject to norms and regulations imposed by the General Banking Law, by the

Ley de Sociedades Anónimas, the SBIF and the Central Bank of Chile. Thus, future amendments to these laws or the norms imposed by these organizations may have an adverse effect over the Bank's financial condition or restrict the entrance to new lines of business.

RISKS ASSOCIATED TO THE BANKING BUSINESS

The Bank has oriented its business towards retail segments, as it believes it's where it can obtain a better profitability. Thus, approximately 69% of the Bank's loans correspond to Individuals and SMEs. The current business strategy aims to grow selectively in these segments. For this reason it should be expected that current delinquency levels and charge-offs may increase in the future.

The Bank's business strategy is closely related to the local and global economic situation, and hence adapts constantly to changes in the environment so as to allow the Bank to benefit from business opportunities that may arise, as well as take shelter from potential threats.

Another important aspect to be considered is the increase in the number of non-bank competitors, which is more evident on consumer loans. This way retailers and supermarkets, among others, have increased their presence in this business, trend that is expected to continue in the future. For this reason, consolidation in the industry should lead to larger and more relevant competitors.

OTHER OPERATIONAL RISKS

The Bank, as any large organization, is exposed to a variety of operational risks, including fraud, internal control failures, incorrect manipulation or loss of documents, information systems failures and employee mistakes. It should be noted that, in order to minimize these risks, the Bank has a specialized area, the Operational Risk Department, and the support of Internal Audit which acts independently and reports directly to the Audit Committee.

SIGNIFICANT EVENTS

During 2017, Banco Santander Chile informed as significant events the following:

1. On January 10, at the Extraordinary Shareholders' Meeting held on January 9, 2017, agreements were reached approving the following:
 - a. Change the Bank's legal name, only in the sense of eliminating the possibility of using the names Banco Santander Santiago or Santander Santiago;
 - b. Reduce the number of regular Board members from 11 to 9, maintaining two alternates.

- c. Update share capital to \$891,302,881,691, which includes \$215,394,964,605 corresponding to the revaluation of the Bank's share capital, accumulated between January 1, 2002 and December 31, 2008;
 - d. Suppress the First Transitory clause of the Bank's by-laws regarding the effects of the merger by absorption of former Banco Santander with Banco Santiago, today Banco Santander Chile;
 - e. Modify other social aspects of the by-laws to adequate them to current regulation;
 - f. Considering the changes in the previous figures, an updated version of the Bank's by-laws was approved;
 - g. Granting of the necessary powers of attorney necessary to fulfill the agreements adopted at the meeting.
2. On March 17 is informed that at its ordinary meeting on March 16, 2017 the Board agreed to summon an Ordinary Shareholders' Meeting to be held on April 26, 2017 with the purpose of discussing, among other matters, the proposal to distribute a dividend of \$1.75459102 per share, equivalent to 70% of the attributable net income of the 2016 exercise, and assign the remaining balance to increase the Bank's reserves.
 3. On April 27, 2017 is informed that on the Ordinary Shareholders'

Meeting held on April 26, 2017 the following persons were elected as Board members: Mr. Vittorio Corbo Lioi, Mr. Óscar von Chrismar Carvajal, Mr. Roberto Méndez Torres, Ms. Ana Dorrego de Carlos, Mr. Andreu Plaza López, Mr. Juan Pedro Santa María Pérez, Ms. Lucía Santa Cruz Sutil, Mr. Orlando Poblete Iturrate and Mr. Roberto Zahler Mayanz. As well, Ms. Blanca Bustamante Bravo and Mr. Raimundo Monge Zegers were elected as alternate directors.

4. On May 3, is informed that on an extraordinary meeting held on April 28, 2017, the Board agreed to designate Mr. Vittorio Corbo Lioi as Chairman, Mr. Óscar von Chrismar Carvajal as first Vice president and Mr. Roberto Méndez Torres as second Vice president.

OPERATIONS WITH RELATED PARTIES COMMUNICATED AS SIGNIFICANT EVENTS

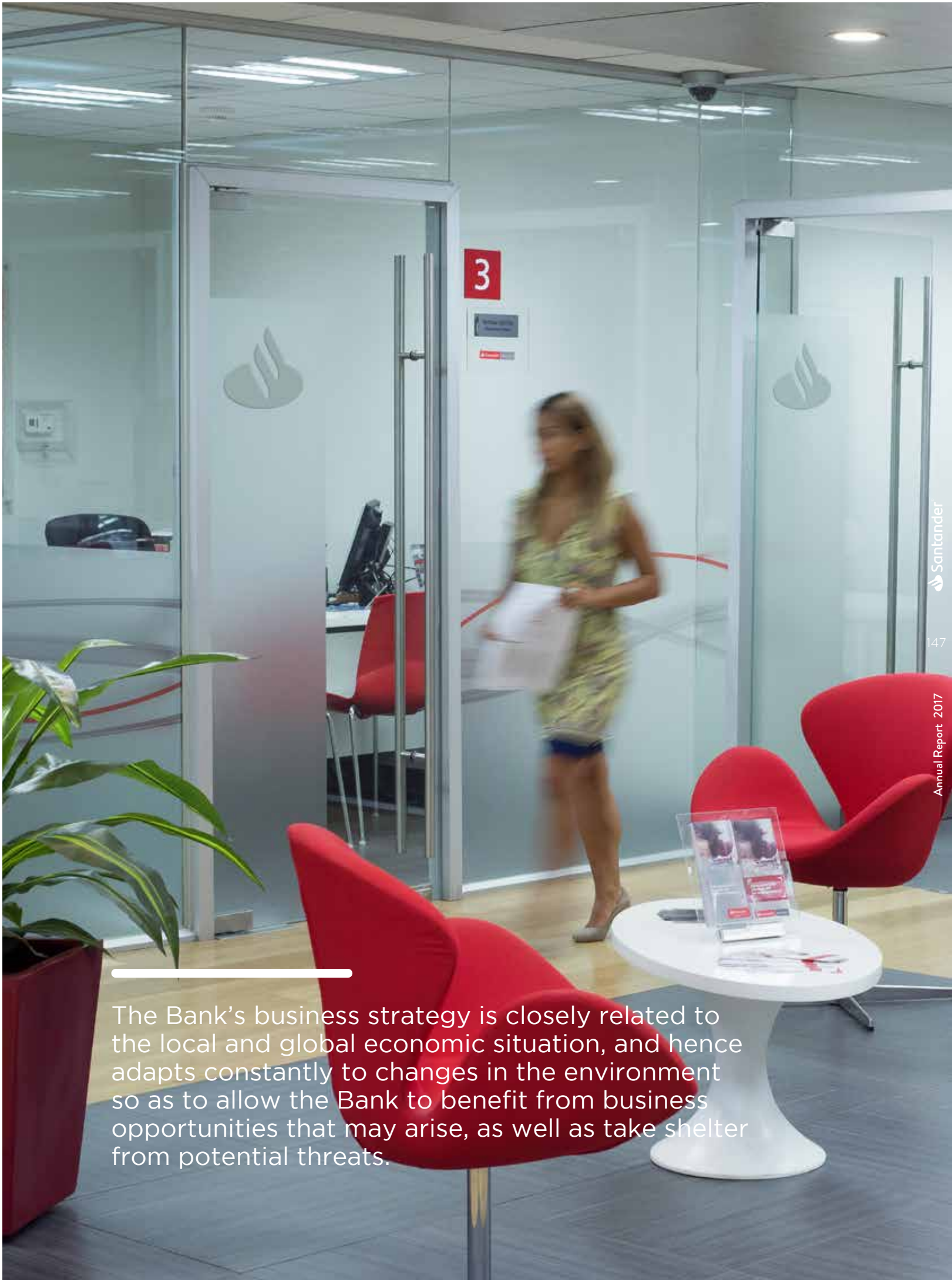
Operations with related parties are mainly technology contracts with Isban Spain, Produban Mexico, Produban Spain, Produban Brasil and Isban Mexico, for the maintenance of the Bank's systems and the development of certain applications. Santander Group has a common IT architecture and platforms for all the organization at a worldwide and regional level, which implies synergies and higher security on the development of products, in the maintenance of systems and in data processing. All

contracts with these companies are first reviewed by the Audit Committee, which watches that these are fair for all involved parties. For this, the committee counts with reports from the Bank's specialized areas and also from independent entities, as well as external advise contracted directly by the committee.

The main services contracted from these Group "factories" are the following:

1. On January 18 is informed that on a meeting held on January 17, 2017 the Board approved the following operation:
 - a. With Isban, contract for the provision of technological services for the development of the SME Financing Customer Journey project, Wallet Corporate Solution and Quality Controls for MIS data.
2. On March 17 is informed that on a meeting held on March 16, 2017 the Board approved the following operations:
 - a. With Geoban, contract for the development of project Quality Controls for MIS local RDA operational data;
 - b. With Isban, contract for the development of the following projects: Santander Te Acompaña; warnings distribution and debugging criteria; Murex improvements; massive transfers in the corporate payment system; Santander Flame and Basel 2017;

- c. With Produban, contract for the following projects: Basel 2017 storage; Accounting Reconciliation integrated engine; Santander Flame; additional protection against service denial (Prolexic); protection against Phishing (CyberRisk Surveillance); and Big Data storage and infrastructure expansion.
3. On April 21, 2017 is informed that on a meeting held on April 11, 2017 the Board approved the following operations:
- a. With Isban, contract for the provision of technological services for the following projects: improvements to the Datalake-2017 intake component; Supra Core for Datalake Chile; RDA-Local Risk Appetite 2017; Intranet Support 2017; and Asset Control Platform New Functionalities;
- b. With Produban, contract for the provision of technological services for On Premise storage and IFRS 9 Infrastructure.
4. On May 17 is informed that on a meeting held on May 16, 2017, the Board approved the following operations:
- a. Isban Spain, contracts for the provision of technological services for Delegated Execution and BAU-2017 Transfer; for Declaración Jurada 1848 for Custody; and for AERO Platform Incorporation of Operating Processes;
- b. Santander Analytics S.A., contract for the provision of technological services for Independent Model Construction and Validation.
5. On June 21 is informed that on a meeting held on June 20, 2017 the Board approved the following operations:
- a. Isban Spain, contract for the provision of technological services for the following projects: Kalos 2017 Project; Model Risk; Logos Project; Verum Project; Advisory Improvements Project; Functional Improvements NEO CRIS; Rorac Project; CVA Motor Project; Heracles Project and for Processing Platform.
6. On July 19 is informed that on a meeting held on July 18, 2017 the Board approved the following operations:
- a. Isban, contract for the provision of technological services for Account Statements with Security Key Project, for the implementation of CODCON system, for the implementation of OPERA system, for the implementation of APAMA system, for EMIR Project, for corporate BAU Tallyman Project and for Fundamental Review of Trading (FTRB) Project;
- b. Produban, contract for the provision of technological services for Accord 2017 replacement Project;
- c. Banco Santander S.A., contract for the provision of technological services for Santander Toms Project.
7. On September 27 is informed that on a meeting held on September 26, 2017 the Board approved the following operations:
- a. Isban, contract for the provision of technological services for Recovery Movements Improvement Project, Portfolio Management Project (former Elite Portfolio) Phases II and III, Card Upgrade Project, BBOO TEF and Bilateral Contingency Automation Project, Foreign Currency Massive Payments Project (USD-EUR) and deferred TEF Issuance Project.
8. On October 18 is informed that on a meeting held on October 17, 2017 the Board approved the following operations:
- a. Isban, contract for the provision of technological services for N1 N2 Support Corporate Payment System Project, Files Projects, Intranet Key Reset Project, Window Frame Handover Project, White and Customer Exception Lists Maintenance Project, Appraisal System New Functionalities Project, Mutual Fund Contract Maintainer Project, State Endorsed Credit (CAE) Project and Fund Segregation Phase III Project.
9. On December 20 is informed that on a meeting held on December 19, 2017 the Board approved the following operations:
- a. Produban Spain, contract for the provision of technological services for Privileged Account-CyberArk Management Project;
- b. Banco Santander S.A., for the purchase of the technological services development local business unit Isban Chile and agreement for services provided by Banco Santander S.A. to different areas of Banco Santander Chile.



The Bank's business strategy is closely related to the local and global economic situation, and hence adapts constantly to changes in the environment so as to allow the Bank to benefit from business opportunities that may arise, as well as take shelter from potential threats.

About this Annual Report

This Annual Report gives an account of Banco Santander Chile's performance on its diverse areas between January 1 and December 31, 2017.

148

The information published covers the operations of Retail Banking, Middle-market Banking and Santander Global Corporate Banking, and include Santander Group's corporate policies and global figures. The latter are presented in Euros, while figures regarding operations in the country are expressed in Chilean pesos.

In the reported year there were no significant changes in size, structure or in Banco Santander Chile's ownership; as well as in calculation methods and preparation basis or criteria. Those which occurred in previous periods, reflected in figures, have been fully mentioned in tables and charts.

As is explained in chapter "Sustainability at Santander Chile" (pg. 52), this document has been prepared in accordance with the principles and requirements from Global Reporting Initiative's G4 guide, including the Financial Sector Supplement, and corresponds to the "essential" category.

GRI G4 Indicators



GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
STRATEGY AND ANALYSIS				
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	14		
G4-2	Provide a description of key impacts, risks, and opportunities.	11, 36, 143		
ORGANIZATIONAL PROFILE				
G4-3	Report the name of the organization.	142, 164		
G4-4	Report the primary brands, products, and services.	4-5, 47-49		
G4-5	Report the location of the organization's headquarters.	164		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	134		
G4-7	Report the nature of ownership and legal form.	142		
G4-8	Report the markets served (including geographical breakdown, sectors served, and types of customers and beneficiaries).	134		
G4-9	Report the scale of the organization, including: • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products and services provided	5		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-10	<p>a.Report the total number of employees by employment contract and gender.</p> <p>b.Report the total number of permanent employees by employment type and gender.</p> <p>c.Report the total workforce by employees and supervised workers and by gender.</p> <p>d.Report the total workforce by region and gender.</p> <p>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>f.Report any significant variations in employment numbers.</p>	101	Principle 6	
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	101	Principle 3	
G4-12	Describe the organization's supply chain.	120		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	115		No changes regarding these items during 2017.

COMMITMENTS TO EXTERNAL INITIATIVES

G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	57, 70		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	57		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position in the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic. 	57		

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	<p>a.List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b.Report whether any entity in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p>	Annual Report, 89 States		
G4-18	<p>a.Explain the process for defining the reported content and the Aspect Boundaries.</p> <p>b.Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>	55		
G4-19	List all material Aspects identified in the process for defining report content.	55		
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	55		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	55		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.			No reformulations during the reported period.
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.			No significant changes during the reported period.

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
STAKEHOLDER ENGAGEMENT				
G4-24	Provide a list of stakeholder groups engaged by the organization.	53		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	53		
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	54		
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	55		
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.			January 1, 2017 to December 31, 2017.
G4-29	Date of most recent previous report (if any).			April 2017.
G4-30	Reporting cycle (such as annual, biennial).			Annual.
G4-31	Provide the contact point for questions regarding the report or its contents.	164		
GRI CONTENT INDEX				
G4-32	a.Report the 'in accordance' option the organization has chosen. b.Report the GRI Content Index for the chosen option. c.Report the reference to the External Assurance Report, if the report has been externally assured.	a.Pg. 148 b.Pgs. 149-159 c.There was no verification.		
ASSURANCE				
G4-33	a.Report the organization's policy and current practice with regard to seeking external assurance for the report. b.If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c.Report the relationship between the organization and the assurance providers. d.Report whether the highest government body or senior executives are involved in seeking assurance for the organization's sustainability report.			Santander has not conducted any process of external verification.
GOVERNANCE				
GOVERNANCE STRUCTURE AND COMPOSITION				
GR-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	20-21, 26-31, 34-35		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	28-31, 34-35, 67		
G4-38	Report the composition of the highest governance body and its committees.	28-30, 67		
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	29		
G4-40	Describe the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	28, 31, 145		
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	32, 68, 145		
HIGHEST GOVERNANCE BODY'S ROLE IN SETTING PURPOSE, VALUES, AND STRATEGY				
G4-42	Report the highest governance body's senior executive's role in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	28, 34		
G4-44	a.Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b.Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including as a minimum, changes in membership and organizational practices.	12, 28, 29, 31-34		
HIGHEST GOVERNANCE BODY'S ROLE IN RISK MANAGEMENT				
G4-45	a.Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b.Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social impacts, risks, and opportunities.	26-30, 63-64, 70		
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	28-30, 70		
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	29, 30		
REMUNERATION AND INCENTIVES				
G4-51	a.Report the remuneration policies for the highest governance body and senior executives. b.Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	33,34		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-52	Report the processes for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	33, 34		
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	33, 34		
ETHICS AND INTEGRITY				
G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	35,42-43,46,68-69,71	Principle 10	
ASPECT: ECONOMIC PERFORMANCE				
G4-DMA	Material aspect: Economic performance	72-91		
G4-EC1	Direct economic value generated and distributed	122		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	98	Principle 6	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	121		
CATEGORY: ENVIRONMENTAL				
G4-DMA	Aspect material: Environmental management.	132		
MATERIALS				
G4-EN1	Materials used by weight or volume.	4, 132	Principles 7 and 8	
ENERGY				
GR-EN3	Energy consumption within the organization.	4, 132	Principles 7 and 8	
G4-EN6	Reduction of energy consumption.	4, 132	Principles 8 and 9	
EMISSIONS				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	4, 132	Principles 7 and 8	
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	4, 132	Principles 8 and 9	
EFFLUENTS AND WASTE				
G4-EN23	Total weight of waste by type and disposal method.	4, 132	Principle 8	Partially informed, as type and method of treatment is not informed.
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
EMPLOYMENT				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	101	Principle 6	

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	100		
LABOR/MANAGEMENT RELATIONS				
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.		Principle 3	Banco Santander does not have a policy related to this aspect. However, important changes in the organization are communicated with anticipation.
OCCUPATIONAL HEALTH AND SAFETY				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender.	101		
TRAINING AND EDUCATION				
GR-DMA	Material aspect: Human capital development	95		
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	96	Principle 6	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	95, 96		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	94	Principle 6	
DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA	Material aspect: Promotion of diversity and inclusion.	99		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender are group, minority group membership, and other indicators of diversity.	101	Principle 6	Partially reported because there is no breakdown of minorities.
SUB-CATEGORY: HUMAN RIGHTS				
NON-DISCRIMINATION				
G4-HR3	Total number of incidents of discrimination and corrective actions taken.		Principle 6	In 2017 no discrimination incidents or related complaints were registered. In addition, Banco Santander counts with two documents that treat these issues: Santander Group's General Human Rights Policy and the General Code of Conduct. Also adheres to the Global Compact Principles, in which are included the commitment to respect and support the protection of fundamental human rights universally recognized.
SUB-CATEGORY: SOCIETY				
ANTI-CORRUPTION				
GR-DMA	Material aspect: Risk management.	58-64		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
CUSTOMER HEALTH AND SAFETY				
G4-DMA	Material aspect: Customer satisfaction.	103-104		
PRODUCT AND SERVICE LABELING				
G4-PR5	Results of surveys measuring customer satisfaction.	103-104		
CUSTOMER PRIVACY				
G4-DMA	Material aspect: Cybersecurity and protection of information.	50		
COMPLIANCE				
G4-PR9	Monetary value of significant fine for non-compliance with laws and regulations concerning the provision and use of products and services.			There were no fines on this scope during the year.
FINANCIAL SUPPLEMENT				
PRODUCT PORTFOLIO				
FS1	Policies with specific environmental and social components applied to business lines.	70		
FS2	Procedures for assessing and screening environmental and social risks in business lines.	70, 131, 133		
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.			To raise awareness and spread the content of the policies, a training session was held on October, taught by an external advisor on this issue.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.			In 2016 the Group's Internal Audit Area conducts a review of the sustainability function to assess, among other aspects, the degree of compliance with social responsibility and environmental policies, which include the review of the Equator Principles as well as other additional procedures for risk evaluation about specific sectors.
ACTIVE OWNERSHIP				
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.			Santander Group does not have formal voting policies regarding social and/or environmental aspects for entities for which it has voting rights or acts as an advisor. Santander Empleados Pensiones fund does have a formal voting policy regarding social and environmental aspects, for shareholder meetings of entities over which it has voting rights.

Financial statements



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Banco Santander Chile:

We have conducted an audit to the attached consolidated financial statements of Banco Santander Chile and its subsidiaries, which include the consolidated financial situation statements as of December 31, 2017 and 2016 and the corresponding consolidated income statements, integral results statements, changes in equity and cash flow statements for the years ended on said dates, as well as the corresponding notes on the consolidated financial statements.

RESPONSIBILITY OF MANAGEMENT OVER THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and reasonable presentation of these consolidated financial statements in accordance to the accounting rules and regulations and instructions given by the Superintendency of Banks and Financial Institutions. This responsibility includes the design, implementation and maintenance

of pertinent internal control for the preparation and reasonable presentation of consolidated financial statements that are exempt of material misstatement, whether due to error or fraud.

RESPONSIBILITY OF THE AUDITOR

Our responsibility consists in expressing our opinion about these consolidated financial statements based on our audits. We conduct our audits in accordance to generally accepted audit rules and regulations in Chile. These rules and regulations require that we plan and perform our work with the goal to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the consolidated financial statements. The selected procedures depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. When performing these assessments, the auditor takes into account the pertinent internal control for the preparation and reasonable presentation of

the entity's consolidated financial statements, with the purpose of designing appropriate audit procedures given circumstances, but without the purpose of expressing an opinion about the effectiveness of the entity's internal control. In consequence, we do not express such an opinion. An audit also includes evaluating the accounting principles used and the reasonability of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We consider that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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, 2017 and 2016, and the results of their operations and their cash flows for each of the two years ended on said dates in conformity with accounting rules and regulations and instructions given by the Superintendency of Banks and Financial Institutions.

February 26, 2018
Santiago, Chile

Roberto J. Villanueva B.
RUT: 7.060.344-6

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
BANCO SANTANDER CHILE AND SUBSIDIARIES

As of and for the periods ended:

		December 31,	
	NOTE	2017 MM\$	2016 MM\$
ASSETS			
Cash and deposits in Banks	4	1,452,922	2,279,389
Cash items in process of collection	4	668,145	495,283
Trading investments	5	485,736	396,987
Investments under resale agreements	6	-	6,736
Financial derivative contracts	7	2,238,647	2,500,782
Interbank loans, net	8	162,599	272,635
Loans and accounts receivable from customers, net	9	26,747,542	26,113,485
Available-for-sale investments	10	2,574,546	3,388,906
Investments held-to-maturity		-	-
Investments in associates and other companies	11	27,585	23,780
Intangible assets	12	63,219	58,085
Property, plant and equipment	13	242,547	257,379
Current taxes	14	-	-
Deferred taxes	14	385,608	372,699
Other assets	15	755,183	840,499
TOTAL ASSETS		35,804,279	37,006,645
LIABILITIES			
Deposits and other demand liabilities	16	7,768,166	7,539,315
Cash items in process of being cleared	4	486,726	288,473
Obligations under repurchase agreements	6	268,061	212,437
Time deposits and other time liabilities	16	11,913,945	13,151,709
Financial derivative contracts	7	2,139,488	2,292,161
Interbank borrowings	17	1,698,357	1,916,368
Issued debt instruments	18	7,093,653	7,326,372
Other financial liabilities	18	242,030	240,016
Current taxes	14	6,435	29,294
Deferred taxes	14	9,663	7,686
Provisions	20	324,329	308,982
Other liabilities	21	745,363	795,785
TOTAL LIABILITIES		32,696,216	34,108,598
EQUITY			
Attributable to equity holders of the Bank:			
Capital	23	3,066,180	2,868,706
Reserves	23	891,303	891,303
Valuation adjustments	23	1,781,818	1,640,112
Retained earnings		(2,312)	6,640
Retained earnings		395,371	330,651
Retained earnings from previous years		-	-
Income for the year		564,815	472,351
Minus: provision for mandatory dividends	23	(169,444)	(141,700)
Non-controlling interest	25	41,883	29,341
TOTAL EQUITY		3,108,063	2,898,047
TOTAL LIABILITIES AND EQUITY		35,804,279	37,006,645

The attached note between N° 01 and 39 are an integral part of these consolidated statements.

CONSOLIDATED INCOME STATEMENTS
BANCO SANTANDER CHILE AND SUBSIDIARIES

As of and for the periods ended:

		December 31,	
	NOTE	2017 MM\$	2016 MM\$
OPERATING INCOME			
Interest income	26	2,058,446	2,137,044
Interest expense	26	(731,755)	(855,678)
Net interest income		1,326,691	1,281,366
Fee and commission income	27	455,558	431,184
Fee and commission expense	27	(176,495)	(176,760)
Net fee and commission income		279,063	254,424
Net income (expenses) from financial operations	28	2,796	(367,034)
Net foreign exchange gain (loss)	29	126,956	507,392
Other operating income	34	87,163	18,299
Net operating profit before provisions for loan losses		1,822,669	1,694,447
Provision for loan losses	30	(299,205)	(343,286)
NET OPERATING PROFIT		1,523,464	1,351,161
Personnel salaries and expenses	31	(396,967)	(395,133)
Administrative expenses	32	(230,103)	(226,413)
Depreciation and amortization	33	(77,823)	(65,359)
Impairment of property, plant and equipment	33	(5,644)	(234)
Other operating expenses	34	(96,014)	(85,198)
Total operating expenses		(806,551)	(772,337)
OPERATING INCOME		716,913	578,824
Income from investment in associates and other companies	11	3,963	3,012
Income before tax		720,876	581,836
Income tax expenses	14	(143,613)	(107,120)
NET INCOME FOR THE YEAR		577,263	474,716
Attributable to:			
Equity holders of the Bank		564,815	472,351
Non-controlling interest	25	12,448	2,365
Earnings per share attributable to Equity holders of the Bank:			
Basic earnings	23	2,997	2,507
Diluted earnings	23	2,997	2,507

The attached note between N° 01 and 39 are an integral part of these consolidated statements.

CONTACT DETAILS

ROBERTO SAPAG

Manager Corporate
Communications and Sustainability
roberto.sapag@santander.cl

ROBERT MORENO

Manager Investor Relations
robert.moreno@santander.cl

CONSUELO ALVEAR

Vice president Sustainability
consuelo.alvear@santander.cl

PEDRO GALLARDO

Vice president
Shareholder Relations
accionistas@santander.cl

SHAREHOLDER ATTENTION

From Chile: (2) 2 320 2222
From abroad: (56 2) 2 320 2222

160

CUSTOMER ATTENTION SERVICE

VOX
(600) 320 3000

CUSTOMER ADVOCACY

www.defensoriadelclienteabif.cl

BANCO SANTANDER CHILE

97.036.000-K
Bandera 140, Santiago, Chile
www.santander.cl

PRODUCTION

CAROLINA FONCK

carolina@fonck.cl

EDICIONES DE LA LUMBRE

www.edicionesdelalumbre.cl

DIOSLASCRIA DISEÑO

www.dioslascria.cl

www.santander.cl

