FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

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

Commission File Number: 001-14554

Banco Santander Chile
Santander Chile Bank

(Translation of Registrant's Name into English)

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

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

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

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

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

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

SIGNATURE

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

BANCO SANTANDER-CHILE

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

Date: March 29, 2016

Exhibit 99.1

CONSOLIDATED FINANCIAL STATEMENTS 2015

Banco Santander Chile

Santander

CONTENT

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Banco Santander Chile

We have audited the accompanying consolidated financial statements of Banco Santander Chile and its subsidiaries (the "Bank"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of income, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions.

Emphasis of matter

As indicated in Note 20 to the consolidated financial statements and in accordance with the provisions of Chapter B-1 Compendium of Accounting Standards of the Superintendency of Banks and Financial Institutions, the Bank has recorded additional provisions for loan losses of MM $ 35,000 charged to results of operations for the year ended December 31, 2015.

Other matters

The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

Deloitte

January 18, 2016
Santiago, Chile

Banco Santander Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTE	As of December 31, 2015 MCh$	2014 MCh$
ASSETS			
Cash and deposits in banks	4	2,064,806	1,608,888
Cash items in process of collection	4	724,521	531,373
Trading investments	5	324,271	774,815
Investments under resale agreements	6	2,463	-
Financial derivative contracts	7	3,205,926	2,727,563
Interbank loans, net	8	10,861	11,918
Loans and accounts receivables from customers, net	9	24,535,201	22,179,938
Available for sale investments	10	2,044,411	1,651,598
Held to maturity investments		-	-
Investments in associates and other companies	11	20,309	17,914
Intangible assets	12	51,137	40,983
Property, plant, and equipment	13	240,659	211,561
Current taxes	14	-	2,241
Deferred taxes	14	331,714	282,211
Other assets	15	1,097,826	493,173
TOTAL ASSETS		**34,654,105**	**30,534,176**
LIABILITIES			
Deposits and other demand liabilities	16	7,356,121	6,480,497
Cash items in process of being cleared	4	462,157	281,259
Obligations under repurchase agreements	6	143,689	392,126
Time deposits and other time liabilities	16	12,182,767	10,413,940
Financial derivative contracts	7	2,862,606	2,561,384
Interbank borrowing	17	1,307,574	1,231,601
Issued debt instruments	18	5,957,095	5,785,112
Other financial liabilities	18	220,527	205,125
Current taxes	14	17,796	1,077
Deferred taxes	14	3,906	7,631
Provisions	20	329,118	310,592
Other liabilities	21	1,045,869	220,853
TOTAL LIABILITIES		**31,889,225**	**27,891,197**
EQUITY			
Attributable to the Bank's shareholders:		**2,734,699**	**2,609,896**
Capital	23	891,303	891,303
Reserves	23	1,527,893	1,307,761
Valuation adjustments	23	1,288	25,600
Retained earnings		**314,215**	**385,232**
Retained earnings from prior years		-	-
Income for the period		448,878	550,331
Minus: Provision for mandatory dividends	23	(134,663)	(165,099)
Non-controlling interest	25	**30,181**	**33,083**
TOTAL EQUITY		**2,764,880**	**2,642,979**
TOTAL LIABILITIES AND EQUITY		**34,654,105**	**30,534,176**

Banco Santander Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the years ended

	NOTE	For the years ended December 31, 2015 MCh$	2014 MCh$
OPERATING INCOME			
Interest income	26	2,085,988	2,227,018
Interest expense	26	(830,782)	(909,914)
Net interest income		**1,255,206**	**1,317,104**
Fee and commission income	27	402,900	366,729
Fee and commission expense	27	(165,273)	(139,446)
Net fee and commission income		**237,627**	**227,283**
Net profit (loss) from financial operations (net trading profit/ loss)	28	(457,897)	(151,323)
Net foreign exchange gain (loss)	29	603,396	272,212
Other operating income	34	15,642	14,834
Net operating profit before provision for loan losses		**1,653,974**	**1,680,110**
Provision for loan losses	30	(413,694)	(374,431)
NET OPERATING PROFIT		**1,240,280**	**1,305,679**
Personnel salaries and expenses	31	(387,063)	(338,888)
Administrative expenses	32	(220,531)	(205,149)
Depreciation and amortization	33	(53,614)	(44,172)
Impairment of property, plant, and equipment	33	(21)	(36,664)
Other operating expenses	34	(54,197)	(81,108)
Total operating expenses		**(715,426)**	**(705,981)**
OPERATING INCOME		**524,854**	**599,698**
Income from investments in associates and other companies	11	2,588	2,165
Income before tax		**527,442**	**601,863**
Income tax expense	14	(75,301)	(45,552)
NET INCOME FOR THE YEAR		**452,141**	**556,311**
Attributable to:			
Equity holders of the Bank		448,878	550,331
Non-controlling interest	25	3,263	5,980
Earnings per share attributable to equity holders of the Bank :			
(expressed in Chilean pesos)			
Basic earnings	23	2.382	2.920
Diluted earnings	23	2.382	2.920

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Banco Santander Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
For the years ended

	NOTE	December 31, 2015 MCh$	December 31, 2014 MCh$
NET INCOME FOR THE YEAR		**452,141**	**556,311**
OTHER COMPREHENSIVE INCOME - ITEMS WHICH MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Available for sale investments	10	(28,777)	20,844
Cash flow hedge	23	(2,099)	18,982
Other comprehensive income which may be reclassified subsequently to profit or loss, before tax taxes		**(30,876)**	**39,826**
Income tax related to items which may be reclassified subsequently to profit or loss	14	6,462	(8,289)
Other comprehensive income for the year which may be reclassified subsequently to profit or loss, net of tax		**(24,414)**	**31,537**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**427,727**	**587,848**
Attributable to:			
Equity holders of the Bank		424,566	581,895
Non-controlling interests	25	3,161	5,953

Banco Santander Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014

		RESERVES		VALUATION ADJUSTMENTS			RETAINED EARNINGS					
	Capital MCh$	Reserves and other retained earnings MCh$	Effects of merger of companies under common control MCh$	Available for sale investments MCh$	Cash flow hedge MCh$	Income tax effects MCh$	Retained earnings of prior years MCh$	Income for the year MCh$	Provision for mandatory dividends MCh$	Total attributable to shareholders MCh$	Non-controlling interest MCh$	Total Equity MCh$
Equity as of December 31, 2013	**891,303**	**1,133,215**	**(2,224)**	**802**	**(8,257)**	**1,491**	**-**	**441,926**	**(132,578)**	**2,325,678**	**28,504**	**2,354,182**
Distribution of income from previous period	-	-	-	-	-	-	**411,926**	**(411,926)**	-	-	-	-
Equity as of January 1, 2014	**891,303**	**1,133,215**	**(2,224)**	**802**	**(8,257)**	**1,491**	**411,926**	**-**	**(132,578)**	**2,325,678**	**28,504**	**2,354,182**
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	(1,374)	(1,374)
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(265,156)	-	132,578	(132,578)	-	(132,578)
Own shares transactions	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of retained earnings to reserves	-	176,770	-	-	-	-	(176,770)	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(165,099)	(165,099)	-	(165,099)
Subtotal	**-**	**176,770**	**-**	**-**	**-**	**-**	**(441,926)**	**-**	**(32,521)**	**(297,677)**	**(1,374)**	**(299,051)**
Other comprehensive income	-	-	-	20,878	18,982	(8,296)	-	-	-	31,564	(27)	31,537
Income for the year	-	-	-	-	-	-	-	550,331	-	550,331	5,980	556,311
Subtotal	**-**	**-**	**-**	**20,878**	**18,982**	**(8,296)**	**-**	**550,331**	**-**	**581,895**	**5,953**	**587,848**
Equity as of December 31, 2014	**891,303**	**1,309,985**	**(2,224)**	**21,680**	**10,725**	**(6,805)**	**-**	**550,331**	**(165,099)**	**2,609,896**	**33,083**	**2,642,979**
Equity as of December 31, 2014	**891,303**	**1,309,985**	**(2,224)**	**21,680**	**10,725**	**(6,805)**	**-**	**550,331**	**(165,099)**	**2,609,896**	**33,083**	**2,642,979**
Distribution of income from previous period	-	-	-	-	-	-	**550,331**	**(550,331)**	-	-	-	-
Equity as of January 1, 2015	**891,303**	**1,309,985**	**(2,224)**	**21,680**	**10,725**	**(6,805)**	**550,331**	**-**	**(165,099)**	**2,609,896**	**33,083**	**2,642,979**
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	-	-	-	-	-	-
Own shares transactions	-	-	-	-	-	-	(330,199)	-	165,099	(165,100)	-	(165,100)
Transfer of retained earnings to reserves	-	220,132	-	-	-	-	(220,132)	-	-	-	(6,063)	(6,063)
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(134,663)	(134,663)	-	(134,663)
Subtotal	**-**	**220,132**	**-**	**-**	**-**	**-**	**(550,331)**	**-**	**30,436**	**(299,763)**	**(6,063)**	**(305,826)**

Other comprehensive income	-	-	-	(28,645)	(2,099)	6,432	-	-	-	(24,312)	(102)	(24,414)
Income for the year	-	-	-	-	-	-	-	448,878	-	448,878	3,263	452,141
Subtotal	**-**	**-**	**-**	**(28,645)**	**(2,099)**	**6,432**	**-**	**448,878**	**-**	**424,566**	**3,161**	**427,727**
Equity as of December 31, 2014	**891,303**	**1,530,117**	**(2,224)**	**(6,965)**	**8,626**	**(373)**	**-**	**448,878**	**(134,663)**	**2,734,699**	**30,181**	**2,764,880**

Period	**Total attributable to Bank shareholders MCh$**	**Allocated to reserves MCh$**	**Allocated to dividends MCh$**	**Percentage distributed %**	**Number of shares**	**Dividend per share (in pesos)**
Year 2014 (Shareholders Meeting April 2015)	550,331	220,132	330,199	60	188,446,126,794	1.752
Year 2013 (Shareholders Meeting April 2014)	441,926	176,770	265,156	60	188,446,126,794	1.407

Banco Santander Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended

	NOTE	As of December 31, 2015 MCh$	2014 MCh$
A – CASH FLOWS FROM OPERATING ACTIVITIES:			
CONSOLIDATED INCOME BEFORE TAX		**527,442**	**601,863**
Debits (credits) to income that do not represent cash flows		**(959,238)**	**(1,009,143)**
Depreciation and amortization	33	53,614	44,172
Impairment of property, plant, and equipment	33	21	36,664
Provision for loan losses	30	481,834	433,408
Mark to market of trading investments		(3,001)	(11,285)
Income from investments in associates and other companies	11	(2,588)	(2,165)
Net gain on sale of assets received in lieu of payment	34	(11,658)	(11,100)
Provision on assets received in lieu of payment	34	7,803	4,045
Net gain on sale of controlled companies	11	-	-
Net gain on sale of property, plant, and equipment	34	(397)	(687)
Charge off of assets received in lieu of payment	34	9,327	4,694
Net interest income	26	(1,255,206)	(1,317,104)
Net fee and commission income	27	(237,627)	(227,283)
Debits (credits) to income that do not represent cash flows		45,406	115,240
Changes in deferred taxes	14	(46,766)	(77,742)
Increase/decrease in operating assets and liabilities		**1,129,989**	**698,589**
(Increase) of loans and accounts receivables from customers, net		(2,083,854)	(1,674,156)
(Increase) decrease of financial investments		(57,731)	(437,853)
Decrease due to resale agreements (assets)		2,463	17,469
(Increase) decrease of interbank loans		(1,057)	113,477
Decrease (increase) of assets received or awarded in lieu of payments		4,157	(3,346)
Increase of debits in customers checking accounts		744,863	727,604
Increase of time deposits and other time liabilities		1,768,827	738,668
(Decrease) increase of obligations with domestic banks		(66,006)	65,506
Increase of other demand liabilities or time obligations		130,763	132,130
Increase (decrease) of obligations with foreign banks		142,069	(516,156)
(Decrease) of obligations with Central Bank of Chile		(90)	(126)
(Decrease) increase of obligations under repurchase agreements		(248,437)	183,154
Increase in other financial liabilities		15,402	15,344
Net increase of other assets and liabilities		(1,254,822)	(791,457)
Redemption of letters of credit		(26,720)	(29,668)
Issuance under mortgage bonds program		-	36,941
Senior bond issuances		878,389	1,196,273
Redemption of mortgage bonds and payments of interest		(5,343)	(4,195)
Redemption of senior bonds and payments of interest		(231,972)	(574,507)
Interest received		2,093,028	2,235,437
Interest paid		(836,544)	(913,800)
Dividends received from investments in other companies	11	278	119
Fees and commissions received	27	402,900	366,729
Fees and commissions paid	27	(165,273)	(139,446)
Income tax paid	14	(75,301)	(45,552)
Total cash flow provided by operating activities		**698,193**	**291,309**

Banco Santander Chile and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended

	NOTE	For the years ended December 31, 2015 MCh$	2014 MCh$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant, and equipment	13	(65,111)	(59,088)
Sales of property, plant, and equipment	13	121	172
Purchases of investments in associates and other companies	11	(302)	(6,313)
Sales of investments in associates and other companies		-	-
Purchases of intangible assets	12	(27,573)	(27,437)
Total cash flow (used in) provided by investment activities		**(92,865)**	**(92,666)**
C – CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholder´s financing activities		**(340,596)**	**(274,042)**
Issuance of subordinate bonds		-	-
Redemption of subordinated bonds and payments of interest		(10,397)	(8,886)
Dividends paid		(330,199)	(265,156)
From non-controlling interest financing activities		**-**	**-**
Dividends and/or withdrawals paid		-	-
Total cash flow (used in) financing activities		**(340,596)**	**(274,042)**
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**264,732**	**(75,399)**
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		**203,436**	**34,893**
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		**1,859,002**	**1,899,508**
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	**2,327,170**	**1,859,002**

Reconciliation of provisions for the Consolidated Statements of Cash Flows for the years ended	For the years ended December 31, 2015 MCh$	2013 MCh$
Provision for loan losses for cash flow purposes	481,834	433,408
Recovery of loans previously charged off	(68,140)	(58,977)
Provision for loan losses - net	**413,694**	**374,431**

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

Banco Santander Chile is a banking corporation (limited company) operating under the laws of the Republic of Chile, headquartered at Bandera N°140, Santiago. The corporation provides a broad range of general banking services to its customers, ranging from individuals to major corporations. Banco Santander Chile and its subsidiaries (collectively referred to herein as the "Bank" or "Banco Santander Chile") offers commercial and consumer banking services, including (but not limited to) factoring, collection, leasing, securities and insurance brokering, mutual and investment fund management, and investment banking.

Banco Santander Spain controls Banco Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander-Chile Holding S.A., which are controlled subsidiaries of Banco Santander Spain. As of December 31, 2015 Banco Santander Spain owns or controls directly and indirectly 99.5% of Santander-Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This gives Banco Santander Spain control over 67.18% of the Bank's shares.

a) Basis of preparation

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

For purposes of these financial statements we use certain terms and conventions. References to "US$" for currencies, "U.S. dollars" and "dollars" are to United States dollars, references to "EUR" are to European Economic Community Euro, references to "CNY" are to Chinese Yuan or renminbi, references to "CHF" are to Swiss franc, references to "Chilean pesos", "pesos" or "Ch$" are to Chilean pesos, and references to "UF" are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index ("CPI") of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month.

The Notes to the Consolidated Financial Statements contain additional information to support the figures submitted in the Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the Period.

b) Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements as of December 31, 2015 and 2014 and for the two years in the period ending December, 2015, incorporate the financial statements of the entities over which the bank has control (including structured entities); and includes the adjustments, reclassifications and eliminations needed to comply with the accounting and valuation criteria established by IFRS, except in those cases where the SBIF regulations prevail as explained above. Control is achieved when the Bank:

I. has power over the investee;
II. is exposed, or has rights, to variable returns from its involvement with the investee; and
III. has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities over the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other agreements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statements of Income and in the Consolidated Statements of Other Comprehensive Income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit in certain circumstances.

When necessary, adjustments are made to the financial statements of the subsidiaries to ensure their accounting policies are consistent with the Bank's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between consolidated entities are eliminated in full on consolidation.

Changes in the consolidated entities ownership interests in subsidiaries that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying values of the Group's equity and the non-controlling interests' equity are adjusted to reflect the changes to their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

In addition, third parties' shares in the Consolidated Bank's equity are presented as "Non-controlling interests" in the Consolidated Statements of Changes in Equity. Their share in the income for the year is presented as "Attributable to non-controlling interests" in the Consolidated Statement of Income.

The following companies are considered entities controlled by the Bank and are therefore within the scope of consolidation:

i. Entities controlled by the Bank through participation in equity

			Percent ownership share As of December 31,					
		Place of Incorporation and operation	2015			2014		
Name of the Subsidiary	Main Activity		Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Santander Corredora de Seguros Limitada	Insurance brokerage	Santiago, Chile	99.75	0.01	99.76	99.75	0.01	99.76
Santander Corredores de Bolsa Limitada (*)	Financial instruments brokerage	Santiago, Chile	50.59	0.41	51.00	50.59	0.41	51.00
Santander Agente de Valores Limitada	Securities brokerage	Santiago, Chile	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	Santiago, Chile	99.64	-	99.64	99.64	-	99.64

The details of non-controlling interest in all the can be seen in Note 25 – Non-controlling interest.

(*) On June 19, 2015, Santander Corredores de Bolsa Limitada, our stock broker company has changed its corporate structure to limited liability company. This situation was informed to SVS through an "essential fact" in accordance with the Law 18.045 articles 9° and 10°, and General Regulation (NCG) N°16 and N°30.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Entities controlled by the Bank through other considerations

The following companies have been consolidated based on the determination that the Bank has control as previously defined above and in accordance with IFRS 10, *Consolidated Financial Statements*:

- Santander Gestión de Recaudación y Cobranza Limitada (collection services)
- Bansa Santander S.A. (management of repossessed assets and leasing of properties)

During 2015 Multinegocios S.A. (management of sales force), Servicios Administrativos y Financieros Limitada (management of sales force) and Multiservicios de Negocios Limitada (call center) have ceased rendering sales services to the Bank and the Bank no longer controls their relevant activities. Therefore as of June 30, 2015 these entities have been excluded from the consolidation perimeter.

As of August 1, 2014, Servicios de Cobranza Fiscalex Limitada was absorbed by Santander Gestión de Recaudación y Cobranza Limitada.

iii. Associates

An associate is an entity over which the Bank has significant influence. Significant influence, in this case, is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The following companies are considered “Associates” in which the Bank accounts for its participation using the equity method:

Associates	Main activity	Place of incorporation and operation	Percentage of ownership share As of December 31, 2015 %	2014 %
Redbanc S.A.	ATM services	Santiago, Chile	33.43	33.43
Transbank S.A.	Debit and credit card services	Santiago, Chile	25.00	25.00
Centro de Compensación Automatizado	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Delivery of securities on public offer	Santiago, Chile	29.29	29.29
Cámara de Compensación de Pagos de Alto Valor S.A.	Payments clearing	Santiago, Chile	14.23	14.14
Administrador Financiero del Transantiago S.A.	Administration of boarding passes to public transportation	Santiago, Chile	20.00	20.00
Sociedad Nexus S.A.	Credit card processor	Santiago, Chile	12.90	12.90
Servicios de Infraestructura de Mercado OTC S.A.	Administration of the infrastructure for the financial market of derivative instruments	Santiago, Chile	11.11	11.11

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

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

In the Extraordinary Shareholder meeting held on April 2015, Transbank agreed to increase its capital. Banco Santander Chile signed the contract maintaining its ownership.

In October 2015, HSBC Bank Chile sold its ownership share in Camara de Compensación de Pagos de Alto Valor S.A. to Banco Santander Chile, increasing our participation to 14.23%.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iv. Share or rights in other companies

Such entities represent those over which the Bank has no control or significant influences and are presented in this category. These holdings are shown at acquisition value less impairment, if any.

c) Non-controlling interest

Non-controlling interest represents the portion of net income and net assets which the Bank does not own, either directly or indirectly. It is presented as "Attributable to non-controlling interest" separately in the Consolidated Statement of Income, and separately from shareholders' equity in the Consolidated Statement of Financial Position.

In the case of entities controlled by the Bank through other considerations, income and equity are presented in full as non-controlling interest, since the Bank controls them, but does not have any ownership expressed as a percentage.

d) Reporting segments

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

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

The Bank reports separately on each operating segment that exceeds any of the following quantitative thresholds:

i. its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined internal and external revenue of all the operating segments.

ii. the absolute amount of its reported profit or loss is 10% or more of the greater in absolute amount of: (i) the combined reported profit of all the operating segments that did not report a loss; (ii) the combined reported loss of all the operating segments that reported a loss.

iii. its assets represent 10% or more of the combined assets of all the operating segments.

Operating segments that do not meet any of the quantitative threshold may be treated as segments to be reported, in which case the information must be disclosed separately if management believes it could be useful for the users of the Consolidated Financial Statements.

Information about other business activities of the operating segments not separately reported is combined and disclosed in the "Other segments" category.

According to the information presented, the Bank's segments were determined under the following definitions: An operating segment is a component of an entity:

i. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses from transactions with other components of the same entity);
ii. whose operating results are regularly reviewed by the entity's chief executive officer, who makes decisions about resources allocated to the segment and assesses its performance; and
iii. for which discrete financial information is available.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e) Functional and presentation currency

According to IAS 21 "The Effects of Changes in Foreign Exchange Rates", the Chilean peso, which is the currency of the primary economic environment in which the Bank operates and the currency which influences its costs and revenue structure, has been defined as the Bank's functional and presentation currency.

Accordingly, all balances and transactions denominated in currencies other than the Chilean Peso are treated as "foreign currency."

f) Foreign currency transactions

The Bank makes transactions in amounts denominated in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies, held by the Bank are translated to Chilean pesos based on the market rate published by Reuters at 1:30 p.m. representative of the month end reported; the rate used was Ch$707.80 per US$1 as of December, 2015 (Ch$608.33 per US$1 as of December, 2014).

The amounts of net foreign exchange gains and losses includes recognition of the effects that exchange rate variations have on assets and liabilities denominated in foreign currencies and the profits and losses on foreign exchange spot and forward transactions undertaken by the Bank.

g) Definitions and classification of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

An "equity instrument" is a legal transaction that evidences a residual interest in the assets of an entity deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to the changes in an observable market variable (such as an interest rate, a foreign exchange rate, a financial instrument's price, or a market index, including credit ratings), whose initial investment is very small compared with other financial instruments having a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

ii. Classification of financial assets for measurement purposes

Financial assets are classified into the following specified categories: financial assets trading investments "at fair value through profit or loss (FVTPL), 'held to maturity' investments, 'available for sale investments' (AFS) financial assets and 'loans and accounts receivable from customers'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchase or sale are purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets are initially recognized at fair value plus, in the case of a financial assets not a fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income is recognised on an effective interest basis for loans and accounts receivables other than those financial assets classified as at fair value through profit or loss.

Financial assets at FVTPL - Trading investments

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'net profit (loss) from financial operations' line item.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available for sale investments (AFS investments)

AFS investments are non-derivatives that are either designated as AFS or are not classified as (a) loans and accounts receivable from customers, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss (trading investments).

Financial instruments held by the Bank that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Bank also has investments in financial instruments that are not traded in an active market but that are also classified as AFS investments and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available for sale investments are recognised in other comprehensive income and accumulated under the heading of "Valuation Adjustment". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated as the described in f) above. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Loans and accounts receivable from customers

Loans and accounts receivable from customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and accounts receivables from customers (including loans and accounts receivable from customers and interbank loans) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

iii. Classification of financial assets for presentation purposes

For presentation purposes, the financial assets are classified by their nature into the following line items in the Consolidated Financial Statements:

- Cash and deposits in banks: this line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions. Amounts invested as overnight deposits are included in this item.

- Cash items in process of collection: this item represents domestic transactions in the process of transfer through a central domestic clearinghouse or international transactions which may be delayed in settlement due to timing differences, etc.

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

- Investments under resale agreements: includes balances of financial instruments purchased under resale agreement.

- Financial derivative contracts: financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or accounted for as derivatives held for hedging, as shown in Note 7 to the Consolidated Financial Statements.

    - Trading derivatives: includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

    - Hedging derivatives: includes the fair value of derivatives designated as being in a hedging relationship, including the embedded derivatives separated from the hybrid financial instruments.

- Interbank loans: this item includes the balances of transactions with domestic and foreign banks, including the Central Bank of Chile, other than those reflected in certain other financial asset classifications listed above.

- Loans and accounts receivables from customers: these loans are non-derivative financial assets with fixed or determinable payments, that are not quoted on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and rewards incidental to the leased asset, the transaction is presented in loans and accounts receivable from customers while the leased asset is derecognized in the Bank´s statement of financial position.

- Investment instruments: are classified into two categories: held-to-maturity investments, and available-for-sale investments. The held-to-maturity investment classification includes only those instruments for which the Bank has the ability and intent to hold to maturity. The remaining investments are treated as available for sale.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

· it has been incurred principally for the purpose of repurchasing it in the near term; or
· on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
· it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

· such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
· the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
· it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net profit (loss) from financial operations' line item.

Other financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

v. Classification of financial liabilities for presentation purposes

The financial liabilities are classified by their nature into the following line items in the Consolidated Statements of Financial Position:

- Deposits and other on- demand liabilities: this includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations whose payment may be required during the period are deemed to be on-demand obligations. Operations which become callable the day after the closing date are not treated as on-demand obligations.

- Cash items in process of being cleared: this represents domestic transactions in the process of transfer through a central domestic clearing house or international transactions which may be delayed in settlement due to timing differences, etc.

- Obligations under repurchase agreements: this includes the balances of sales of financial instruments under securities repurchase and loan agreements. In accordance with the applicable regulation, the Bank does not record instruments acquired under repurchase agreements.

- Time deposits and other time liabilities: this shows the balances of deposit transactions in which a term at the end of which they become callable has been stipulated.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Financial derivative contracts: this includes financial derivative contracts with negative fair values (i.e. a liability of the Bank), whether they are for trading or for hedge accounting, as set forth in Note 7.

  - Trading derivatives: includes the fair value of derivatives which do not qualify for hedge accounting, including embedded derivatives separated from hybrid financial instruments.

  - Hedging derivatives: includes the fair value of derivatives designated as being in a hedging relationship, including the embedded derivatives separated from the hybrid financial instruments.

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

- Issued debt instruments: there are three types of instruments issued by the Bank; Obligations under letters of credit, Subordinated bonds and Senior bonds placed in the local and foreign market.

- Other financial liabilities: this item includes credit obligations to persons other than domestic banks, foreign banks, or the Central Bank of Chile, for financing purposes or operations in the normal course of business.

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

In general, financial assets and liabilities are initially recognized at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. Financial instruments, other than those measured at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Subsequently, and at the end of each reporting period, financial instruments are measured pursuant to the following criteria:

i. Valuation of financial instruments

Financial assets are measured according to their fair value, gross of any transaction costs that may be incurred in the course of a sale, except for credit investments and held to maturity investments.

According to IFRS 13 *Fair Value Measurement* (effective date from January 1, 2013), "fair value" is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, the most advantageous market for the asset or liability. Even when there is no observable market to provide pricing information in connection with the sale of an asset or the transfer of a liability at the measurement date, the fair value measurement shall assume that the transaction takes place, considered from the perspective of a potential market participant who intends to maximize value associated with the asset or liability.

When using valuation techniques, the Bank shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs as available. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (i.e. Level 1, 2 or 3). IFRS 13 establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

All derivatives are recorded in the Consolidated Statements of Financial Position at the fair value previously described. This value is compared to the valuation as at the trade date. If the fair value is subsequently measured positive, this is recorded as an asset. If the fair value is subsequently measured negative, this is recorded as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recorded in "Net income (expense) from financial operations" in the Consolidated Statement of Income.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price. If, for exceptional reasons, the quoted price cannot be determined on a given date, the fair value is determined using similar methods to those used to measure over the counter (OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV) and option pricing models, among other methods. Also, within the fair value of derivatives are included Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), all with the objective that the fair value of each instrument includes the credit risk of its counterparty and Bank´s own risk.

"Loans and accounts receivable from customers" and "Held-to-maturity instrument portfolio" are measured at amortized cost using the "effective interest method." "Amortized cost" is the acquisition cost of a financial asset or liability, plus or minus, as appropriate, prepayments of principal and the cumulative amortization (recorded in the consolidated income statement) of the difference between the initial cost and the maturity amount as calculated under the effective interest method. For financial assets, amortized cost also includes any reductions for impairment or uncollectibility. For loans and accounts receivable designated as hedged items in fair value hedges, the changes in their fair value related to the risk or risks being hedged are recorded in "Net income (expense) from financial operations".

The "effective interest rate" is the discount rate that exactly matches the initial amount of a financial instrument to all its estimated cash flows over its remaining life. For fixed-rate financial instruments, the effective interest rate incorporates the contractual interest rate established on the acquisition date. Where applicable, the fees and transaction costs that are a part of the financial return are included. For floating-rate financial instruments, the effective interest rate matches the current rate of return until the date of the next review of interest rates.

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

The amounts at which the financial assets are recorded represent the Bank's maximum exposure to credit risk as at the reporting date. The Bank has also received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, equity instruments and personal securities, assets under leasing agreements, assets acquired under repurchase agreements, securities loans and derivatives.

ii. Valuation techniques

Financial instruments at fair value, determined on the basis of price quotations in active markets, include government debt securities, private sector debt securities, equity shares, short positions, and fixed-income securities issued.

In cases where price quotations cannot be observed in available markets, the Management determines a best estimate of the price that the market would set using its own internal models. In most cases, these models use data based on observable market parameters as significant inputs however for some valuations of financial instruments, significant inputs are unobservable in the market. To determine a value for those instruments, various techniques are employed to make these estimates, including the extrapolation of observable market data.

The most reliable evidence of the fair value of a financial instrument on initial recognition usually is the transaction price, however due to lack of availability of market information, the value of the instrument may be derived from other market transactions performed with the same or similar instruments or may be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

The main techniques used as of December 31, 2015 and 2014 by the Bank's internal models to determine the fair value of the financial instruments are as follows:

i. In the valuation of financial instruments permitting static hedging (mainly "forwards" and "swaps"), the "present value" method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. In the valuation of financial instruments requiring dynamic hedging (mainly structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation indexes and market liquidity.

iii. In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

The fair value of the financial instruments calculated by the aforementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, quoted market price of shares, volatility and prepayments, among others. The Bank's management considers that its valuation models are not significantly subjective, since these methodologies can be adjusted and evaluated, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

iii. Hedging transactions

The Bank uses financial derivatives for the following purposes:

i. to sell to customers who request these instruments in the management of their market and credit risks,
ii. to use these derivatives in the management of the risks of the Bank entities' own positions and assets and liabilities ("hedging derivatives"), and
iii. to obtain profits from changes in the price of these derivatives ("trading derivatives").

All financial derivatives that are not held for hedging purposes are accounted for as "trading derivatives."

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:

   a. Changes in the value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");
   b. Changes in the estimated cash flows arising from financial assets and liabilities, and highly probable forecasted transactions ("cash flow hedge");
   c. The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

   a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").
   b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness").

3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The changes in the value of financial instruments qualifying for hedge accounting are recorded as follows:

a. For fair value hedges, the gains or losses arising on both hedging instruments and the hedged items (attributable to the type of risk being hedged) are included as "Net income (expense) from financial operations" in the Consolidated Statement of Income

b. For fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments and other gains or losses due to changes in fair value of the underlying hedged item (attributable to the hedged risk) are recorded in the Consolidated Statement of Income under "Net income (expense) from financial operations".

c. For cash flow hedges, the change in fair value of the hedging instrument is included as "Cash flow hedge" in "Other comprehensive income", until the hedged transaction occurs, thereafter being reclassified to the Consolidated Statement of Income, unless the hedged transaction results in the recognition of non–financial assets or liabilities, in which case it is included in the cost of the non-financial asset or liability.

d. The differences in valuation of the hedging instrument corresponding to the ineffective portion of the cash flow hedging transactions are recorded directly in the Consolidated Statement of Income under "Net income (expense) from financial operations".

If a derivative designated as a hedging instrument no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, hedge accounting treatment is discontinued. When "fair value hedging" is discontinued, the fair value adjustments to the carrying amount of the hedged item arising from the hedged risk are amortized to gain or loss from that date, where applicable.

When cash flow hedges are discontinued, any cumulative gain or loss of the hedging instrument recognized under "Other comprehensive income" (from the period when the hedge was effective) remains recorded in equity until the hedged transaction occurs, at which time it is recorded in the Consolidated Statement of Income, unless the transaction is no longer expected to occur, in which case any cumulative gain or loss is recorded immediately in the Consolidated Statement of Income.

iv. Derivatives embedded in hybrid financial instruments

Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if 1) their risks and characteristics are not closely related to the host contracts, 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and 3) provided that the hybrid contracts are not classified as "Other financial assets (liabilities) at fair value through profit or loss" or as "Trading investments portfolio".

v. Offsetting of financial instruments

Financial asset and liability balances are offset, i.e., reported in the Consolidated Statements of Financial Position at their net amount, only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

vi. Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the extent and the manner in which the risks and rewards associated with the transferred assets are transferred to third parties:

i. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is derecognized from the Consolidated Statements of Financial Position and any rights or obligations retained or created in the transfer are simultaneously recorded.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. If the Bank retains substantially all the risks and rewards of ownership associated with the transferred financial asset, as in the case of sales of financial assets under repurchase agreements at a fixed price or at the sale price plus interest, securities lending agreements under which the borrower undertakes to return the same or similar assets, and other similar cases, the transferred financial asset is not derecognized from the Consolidated Statements of Financial Position and continues to be measured by the same criteria as those used before the transfer. However, the following items are recorded:

- An associated financial liability for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.
- Both the income from the transferred (but not removed) financial asset as well as any expenses incurred due to the new financial liability.

iii. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership associated with the transferred financial asset—as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases—the following distinction is made:

a. If the transferor does not retain control of the transferred financial asset: the asset is derecognized from the Consolidated Statements of Financial Position and any rights or obligations retained or created in the transfer are recognized.

b. If the transferor retains control of the transferred financial asset: it continues to be recognized in the Consolidated Statements of Financial Position for an amount equal to its exposure to changes in value and a financial liability associated with the transferred financial asset is recorded. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized from the Consolidated Statements of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards of ownership have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized from the Consolidated Statements of Financial Position when the obligations specified in the contract are discharged or cancelled or the contract has matured.

i) Recognizing income and expenses

The most significant criteria used by the Bank to recognize its revenues and expenses are summarized as follows:

i. Interest revenue, interest expense, and similar items

Interest revenue and expense are recorded on an accrual basis using the effective interest method.

However, when a given operation or transaction is past due by 90 days or more, when it originated from a refinancing or renegotiation, or when the Bank believes that the debtor poses a high risk of default, the interest and adjustments pertaining to these transactions are not recorded directly in the Consolidated Statement of Income unless they have been actually received.

This interest and these adjustments are generally referred to as “suspended” and are recorded in suspense accounts which are not part of the Consolidated Statements of Income. Instead, they are reported as part of the complementary information thereto and as memorandum accounts (Note 26). This interest is recognized as income, when collected.

The resumption of interest income recognition of previously impaired loans only occurs when such loans become current (i.e., payments were received such that the loans are contractually past-due for less than 90 days) or they are no longer classified under the C3, C4, C5, or C6 categories (for loans individually evaluated for impairment).

ii. Commissions, fees, and similar items

Fee and commission income and expenses are recognized in the Consolidated Statement of Income using criteria that vary according to their nature. The main criteria are:

- Fee and commission income and expenses on financial assets and liabilities are recognized when they are earned.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
- Those relating to services provided in a single transaction are recognized when the single transaction is performed.

iii. Non-financial income and expenses

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

iv. Loan arrangement fees

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

j) Impairment

i. Financial assets:

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

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

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

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

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

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

ii. Non-financial assets:

The Bank’s non-financial assets, excluding investment properties, are reviewed at the reporting date to determine whether they show signs of impairment (i.e. its carrying amount exceeds its recoverable amount). If any such evidence exists, the recoverable amount of the asset is estimated, in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

In connection with other assets, impairment losses recorded in prior periods are assessed at each reporting date to determine whether the loss has decreased and should be reversed. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Goodwill impairment is not reversed.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Property, plant, and equipment

This category includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the consolidated entities or acquired under finance leases. Assets are classified according to their use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use includes but is not limited to tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing accounts receivable from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases. These assets are presented at acquisition cost less the related accumulated depreciation and, if applicable, any impairment losses (when net carrying amount was higher than recoverable amount).

Depreciation is calculated using the straight line method over the acquisition cost of assets less their residual value, assuming that the land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation.

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

ITEM	Useful life (Months)
Land	-
Paintings and works of art	-
Carpets and curtains	36
Computers and hardware	36
Vehicles	36
IT systems and software	36
ATMs	60
Other machines and equipment	60
Office furniture	60
Telephone and communication systems	60
Security systems	60
Rights over telephone lines	60
Air conditioning systems	84
Other installations	120
Buildings	1,200

The consolidated entities assess at each reporting date whether there is any indication that the carrying amount of any of their tangible assets exceeds its recoverable amount. If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in accordance with the revised carrying amount and to the new remaining useful life, if the useful life needs to be revised.

Similarly, if there is an indication of a recovery in the value of a tangible asset, the consolidated entities record the reversal of the impairment loss recorded in prior periods and adjust the future depreciation charges accordingly. In no circumstance may the reversal of an impairment loss on an asset increase its carrying value above the one it would have had if no impairment losses had been recorded in prior years.

The estimated useful lives of the items of property, plant and equipment held for own use are reviewed at the end of each reporting period to detect significant changes. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recorded in the Consolidated Statement of Income in future years on the basis of the new useful lives.

Maintenance expenses relating to tangible assets held for own use are recorded as an expense in the period in which they are incurred.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Assets leased out under operating leases

The criteria used to record the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives, and to record the impairment losses thereof, are consistent with those described in relation to property, plant and equipment held for own use.

l) Leasing

i. Finance leases

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

When the consolidated entities act as the lessor of an asset, the sum of the present value of the lease payments receivable from the lessee, including the exercise price of the lessee's purchase option at the end of the lease term, which is equivalent to one additional lease payment and so is reasonably certain to be exercised, is recognized as lending to third parties and is therefore included under "Loans and accounts receivables from customers" in the Consolidated Statements of Financial Position.

When the consolidated entities act as lessees, they show the cost of the leased assets in the Consolidated Statements of Financial Position based on the nature of the leased asset, and simultaneously record a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise of the purchase option). The depreciation policy for these assets is consistent with that for property, plant and equipment for own use.

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

ii. Operating leases

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

When the consolidated entities act as the lessor, they present the acquisition cost of the leased assets under "Property, plant and equipment". The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment held for own use and revenues from operating leases is recorded on a straight line basis under "Other operating income" in the Consolidated Statement of Income.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight line basis to "Administrative and other expenses" in the Consolidated Statement of Income.

iii. Sale and leaseback transactions

For sale at fair value and operating leasebacks, the profit or loss generated is recorded at the time of sale except in the case of excess of proceeds over fair value, which difference is amortized over the period of use of the asset. In the case of finance leasebacks, the profit or loss generated is amortized over the lease term.

m) Factored receivables

Factored receivables are valued at the amount disbursed by the Bank in exchange of invoices or other commercial instruments representing the credit which the transferor assigns to the Bank. The price difference between the amounts disbursed and the actual face value of the credits is recorded as interest income in the Consolidated Statement of Income through the effective interest method over the financing period.

When the assignment of these instruments involves no liability on the part of the assignee, the Bank assumes the risks of insolvency of the parties responsible for payment.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) Intangible assets

Intangible assets are identified as non-monetary assets (separately identifiable from other assets) without physical substance which arise as a result of legal or contractual rights or are separable. The Bank recognizes an intangible asset, whether purchased or self-created (at cost), when the cost of the asset can be measured reliably and it is probable that the future economic benefits that are attributable to the asset will flow to the Bank.

Intangible assets are recorded initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Internally developed computer software is recorded as an intangible asset if, among other requirements (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated. The estimated useful life for software is 3 years.

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

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

o) Cash and cash equivalents

For the preparation of the cash flow statement, the indirect method was used, starting with the Bank's consolidated pre-tax income and incorporating non-cash transactions, as well as income and expenses associated with cash flows, which are classified as operating, investment or financing activities.

For the preparation of the cash flow statement, the following items are considered:

i. Cash flows: Inflows and outflows of cash and cash equivalents, such as deposits with the Central Bank of Chile, deposits in domestic banks, and deposits in foreign banks.

ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.

iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

iv. Financing Activities: Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

p) Allowances for loan losses

The Bank has established allowances to cover probable losses on loans and account receivables in accordance with instructions issued by Superintendency of Banks and Financial Institutions (SBIF) and models and risk assessment approved by the Board of Directors.

The Bank performs an assessment of the risk associated with loans and accounts receivable from customers to determine their allowance for loan losses as described below:

- Individual assessment - represents the case where the Bank assesses a debtor as individually significant, or when he/she cannot be classified within a group of financial assets with similar credit risk characteristics, due to their size, complexity or level of exposure.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Group assessment - a group assessment is relevant for analyzing a large number of operations with small individual balances from individuals or small companies. The Bank groups debtors with similar credit risk characteristics giving to each group a default probability and recovery rate based on a historical analysis. The Bank models determine allowances and provisions for loan losses according to the type of portfolio or operations. Loans and accounts receivables from customers are divided into three categories:

  i. Commercial loans,
  ii. Mortgage loans, and
  iii. Consumer loans.

The models used to determine credit risk allowances are described as follows:

I.Allowances for individual assessment

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

The Bank assigns a risk category to each debtor, their contingent loans and loans. These are assigned to one of the following portfolio categories: Normal, Substandard and Impaired. The risk factors considered are: industry or economic sector, owners or managers, financial situation and payment capacity, and payment behavior.

The portfolio categories and their definitions are as follows:

i. Normal Portfolio includes debtors with a payment capacity that allows them to meet their obligations and commitments. Evaluations of the current economic and financial environment do not indicate that this will change. The classifications assigned to this portfolio are categories from A1 to A6.

ii. Substandard Portfolio includes debtors with financial difficulties or a significant deterioration of their payment capacity. There exists reasonable doubt concerning the future reimbursement of the capital and interest within the contractual terms, with limited capacity to settle short-term financial obligations. The classifications assigned to this portfolio are categories from B1 to B4.

iii. Impaired Portfolio includes debtors and their loans from which repayment is considered remote. This portfolio consists of debtors that demonstrate a reduced or null payment capacity with signs of a possible bankruptcy, debtors who required a forced debt restructuring or any debtor who has been in default for over 90 days in his payment of interest or capital. The classifications assigned to this portfolio are categories from C1 to C6.

Normal and Substandard Compliance Portfolio

As part of individual assessment, the Bank classifies debtors into the following categories, assigning them a probability of non-performance (PNP) and severity (SEV), which result in the expected loss percentages.

Type of Portfolio	Debtor's Category	Probability of Non-Performance (%)	Severity (%)	Expected Loss (%)
	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
Normal portfolio	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
	B1	15.00	92.5	13.87500
Substandard portfolio	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Bank first determines all credit exposures, which includes the accounting balances of loans and accounts receivable from customers plus contingent loans, less any amount recovered through executing the guarantees. The exposure of each category is determined by calculating the total balance in each portfolio (A1 to B4) and applying the expected loss rate.

Impaired Portfolio

A provision for an impaired portfolio is calculated by determining the expected loss rate, adjusting for amounts recoverable through guarantees and the present value of recoveries made through collection services after the related expenses.

Once the expected loss range is determined, the debtor can be classified into categories C1 to C6. Using this classification system the related allowance percentage is applied over the exposure amount, which includes loans and contingent loans related to the debtor.

The allowance rates applied over the calculated exposure are as follows:

Classification	Estimated range of loss	Allowance
C1	Up to 3%	2%
C2	Greater than 3% and less than 20%	10%
C3	Greater than 20% and less than 30%	25%
C4	Greater than 30% and less than 50%	40%
C5	Greater than 50% and less than 80%	65%
C6	Greater than 80%	90%

II. Allowances for group assessments

Group evaluations are used to approximate allowances required for loans with low balances related to individuals and small companies.

Levels of required allowances have been established by the Bank, in accordance with loan losses methodology by classifying and grouping the loan portfolio based on similar credit risk characteristic indicating the debtor's ability to pay all amounts due according to the contractual terms. The Bank uses models based on debtors' characteristics, payment history, loans due and defaulted loans, in addition to other parameters.

The Bank uses methodologies to establish credit risk, based on internal models to estimate the allowances for the group-evaluated portfolio. This portfolio includes individually non-significant commercial loans, mortgage and consumer loans (including installment loans, credit cards and overdraft lines). These methods allow the Bank to independently identify the portfolio behavior and establish the provision required to cover losses arising during the year.

The customers are classified according to their internal and external characteristics, using customer-portfolio model to differentiate each portfolio's risk in an appropriate manner. This is known as the allocation profile method.

The allocation profile method is based on a statistical construction model that establishes a relationship through logistic regression between variables (for example default, payment behavior outside the Bank, socio-demographic data) and a response variable which determines the client's risk which in this case is a default of 90 or more. Hence, common profiles are established and assigned a Probability of Non-Performance (PNP) and a recovery rate based on a historical analysis known as Severity (SEV).

Therefore, once the customers have been profiled and assigned a PNP and a SEV relating to the loan's profile, the exposure at default (EXP) is calculated. This exposure includes the book value of the loans and accounts receivable from the customer, plus contingent loans, less any amount that can be recovered by executing guarantees (for credits other than consumer loans).

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

During the second semester of 2014, and as a response to the ongoing improvement of the allowances models for loans, the Bank updated its allowances model for consumer loans and commercial loans. The models were calibrated with the aim of improving the prediction of client behavior and maintaining statistical and management standards. Part of these improvements consisted of the advancement of the models' governance allowing technical and decisional approvals at different points of the approval process, better techniques of statistical processes and of the extent of historical information, allowing more refined parameters of the Probability of Non-Performance (PNP) and the Severity (SEV) involved in the provision calculation.

III. Additional provisions

According to SBIF regulation, banks are allowed to establish provisions over the limits described below so as to protect themselves from the risk of non-predictable economical fluctuations that could affect the macro-economic environment or the situation of a specific economical sector.

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

As of December 31, 2015 the Bank recorded additional loan provisions for an amount of $35,000 million in the income statement for the year, presented in Note 20 Provisions.

The Bank has not recorded provisions for this concept as of December 31, 2014.

IV. Charge-offs

As a general rule, charge-offs should be done when the contract rights over cash flow expire. In the case of loans and accounts receivable from customers, even if the above does not happen, the Bank will charge-off these amounts in accordance with Title II of Chapter B-2 of the Compendium of Accounting Standards (SBIF).

These charge-offs refer to the derecognition from the Consolidated Statements of Financial Position of the respective loan operations, including any future payments due in the case of installments loans or leasing operations (for which partial charge-offs do not exist).

Charge-offs are always recorded with a charge to credit risk allowances according to Chapter B-1 of the Compendium of Accounting Regulations, no matter the reason of the charge-off. Any payment received related to a loan previously charged-off will be recognized as recovery of loan previously charged-off within Provision for loan losses at the Consolidated Statement of Income.

Loan and accounts receivable charge-offs are recorded for overdue, past due, and current installments based on the time periods expired since reaching overdue status, as described below:

Type of loan	Term
Consumer loans with or without collateral	6 months
Other transactions without collateral	24 months
Commercial loans with collateral	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-mortgage leasing transactions	12 months
Mortgage leasing (household and business)	36 months

V. Recovery of loans previously charged off and accounts receivable from customers

Any receipt of payment for "Loans and accounts receivable from customers" previously charged-off will be recognized as a recovery within "Provision for loan losses" in the Consolidated Statement of Income.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Any payment agreement of an already charged-off loan will not give rise to income—as long as the operation is still in an impaired status—and the effective payments received are accounted for as a recovery from loans previously charged-off. Upon recovery of previously charged-off balances, the renegotiated loans will be recognized as an asset and the associated income as a recovery of loan loss within the "Provision for loan losses".

q) Provisions, contingent assets, and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognized in the Consolidated Statements of Financial Position when the Bank:

i. has a present obligation (legal or constructive) as a result of past events, and
ii. it is probable that an outflow of resources will be required to settle these obligations and the amount of these resources can be reliably measured.

Contingent assets or contingent liabilities are any potential rights or obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence if one or more uncertain future events that are not wholly within control of the Bank.

The Consolidated Statements of Financial Position and annual accounts reflect all significant provisions for which it is estimated that it is probable an outflow of resources will be required to meet the obligation the probability of having to meet the obligation is more likely than not. Provisions are quantified using the best available information on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year. Provisions must specify the liabilities for which they were originally recognized. Partial or total reversals are recognized when such liabilities cease to exist or are reduced.

Provisions are classified according to the obligation covered as follows:

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

r) Deferred income taxes and other deferred taxes

The Bank records, when appropriate, deferred tax assets and liabilities for the estimated future tax effects attributable to differences between the carrying amount of assets and liabilities and their tax bases. The measurement of deferred tax assets and liabilities is based on the tax rate, in accordance with the applicable tax laws, using the tax rate that applies to the period when the deferred asset and liability will be settled. The future effects of changes in tax legislation or tax rates are recorded in deferred taxes beginning on the date on which the law is enacted or substantially enacted.

s) Use of estimates

The preparation of the financial statements requires Management to make estimates and assumptions that affect the application of the accounting policies and the reported balances of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In certain cases, generally accepted accounting policies require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, quoted market prices in active markets have been used as the basis for measurement. When quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of modeling and other valuation techniques.

The Bank has established allowances to cover probable losses, to estimate allowances. These allowances must be regularly reviewed taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers' ability to pay. Increases in the allowances for loan losses are reflected as "Provision for loan losses" in the Consolidated Statement of Income.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Loans are charged-off when the contract rights over cash flow expire, however, in the case of loans and account receivables from customers the Bank will charge-off these amounts in accordance with Title II of Chapter B-2 of the SBIF Compendium of Accounting Regulations. Charge-offs are recorded as a reduction of the provision for loan losses. The relevant estimates and assumptions made to calculate provisions are regularly reviewed by the Bank's Management to quantify certain assets, liabilities, revenues, expenses, and commitments. Revised accounting estimates are recorded in the period in which the estimate is revised and in any affected future period.

These estimates, made on the basis of the best available information, mainly refer to:

- Allowances for loan losses (Notes 9 and 30)
- Impairment losses of certain assets (Notes 7, 8, 9, 10, and 33)
- The useful lives of tangible and intangible assets (Notes 12, 13 and 33)
- The fair value of assets and liabilities (Notes 5, 6, 7, 10 and 37)
- Commitments and contingencies (Note 22)
- Current and deferred taxes (Note 14)

t) Non-current assets held for sale

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

As of December 31, 2015 and 2014 the Bank has not classified any non-current assets as held for sale.

Assets received or awarded in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognized at their fair value (as determined by an independent appraisal). A price is agreed upon by the parties through negotiation or, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction. In both cases, an independent appraisal is performed.

The excess of the outstanding loan balance over the fair value is charged to income for the period, under "Provision for loan losses".

These assets are subsequently measured at the lower between the initial carrying amount and net realizable value less cost to sell (assuming a forced sale), which correspond to fair value (liquidity value determined through independent appraisal) less cost to sell. The difference is charged to income for the period, under "Other operating expenses".

At least once a year, the Bank performs an analysis to review the "cost to sell" of assets received or awarded in lieu of payments. As December 31, 2015 the average cost to sell has been determined at 5.0% over appraisal value (4.8% as of December 31, 2014).

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

u) Earnings per share

Basic earnings per share are determined by dividing the net income attributable to the equity holders of the Bank for the reported period by the weighted average number of shares outstanding during the reported period.

Diluted earnings per share are determined in the same way as basic earnings, but the weighted average number of outstanding shares is adjusted to take into consideration the potential diluting effect of stock options, warrants, and convertible debt.

As of December 31, 2015 and 2014 the Bank did not have any instruments that generated dilution.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

v) Temporary acquisition (assignment) of assets and liabilities

Purchases or sales of financial assets under non-optional repurchase agreements at a fixed price are recorded in the Consolidated Statements of Financial Position based on the nature of the debtor (creditor) under "Deposits in the Central Bank of Chile," "Deposits in financial institutions" or "Loans and accounts receivable from customers", "Central Bank of Chile deposits," "Deposits from financial institutions" or "Customer deposits".

Differences between the purchase and sale prices are recorded as financial interest over the term of the contract.

w) Assets under management and investment funds managed by the Bank

Assets owned by third parties and managed by certain companies that are within the Bank's scope of consolidation (Santander S.A. Sociedad Securitizadora), are not included in the Consolidated of Financial Position. Management fees are included in "Fee and commission income" in the Consolidated Statement of Income.

x) Provision for mandatory dividends

As of December 31, 2015 and 2014 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded, as a deducting item, under the "Retained earnings – provisions for mandatory dividends" line of the Consolidated Statement of Changes in Equity with offset to Provisions.

y) Employee benefits

i. Post-employment benefits – Defined Benefit Plan:

According to current collective labor agreements and other agreements, the Bank has an additional benefit available to its principal executives, consisting of a pension plan whose purpose is to endow them with funds for a better supplementary pension upon their retirement.

<u>Features of the Plan:</u>

The main features of the Post-Employment Benefits Plan promoted by the Banco Santander Chile are:

a. Aimed at the Bank's management
b. The general requirement to apply for this benefit is that the employee must be carrying out his/her duties when turning 60 years old.
c. The Bank will create a pension fund, with life insurance, for each beneficiary in the plan. Periodic contributions into this fund are made by the manager and matched by the Bank.
d. The Bank will be responsible for granting the benefits directly.

To determine the present value of the defined benefit obligation and the current service cost, the method of projected unit credit is used.

Components of defined benefit cost include:

- current service cost and any past service cost, which are recognized in profit or loss for the period;
- net interest on the liability (asset) for net defined benefit, which is recognized in profit or loss for the period;
- liability (asset) remeasurements for net defined benefit include:
  (a) actuarial gains and losses;
  (b) the difference between the actual return on plan assets and the interest on plan assets included in the net interest component and;
  (c) changes in the effect of the asset ceiling.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The liability (asset) for net defined benefit is the deficit or surplus, determined as the difference between the present value of the defined benefit obligation less the fair value of plan assets.

Plan assets comprise insurance policies taken out by the Group with a third party that is not a related party. These assets are held by an entity legally separated from the Bank and exist solely to pay benefits to employees.

The Bank recognizes the service cost and the net interest in the Personnel wages and expenses on the Consolidated Statement of Income. In accordance with plan's structure, it does not generate actuarial gains and losses, its performance is known and fixed during the period, so there is no change in the asset ceiling; given the above, no amount is recognized in other comprehensive income.

The post-employment benefits liability, recognized in the Consolidated Statement of Financial Position represents the deficit or surplus in the defined benefit plans of the Bank. Any surplus resulting from the calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions.

When employees leave the plan before meeting the requirements to be eligible for the benefit, contributions made by the Bank are reduced.

ii. Severance provision:

Severance provision for years of employment are recorded only when they actually occur or upon the availability of a formal and detailed plan in which the fundamental modifications to be made are identified, provided that such plan has already started to be implemented or its principal features have been publicly announced, or objective facts about its execution are known.

iii. Cash-settled share based compensation

The Bank allocates cash-settled share based compensation to executives of the Bank and its Subsidiaries in accordance with IFRS. The Bank measures the services received and the obligation incurred at fair value. Until the obligation is settled, the Bank determines the fair value at the end of each reporting period, as well as at the date of settlement, recognizing any change in fair value in the income statement of the period.

z) Application of new and revised International Financial Reporting Standards

i. New and revised standards affecting amounts reported and/or disclosures in the financial statements

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

1. Accounting Regulations Issued by the SBIF, effective in current year

Circular N° 3.588, issued on September 25, 2015 by the SBIF, contains amendments to Chapters A-1, B-1, B-3 and C-3 of the Compendium of Accounting Standards. It modifies phrasing to Chapters A-1, B-1 and B-3. The modifications to Chapter C-3 consist in the creation of a new account for payment cards with available funds provision (2100.2.07) and eliminates lines and items from the consolidated and individual complementary information.

The modifications referring to Chapters A-1, B-1 and B-3 are immediately effective, while the modifications to Chapter C-3 apply from October 31, 2015. *The implementation of this amendment did not have material impact on the consolidated financial statements of the Bank.*

2. New and revised IFRS standards, effective in current year

Amendment to IAS 19 (2011), Employee Benefits – On November 21, 2013, the IASB amended IAS 19 (2011) *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendments permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The amendments are effective for periods beginning on or after July 1, 2014, with earlier application permitted. *The implementation of this amendment did not have material impact on the consolidated financial statements of the Bank.*

Annual Improvements 2010 – 2012 Cycle

IFRS 2 Share based payments, Definition of vesting condition - Appendix A 'Defined terms' to IFRS 2 was amended to (i) change the definitions of 'vesting condition' and 'market condition', and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments clarify that: (a) a performance target can be based on the operations of the entity or another entity in the same group (i.e. a non-market condition) or on the market price of the equity instruments of the entity or another entity in the same group (i.e. a market condition); (b) a performance target can relate either to the performance of the entity as a whole or to some part of it (e.g. a division or an individual employee); (c) a share market index target is a non-vesting condition because it not only reflects the performance of the entity, but also of other entities outside the group; (d) the period for achieving a performance condition must not extend beyond the end of the related service period; (e) a condition need to have an explicit or implicit service requirement in order to constitute a performance condition (rather than being a non-vesting condition); (f) a market condition is a type of performance condition, rather than a non-vesting condition; and (g) if the counterparty ceases to provide services during the vesting period, this means it has failed to satisfy the service condition, regardless of the reason for ceasing to provide services. The amendments apply prospectively to share-based payment transactions with a grant date on or after July 1, 2014, with earlier application permitted.

IFRS 3 Business Combinations, Accounting for contingent consideration in a business combination - The amendments clarify that a contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. Consequential amendments were also made to IFRS 9, IAS 39 and IAS 37. The amendments apply prospectively to business combination for which the acquisition date is on or after July 1, 2014. Earlier application is permitted.

IFRS 8 Operating Segments, Aggregation of Operating Segments – The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. It clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted.

IFRS 13 Fair Value Measurement, Short-term receivables and payables – The Basis for Conclusions was amended to clarify that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, Revaluation method: proportionate restatement of accumulated depreciation/amortization – The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted. An entity is required to apply to amendments to all revaluations recognized in the annual period in which the amendments are first applied and in the immediately preceding annual period. An entity is permitted, but not required, to restate any earlier periods presented.

IAS 24 Related Party Disclosures, Key management personnel – The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted.

The implementation of those modifications did not have material impact on the consolidated financial statements of the Bank.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Annual Improvements 2011 – 2013 Cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards, Meaning of "effective IFRS" -The amendment clarifies that a first-time adopter is allowed, but not required, to apply a new IFRS that is not yet mandatory if that IFRS permits early application. If an entity chooses to early apply a new IFRS, it must apply that new IFRS retrospectively throughout all periods presented unless IFRS 1 provides an exemption or an exception that permits or requires otherwise. Consequently, any transitional requirements of that new IFRS do not apply to a first-time adopter that chooses to apply that new IFRS early. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted.

IFRS 3 Business Combinations, Scope exception for joint ventures - The scope section was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted.

IFRS 13 Fair Value Measurement, Scope of portfolio exception (paragraph 52) - The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, an accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. Consistent with the prospective initial application of IFRS 13, the amendment must be applied prospectively from the beginning of the annual period in which IFRS was initially applied. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted.

IAS 40 Investment Property, Interrelationship between IFRS 3 and IAS 40 - IAS 40 was amended to clarify that this standard and IFRS 3 *Business Combinations* are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether (a) the property meets the definition of investment property in IAS 40, and (b) the transaction meets the definition of a business combination under IFRS 3. The amendment applies prospectively for acquisitions of investment property in periods commencing on or after July 1, 2014. An entity is only permitted to adopt the amendments early and/or restate prior periods if the information to do so is available. The amendments apply for annual periods beginning on or after July 1, 2014, with earlier application permitted.

The implementation of those modifications did not have material impact on the consolidated financial statements of the Bank.

ii. New accounting regulations and instructions issued by the SBIF as well as by the IASB not enforced as of December 31, 2015

At the end date of these financial statements new IFRS had been published as well as interpretations of these regulations by the SBIF that were not mandatory as of December 31, 2015. Though in some cases the IASB has allowed for their in advance adoption, the Bank has not done so up to said date.

1. Accounting regulations issued by the SBIF

Circular N°3.573, issued on December 30, 2014 by the SBIF, contains amendments to Chapters B-1, B-2 and E of the Compendium of Accounting Standards. The amendments establish a standardized method for measuring residential mortgage loans that will apply from 2016. Also it provides complementary information for loans and provisions that are in the impaired portfolio. The use of this standard model is obligatory as of January 1, 2016. Additionally on June 22, 2015, the SBIF issued Circular 3.584, specifying instructions for Chapter B-1 of the Compendium of Accounting Standards. *The Bank's management is assessing the potential impact of the adoption of these modifications.*

Circular N°3.583, issued on May 25, 2015 by the SBIF, modifies Chapter 3 of the Compendium of Accounting Standards. The amendments establish a new classification of loans for higher education, within Commercial Loans. This new classification will include:

- Loans for higher education according to Law 20.027
- Loans with CORFO guarantees (CORFO is the Chilean Economic Development Agency)
- Other higher education loans

These modifications are obligatory as of January 1, 2016. *The Bank's Management has considered that the implementation of these modifications will not have material impact on the consolidated financial statements of the Bank.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. New and revised IFRS issued but not effective

IFRS 9 Financial Instruments (2014) (IFRS 9) - IFRS 9 (2014) contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. *IFRS 9 will not apply to the Financial Statements of the Bank as expressly stated by the SBIF until it states that this standard is obligatory for all banks. The Bank's management is assessing the potential impact of the adoption of this standard on the consolidated financial statements of the Bank.*

IFRS 15, Revenue from Contracts with Customers - issued on May 28, 2014, the IASB has published its new standard, IFRS 15 Revenue from contracts with customers. At the same time, the Financial Accounting Standards Board (FASB) has published its equivalent revenue standard, ASU 2014-09.The new standard provides a single, principles based five-step model to be applied to all contracts with customers, i) identify the contract with the customer, ii) identify the performance obligations in the contract, iii) determine the transaction price, iv) allocate the transaction price to the performance obligations in the contracts, v) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018. Application of the Standard is mandatory and early adoption is permitted. An entity that chooses to apply IFRS 15 earlier than 1 January 2018 must disclose this fact. *The Bank's management is assessing the potential impact of the adoption of this standard on the consolidated financial statements of the Bank.*

Accounting for Acquisitions of interests in Joint Operations (Amendments to IFRS 11) - issued on May 6, 2014 the IASB has issued "Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)", the amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11;

- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted but corresponding disclosures are required. The amendments apply prospectively. *The Bank's management has considered that these amendments will not have material impact on the consolidated financial statements of the Bank.*

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) - issued on May 12, 2014 the IASB has published "Clarification of Acceptable Methods of depreciation and amortization (amendments to IAS 16 and IAS 38)".The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. *The Bank's management has considered that amendment will not impact the consolidated financial statements.*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Equity Method in Separate Financial Statements (Amendments to IAS 27) - issued on August 12, 2014, the IASB has published “Equity Method in Separate Financial Statements (Amendments to IAS 27)”. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost,
- in accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments. In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of International Financial Reporting Standards. The accounting option must be applied by category of investments. In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The amendments are to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. *The Bank’s management has considered that these amendments will not have material impact on the consolidated financial statements of the Bank.*

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - issued on 11, 2014, the IASB has published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors’ interests in that associate or joint venture.

On December 17, 2015 the IASB has published final amendments to “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”. The amendments defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. *The Bank’s management has considered that these amendments will not have material impact on the consolidated financial statements of the Bank.*

Disclosure initiative (Amendments to IAS 1) - issued on December 18, 2014 the IASB added an initiative on disclosure to its work program in 2013 to complement the work being done in the Conceptual Framework project. The initiative is made up of a number of smaller projects that aim at exploring opportunities to see how presentation and disclosure principles and requirements in existing Standards can be improved. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. *The Bank’s management has considered that these amendments will not have material impact on the consolidated financial statements of the Bank.*

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) - issued on December 18, 2014 the IASB has published 'Investment Entities: Applying the Consolidation Exception, Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Bank's management has considered that these amendments will not have material impact on the consolidated financial statements of the Bank.

Annual Improvements 2012-2014 Cycle

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Changes in methods of disposal - Adds specific guidance in IFRS 5 for cases in which an entity reclassify an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1), Servicing contracts - Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

IAS 19 Employee Benefits, Discount rate – Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

IAS 34 Interim Financial Reporting, Disclosure of information "elsewhere in the interim financial report" - Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

The improvements are effective for annual periods beginning on or after 1 July 2016, with earlier application being permitted.

The Bank's management has considered that these improvements will not have material impact on the consolidated financial statements of the Bank.

IFRS 16 Leases – issued on January 13, 2016, the IASB has published its new standard for leases, which replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC15 Operating leases and SIC27 Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payment. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customer" has also been applied. *The Bank's management is assessing the potential impact of the adoption of this standard on the consolidated financial statements of the Bank.*

NOTE 02
SIGNIFICANT EVENTS

As of December 31, 2015, the following significant events have occurred and affected the Bank`s operations and Consolidated Financial Statements.

a) The Board

In the Ordinary Board Meeting of Banco Santander Chile held on April 28, 2015, Orlando Poblete Iturrate was confirmed as a Director, having been previously appointed Alternate Director in the Ordinary Board Meeting on April 22, 2014 and replacing Carlos Olivos Marchant as Director since September 23, 2014. Also, Blanca Bustamante Bravo was appointed as Alternate Director.

In the Ordinary Board Meeting dated November 17, 2015 the Board appointed the director Orlando Poblete Iturrate as a member of the Audit Committee of Directors, replacing Lisandro Serrano Spoerer who had resigned in the Ordinary Board Meeting held on October 20, 2015.

b) Use of Profits and Distribution of Dividends

The Shareholders' Meeting of Banco Santander Chile held on April 28, 2015, was chaired by Mr. Vittorio Corbo Lioi (Chairman), and attended by Roberto Méndez Torres (Second Vice President), the Directors: Marco Colodro Hadjes, Lucía Santa Cruz Sutil, Juan Pedro Santa María Pérez, Lisandro Serrano Spoerer, Roberto Zahler Mayanz and Orlando Poblete Iturrate. Also, the CEO Claudio Melandri Hinojosa and CAO Felipe Contreras Fajardo attended the meeting.

According to the information presented in aforementioned meeting, 2014 net income (designated in the financial statements as "Income attributable to equity holders of the Bank") amounted to Ch$ 550,331 million. The Board approved the distribution of 60% of such net income, yielding a Ch$1.752 dividend per share, payable starting on April 29, 2015. Also, it was approved that the remaining 40% of the profits will be retained in the Bank's reserves.

c) Issuance of bonds - at December 31, 2015

In the year ended December 31, 2015 the Bank has issued senior bonds in the amount of CLP 500,000,000,000 UF 14,000,000 CHF 150,000,000, and JPY 1,200,000,000. Debt issuance information is included in Note 18.

c.1) Senior bonds

Series	Currency	Amount	Term	Issuance rate	Issuance date	Maturity date
P1	CLP	50,000,000,000	10 years	5.80% per annum simple	01-01-2015	01-01-2025
P2	CLP	100,000,000,000	5 years	5.20% per annum simple	01-01-2015	01-01-2020
P3	CLP	50,000,000,000	7 years	5.50% per annum simple	01-01-2015	01-01-2022
P4	CLP	150,000,000,000	5 years	4.80% per annum simple	03-01-2015	03-01-2020
P5	CLP	150,000,000,000	6 years	5.30% per annum simple	03-01-2015	03-01-2022
Total	**CLP**	**500,000,000,000**				
P6	UF	3,000,000	5 years	2.25% per annum simple	03-01-2015	03-01-2020
P7	UF	3,000,000	8 years	2.40% per annum simple	03-01-2015	09-01-2022
P8	UF	3,000,000	6 years	2.25% per annum simple	03-01-2015	09-01-2020
P9	UF	5,000,000	10 years	2.60% per annum simple	03-01-2015	09-01-2025
Total	**UF**	**14,000,000**				
CHF fixed bond	CHF	150,000,000	7 years	0.38% quarterly	04-19-2015	10-19-2022
Total	**CHF**	**150,000,000**				
JPY current bond	JPY	1,200,000,000	5 years	0.42% biannually	12-17-2015	12-17-2020
Total	**JPY**	**1,200,000,000**				

c.2) Subordinated bonds

As at December 31, 2015 the Bank had not issued subordinated bonds in this financial year.

NOTE 02
SIGNIFICANT EVENTS, continued

c.3) Repurchase of bonds

The Bank has conducted the following repurchase of bonds as of December 31, 2015:

Date	Series	Amount
12-01-2015	Senior bond	USD 19,000,000

c.4) Mortgage bonds at December 31, 2015

As of December 31, 2015 the Bank has issued the following bonds:

Series	Currency	Amount	Term	Issuance rate	Issuance date	Maturity date
AC	CLP	100,000,000,000	10 years	5,50% per annum simple	01-01-2015	01-01-2025
Total	**CLP**	**100,000,000,000**				

NOTE 03
REPORTING SEGMENTS

The Bank manages and measures the performance of its operations by business segments. The information disclosed in this note is not necessarily comparable to that of other financial institutions, since it is based on management's internal information system by segment.

Inter-segment transactions are conducted under normal arm's length commercial terms and conditions. Each segment's assets, liabilities, and income include items directly attributable to the segment to which they can be allocated on a reasonable basis.

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

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

The information relating to 2014 has been prepared using the current criteria so that the figures presented are comparable.

The Bank has the reportable segments noted below:

Retail Banking

Consists of individuals and small to middle-sized entities (SMEs) with annual income less than Ch$1,200 million. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, commercial loans, foreign exchange, mortgage loans, debit cards, checking accounts, savings products, mutual funds, stockbrokerage, and insurance brokerage. Additionally the SME clients are offered government-guaranteed loans, leasing and factoring.

Middle-market

This segment is made up of companies and large corporations with annual sales exceeding Ch$1,200 million. It serves institutions such as universities, government entities, local and regional governments and companies engaged in the real estate industry who carry out projects to sell properties to third parties and annual sales exceeding Ch$800 million with no upper limit. The companies within this segment have access to many products including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, savings products, mutual funds, and insurance brokerage. Also companies in the real estate industry are offered specialized services to finance projects, chiefly residential, with the aim of expanding sales of mortgage loans.

Global Corporate Banking

This segment consists of foreign and domestic multinational companies with sales over Ch$10,000 million. The companies within this segment have access to many products including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investments, savings products, mutual funds and insurance brokerage.

This segment also consists of a Treasury Division which provides sophisticated financial products, mainly to companies in the Middle-market and Global Corporate Banking segments. These include products such as short-term financing and fund raising, brokerage services, derivatives, securitization, and other tailor-made products. The Treasury area may act as brokers to transactions and also manages the Bank's investment portfolio.

Corporate Activities ("Other")

This segment mainly includes the results of our Financial Management Division, which develops global management functions, including managing inflation rate risk, foreign currency gaps, interest rate risk and liquidity risk. Liquidity risk is managed mainly through wholesale deposits, debt issuances and the Bank's available for sale portfolio. This segment also manages capital allocation by unit. These activities usually result in a negative contribution to income.

NOTE 03
REPORTING SEGMENTS, continued

In addition, this segment encompasses all the intra-segment income and all the activities not assigned to a given segment or product with customers.

The segments' accounting policies are those described in the summary of accounting policies. The Bank earns most of its income in the form of interest income, fee and commission income and income from financial operations. To evaluate a segment's financial performance and make decisions regarding the resources to be assigned to segments, the Chief Operating Decision Maker (CODM) bases his assessment on the segment's interest income, fee and commission income, and expenses.

Below are the tables showing the Bank's results by reporting segment for the years ended December 31, 2015 and 2014 in addition to the corresponding balances of loans and accounts receivable from customers:

	As of December 31, 2015						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment`s net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Retail Banking	**17,034,707**	**873,026**	**190,380**	**16,245**	**(307,085)**	**(533,086)**	**239,480**
Middle-market	**6,006,282**	**229,812**	**28,537**	**17,897**	**(32,644)**	**(77,261)**	**166,341**
Commercial Banking	23,040,989	1,102,838	218,917	34,142	(339,729)	(610,347)	405,821
Global Corporate Banking	**2,178,643**	**85,553**	**15,231**	**50,327**	**(26,963)**	**(49,533)**	**74,615**
Other	**81,125**	**66,815**	**3,479**	**61,030**	**(47,002)**	**(1,328)**	**82,994**
Total	**25,300,757**	**1,255,206**	**237,627**	**145,499**	**(413,694)**	**(661,208)**	**563,430**
Other operating income							15,642
Other operating expenses and impairment							(54,218)
Income from investments in associates and other companies							2,588
Income tax expense							(75,301)
Net income for the year							**452,141**

(1) Corresponds to loans and accounts receivable from customers, without deducting their allowances for loan losses.
(2) Corresponds to the sum of the net income from financial operations and the foreign exchange profit or loss.
(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

NOTE 03
REPORTING SEGMENTS, continued

	As of December 31, 2014						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment`s net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Retail Banking	**15,191,808**	**833,139**	**175,007**	**18,458**	**(327,774)**	**(479,954)**	**218,876**
Middle-market	**5,443,983**	**200,675**	**27,055**	**16,342**	**(37,025)**	**(66,321)**	**140,726**
Commercial Banking	20,635,791	1,033,814	202,062	34,800	(364,799)	(546,275)	359,602
Global Corporate Banking	**2,201,913**	**71,992**	**22,338**	**50,510**	**(460)**	**(44,195)**	**100,185**
Other	**54,945**	**211,298**	**2,883**	**35,579**	**(9,172)**	**2,261**	**242,849**
Total	**22,892,649**	**1,317,104**	**227,283**	**120,889**	**(374,431)**	**(588,209)**	**702,636**
Other operating income							14,834
Other operating expenses and impairment							(117,772)
Income from investments in associates and other companies							2,165
Income tax expense							(45,552)
Net income for the year							**556,311**

(1) Corresponds to loans and accounts receivable from customers, without deducting their allowances for loan losses.
(2) Corresponds to the sum of the net income from financial operations and the foreign exchange profit or loss.
(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

NOTE 04
CASH AND CASH EQUIVALENTS

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

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Cash and deposits in banks		
Cash	632,435	594,979
Deposits in the Central Bank of Chile	184,510	167,444
Deposits in domestic banks	192	50
Deposits in foreign banks	1,247,669	846,415
Subtotals – Cash and deposits in banks	**2,064,806**	**1,608,888**
Cash in process of collection, net	262,364	250,114
Cash and cash equivalents	**2,327,170**	**1,859,002**

The balance of funds held in cash and at the Central Bank of Chile reflects the reserves that the Bank must maintain on average each month in accordance with the regulations governing minimum reserves.

b) Cash in process of collection and in process of being cleared:

Cash items in process of collection and in process of being cleared represent domestic transactions which have not been processed through the central domestic clearinghouse or international transactions which may be delayed in settlement due to timing differences. These transactions were as follows:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Assets		
Documents held by other banks (documents to be cleared)	296,634	261,758
Funds receivable	427,887	269,615
Subtotal	**724,521**	**531,373**
Liabilities		
Funds payable	462,157	281,259
Subtotal	**462,157**	**281,259**
Cash in process of collection, net	**262,364**	**250,114**

NOTE 05
TRADING INVESTMENTS

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

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	159,767	270,004
Chilean Central Bank Notes	-	-
Other Chilean Central Bank and Government securities	123,468	461,340
Subtotal	**283,235**	**731,344**
Other Chilean securities		
Time deposits in Chilean financial institutions	-	-
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institution bonds	-	-
Chilean corporate bonds	37,630	36,339
Other Chilean securities	-	-
Subtotal	**37,630**	**36,339**
Foreign financial securities		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	-	-
Subtotal	**-**	**-**
Investments in mutual funds		
Funds managed by related entities	3,406	7,132
Funds managed by others	-	-
Subtotal	**3,406**	**7,132**
Total	**324,271**	**774,815**

As of December 31, 2015 and 2014, there were no trading investments sold under contracts to resell to clients and financial institutions.

NOTE 06
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS

a) Rights arising from resale agreements

The Bank purchases financial instruments agreeing to resell them at a future date. As of December 31, 2015 and 2014, rights associated with instruments acquired under contracts to resell are as follows:

	As of December 31,							
	2015				2014			
	From 1 day and less than 3 months MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$	From 1 day and less than 3 months MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$
Securities from the Chilean Government and the Chilean Central Bank								
Chilean Central Bank Bonds	1,978	-	-	1,978	-	-	-	-
Chilean Central Bank Notes	2	-	-	2	-	-	-	-
Other securities from the Government and the Chilean Central Bank	483	-	-	483	-	-	-	-
Subtotal	**2,463**	**-**	**-**	**2,463**	**-**	**-**	**-**	**-**
Instruments from other domestic institutions:								
Time deposits in Chilean financial institutions	-	-	-	-	-	-	-	-
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institution bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign financial securities:								
Foreign government or central banks securities	-	-	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**--**	**-**	**-**	**-**	**--**
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,463**	**-**	**-**	**2,463**	**-**	**-**	**-**	**-**

NOTE 06
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS, continued

b) Obligations arising from repurchase agreements

The Bank raises funds by selling financial instruments and committing itself to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2015 and 2014, obligations related to instruments sold under repurchase agreements are as follows:

	As of December 31,							
	2015				2014			
	From 1 day to less than 3 months MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$	From 1 day to less than 3 months MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$
Securities from Chilean Government and the Chilean Central Bank								
Chilean Central Bank Bonds	64,337	-	-	64,337	105,702	-	-	105,702
Chilean Central Bank Notes	22	-	-	22	153	-	-	153
Other securities from the Government and the Chilean Central Bank	11,006	-	-	11,006	10,644	-	-	10,644
Subtotal	**75,365**	**-**	**-**	**75,365**	**116,499**	**-**	**-**	**116,499**
Instruments from other domestic institutions:								
Time deposits in Chilean financial institutions	68,324	-	-	68,324	275,285	342	-	275,627
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institution bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**68,324**	**-**	**-**	**68,324**	**275,285**	**342**	**-**	**275,627**
Foreign financial securities:								
Foreign government or central banks securities	-	-	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**143,689**	**-**	**-**	**143,689**	**391,784**	**342**	**-**	**392,126**

NOTE 06
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS, continued

c) Below is the detail by portfolio of collateral associated with repurchase agreements as of December 31, 2015 and 2014, valued at fair value:

	As of December 31,					
	2015			2014		
	Available for sale portfolio MCh$	Trading portfolio MCh$	Total MCh$	Available for sale portfolio MCh$	Trading portfolio MCh$	Total MCh$
Chilean Central Bank and Government securities:						
Chilean Central Bank Bonds	62,350	-	62,350	105,680	-	105,680
Chilean Central Bank Notes	20	-	20	153	-	153
Other securities from the Government and the Chilean Central Bank	10,531	-	10,531	10,642	-	10,642
Subtotal	**72,901**	**-**	**72,901**	**116,475**	**-**	**116,475**
Other Chilean securities:						
Time deposits in Chilean financial institutions	68,321	-	68,321	275,675	-	275,675
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-
Chilean financial institution bonds	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-
Subtotal	**68,321**	**-**	**68,321**	**275,675**	**-**	**275,675**
Foreign financial securities:						
Foreign Central Banks and Government securities	-	-	-	-	-	-
Other foreign financial instruments	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**
Investments in mutual funds:						
Funds managed by related entities	-	-	-	-	-	-
Funds managed by others	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**
Total	**141,222**	**-**	**141,222**	**392,150**	**-**	**392,150**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2015 and 2014 the Bank holds the following portfolio of derivative instruments:

	As of December 31, 2015					
	Notional amount				Fair value	
	Up to 3 Months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	327,955	1,184,795	630,970	2,143,720	5,480	6,364
Cross currency swaps	9,441	30,040	1,842,421	1,881,902	181,557	1,483
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**337,396**	**1,214,835**	**2,473,391**	**4,025,622**	**187,037**	**7,847**
Cash flow hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	7,281,184	4,445,006	2,720,520	14,446,710	273,291	69,716
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**7,281,184**	**4,445,006**	**2,720,520**	**14,446,710**	**273,291**	**69,716**
Trading derivatives						
Currency forwards	18,731,575	13,328,727	3,459,386	35,519,688	341,236	318,416
Interest rate swaps	7,272,523	15,677,393	56,140,894	79,090,810	533,416	540,011
Cross currency swaps	5,881,627	5,898,094	44,921,355	56,701,076	1,826,977	1,883,185
Call currency options	49,067	60,380	477,057	586,504	42,325	41,451
Call interest rate options	-	-	264,473	264,473	1,148	1,253
Put currency options	48,958	52,682	-	101,640	422	684
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	125,258	-	-	125,258	74	43
Subtotal	**32,109,008**	**35,017,276**	**105,263,165**	**172,389,449**	**2,745,598**	**2,785,043**
Total	**39,727,588**	**40,677,117**	**110,457,076**	**190,861,781**	**3,205,926**	**2,862,606**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2014					
	Notional amount				Fair value	
	Up to 3 months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	97,812	846,168	668,166	1,612,146	9,821	2,540
Cross currency swaps	-	193,704	694,852	888,556	110,448	7,997
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**97,812**	**1,039,872**	**1,363,018**	**2,500,702**	**120,269**	**10,537**
Cash flow hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	11,329	850,555	1,727,283	2,589,167	131,880	21,996
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**11,329**	**850,555**	**1,727,283**	**2,589,167**	**131,880**	**21,996**
Trading derivatives						
Currency forwards	8,740,802	20,156,612	2,155,381	31,052,795	342,726	277,789
Interest rate swaps	1,675,560	16,147,587	37,838,280	55,661,427	518,392	485,798
Cross currency swaps	524,274	4,395,731	19,028,968	23,948,973	1,609,197	1,761,196
Call currency options	160,560	89,701	-	250,261	1,587	2,597
Call interest rate options	-	-	103,474	103,474	795	633
Put currency options	153,999	157,757	34,491	346,247	2,575	485
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	258,425	-	-	258,425	142	353
Subtotal	**11,513,620**	**40,947,388**	**59,160,594**	**111,621,602**	**2,475,414**	**2,528,851**
Total	**11,622,761**	**42,837,815**	**62,250,895**	**116,711,471**	**2,727,563**	**2,561,384**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b) Hedge accounting

Fair value hedges:

The Bank uses cross-currency swaps, interest rate swaps, and call money swaps to hedge its exposure to changes in fair value of hedged items attributable to interest rates. The aforementioned hedging instruments change the effective cost of long-term issuances from a fixed interest rate to a variable interest rate.

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of December 31, 2015 and 2014, classified by term to maturity:

	As of December 31, 2015				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Available for sale investments					
Yankee bonds	-	-	-	92,106	92,106
Mortgage financing bonds	-	-	-	6,460	6,460
Time deposits	1,542,789	65,000	-	-	1,607,789
Issued debt instruments					
Senior bonds	9,442	573,960	867,865	868,000	2,319,267
Total	**1,552,231**	**638,960**	**867,865**	**966,566**	**4,025,622**
Hedging instrument					
Cross currency swaps	39,481	548,960	567,865	725,596	1,881,902
Interest rate swaps	1,512,750	90,000	300,000	240,970	2,143,720
Total	**1,552,231**	**638,960**	**867,865**	**966,566**	**4,025,622**

	As of December 31, 2014				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Available for sale investments					
Mortgage financing bonds	-	-	-	3,291	3,291
Treasury bonds (BTP)	-	20,000	135,000	20,000	175,000
Central bank bonds (BCP)	-	28,000	13,000	147,500	188,500
Time deposits	761,481	33,000	-	-	794,481
Issued debt instruments					
Senior bonds	376,203	261,437	286,792	414,998	1,339,430
Total	**1,137,684**	**342,437**	**434,792**	**585,789**	**2,500,702**
Hedging instrument					
Cross currency swaps	955,185	342,437	434,792	464,123	2,196,537
Interest rate swaps	182,499	-	-	121,666	304,165
Total	**1,137,684**	**342,437**	**434,792**	**585,789**	**2,500,702**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

Cash flow hedges:

The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and interbank loans at a variable rate. To cover the inflation risk in some items, both forwards as well as currency swaps are used.

Below is the nominal amount of the hedged items as of December 31, 2015 and 2014, and the period when the cash flows will be generated:

	As of December 31, 2015				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loans	8,098,639	157,462	158,649	-	8,414,750
Commercial loans	564,800	-	-	-	564,800
Available for sale investments					
Yankee bond	-	-	80,078	585,386	665,464
Chilean Central Bank bonds	123,962	20,467	-	-	144,429
Time deposits	50,023	-	-	-	50,023
Issued debt instruments					
Senior bonds (variable rate)	963,829	1,176,383	-	-	2,140,212
Senior bonds (fixed rate)	-	-	14,036	202,562	216,598
Interbank borrowings					
Interbank loans	1,924,937	325,497	-	-	2,250,434
Total	**11,726,190**	**1,679,809**	**252,763**	**787,948**	**14,446,710**
Hedging instrument					
Cross currency swaps	11,726,190	1,679,809	252,763	787,948	14,446,710
Total	**11,726,190**	**1,679,809**	**252,763**	**787,948**	**14,446,710**

	As of December 31, 2014				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	10,078	78,927	-	-	89,005
Available for sale investments					
Yankee bond	-	-	-	287,078	287,078
Chilean Central Bank bonds	11,448	11,509	-	-	22,957
Time deposits	289,819	-	-	-	289,819
Issued debt instruments					
Senior bonds (variable rate)	-	882,875	152,083	-	1,034,958
Senior bonds (fixed rate)	-	-	-	-	-
Interbank borrowings					
Interbank loans	550,539	314,811	-	-	865,350
Total	**861,884**	**1,288,122**	**152,083**	**287,078**	**2,589,167**
Hedging instrument					
Cross currency swaps	861,884	1,288,122	152,083	287,078	2,589,167
Total	**861,884**	**1,288,122**	**152,083**	**287,078**	**2,589,167**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

Below is an estimate of the periods in which flows are expected to be produced:

b.1) Forecasted cash flows for interest rate risk:

	As of December 31, 2015				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	69,477	23,003	9,466	4,661	106,607
Outflows	(40,521)	(25,018)	(6,216)	(650)	(72,405)
Net flows	**28,956**	**(2,015)**	**3,250**	**4,011**	**34,202**
Hedging instrument					
Inflows	40,521	25,018	6,216	650	72,405
Outflows (*)	(69,477)	(23,003)	(9,466)	(4,661)	(106,607)
Net flows	**(28,956)**	**2,015**	**(3,250)**	**(4,011)**	**(34,202)**

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

	As of December 31, 2014				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	22,834	26,763	10,039	5,449	65,085
Outflows	(27,361)	(19,007)	(2,186)	-	(48,554)
Net flows	**(4,527)**	**7,756**	**7,853**	**5,449**	**16,531**
Hedging instrument					
Inflows	27,361	19,007	2,186	-	48,554
Outflows (*)	(22,834)	(26,763)	(10,039)	(5,449)	(65,085)
Net flows	**4,527**	**(7,756)**	**(7,853)**	**(5,449)**	**(16,531)**

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

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b.2) Forecasted cash flows for inflation risk:

	As of December 31, 2015				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	147,374	10,554	-	-	157,928
Outflows	-	-	-	-	-
Net flows	**147,374**	**10,554**	**-**	**-**	**157,928**
Hedging instrument					
Inflows	-	-	-	-	-
Outflows	(147,374)	(10,554)	-	-	(157,928)
Net flows	**(147,374)**	**(10,554)**	**-**	**-**	**(157,928)**

	As of December 31, 2014				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	62,551	39,579	-	-	102,130
Outflows	-	-	-	-	-
Net flows	**62,551**	**39,579**	**-**	**-**	**102,130**
Hedging instrument					
Inflows	-	-	-	-	-
Outflows	(62,551)	(39,579)	-	-	(102,130)
Net flows	**(62,551)**	**(39,579)**	**-**	**-**	**(102,130)**

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

As of December 31, 2015 and 2014 the Bank has no forecasted cash flows for exchange rate risk.

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

c) The accumulated effect of the mark to market adjustment of cash flow hedges produced by hedge instruments used in hedged cash flow was recorded in the Consolidated Statement of Changes in Equity, specifically within Other comprehensive income, as of December 31, 2015 and 2014, and is as follows:

Hedged item	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Interbank loans	2,700	4,208
Issued debt instruments	2,462	5,981
Available for sale investments	573	(726)
Loans and accounts receivable from customers	2,891	1,262
Net flows	**8,626**	**10,725**

Since the inflows and outflows for both the hedged element and the hedging instrument mirror each other, the hedges are nearly 100% effective, which means that the fluctuations of fair value attributable to risk components are almost completely offset. As of December 31, 2015 and 2014, Ch$ 1,640 million and Ch$2,348 million respectively, were recognized in income.

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

d) Below is a presentation of income generated by cash flow hedges amount that were reclassified from other comprehensive income to income for the year:

	For the years ended December 31, 2015 MCh$	For the years ended December 31, 2014 MCh$
Bond hedging derivatives	6	(16)
Interbank loans hedging derivatives	-	446
Cash flow hedge net income (*)	**6**	**430**

(*) See Note 23 - Equity, letter d)

e) Net investment hedges in foreign operations:

As of December 31, 2015 and 2014, the Bank does not have any foreign net investment hedges in its hedge accounting portfolio.

NOTE 08
INTERBANK LOANS

a) As of December 31, 2014 and 2013, balances of "Interbank loans" are as follows:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Domestic banks		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile	-	-
Non-transferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans	14	44
Overdrafts in checking accounts	-	-
Non-transferable domestic bank loans	-	-
Other domestic bank loans	36	-
Allowances and impairment for domestic bank loans	-	-
Foreign Interbank Loans		
Interbank loans - Foreign	10,827	11,899
Overdrafts in checking accounts	-	-
Non-transferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Provisions and impairment for foreign bank loans	(16)	(25)
Total	**10,861**	**11,918**

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

	As of December 31, 2015			2014		
	Domestic banks MCh$	Foreign banks MCh$	Total MCh$	Domestic banks MCh$	Foreign banks MCh$	Total MCh$
Balance as of January 1	**-**	**25**	**25**	**-**	**54**	**54**
Charge-offs	-	-	-	-	-	-
Provisions established	141	42	183	-	60	60
Provisions released	(141)	(51)	(192)	-	(89)	(89)
Total	**-**	**16**	**16**	**-**	**25**	**25**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

As of December 31, 2015 and 2014, the composition of the loan portfolio is as follows:

As of December 31, 2015	Assets before allowances				Allowances established			
	Normal portfolio MCh$	Substandard portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Assets net balance MCh$
Commercial loans								
Commercial loans	8,112,912	275,528	597,012	**8,985,452**	172,452	140,700	**313,152**	8,672,300
Foreign trade loans	1,929,145	157,359	66,066	**2,152,570**	70,900	1,421	**72,321**	2,080,249
Checking accounts debtors	216,751	5,902	12,070	**234,723**	2,879	6,951	**9,830**	224,893
Factoring transactions	269,773	869	5,005	**275,647**	5,611	734	**6,345**	269,302
Leasing transactions	1,393,851	64,550	75,791	**1,534,192**	20,320	6,394	**26,714**	1,507,478
Other loans and account receivable	121,040	729	22,006	**143,775**	4,937	12,351	**17,288**	126,487
Subtotal	**12,043,472**	**504,937**	**777,950**	**13,326,359**	**277,099**	**168,551**	**445,650**	**12,880,709**
Mortgage loans								
Loans with mortgage finance bonds	42,263	-	1,765	**44,028**	-	275	**275**	43,753
Mortgage mutual loans	131,118	-	2,987	**134,105**	-	695	**695**	133,410
Other mortgage mutual loans	7,243,322	-	391,395	**7,634,717**	-	50,190	**50,190**	7,584,527
Subtotal	**7,416,703**	**-**	**396,147**	**7,812,850**	**-**	**51,160**	**51,160**	**7,761,690**
Consumer loans								
Installment consumer loans	2,167,378	-	302,268	**2,469,646**	-	208,135	**208,135**	2,261,511
Credit card balances	1,410,036	-	24,573	**1,434,609**	-	41,604	**41,604**	1,393,005
Leasing transactions	5,383	-	77	**5,460**	-	76	**76**	5,384
Other consumer loans	236,564	-	4,392	**240,956**	-	8,054	**8,054**	232,902
Subtotal	**3,819,361**	**-**	**331,310**	**4,150,671**	**-**	**257,869**	**257,869**	**3,892,802**
Total	**23,279,536**	**504,937**	**1,505,407**	**25,289,880**	**277,099**	**477,580**	**754,679**	**24,535,201**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued

As of December 31, 2014	Assets before allowances				Allowances established			
	Normal portfolio MCh$	Substandard portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Assets net balance MCh$
Commercial loans								
Commercial loans	7,523,582	234,524	566,843	8,324,949	139,628	139,446	279,074	8,045,875
Foreign trade loans	1,644,096	72,213	69,923	1,786,232	59,754	1,278	61,032	1,725,200
Checking accounts debtors	248,471	6,376	11,384	266,231	3,823	6,457	10,280	255,951
Factoring transactions	322,337	2,482	3,022	327,841	4,459	725	5,184	322,657
Leasing transactions	1,346,867	82,299	60,218	1,489,384	18,264	6,763	25,027	1,464,357
Other loans and account receivable	113,156	717	21,790	135,663	6,376	11,028	17,404	118,259
Subtotal	**11,198,509**	**398,611**	**733,180**	**12,330,300**	**232,304**	**165,697**	**398,001**	**11,932,299**
Mortgage loans								
Loans with mortgage finance bonds	55,040	-	2,316	57,356	-	353	353	57,003
Mortgage mutual loans	113,741	-	2,409	116,150	-	552	552	115,598
Other mortgage mutual loans	6,092,647	-	365,878	6,458,525	-	47,839	47,839	6,410,686
Subtotal	**6,261,428**	**-**	**370,603**	**6,632,031**	**-**	**48,744**	**48,744**	**6,583,287**
Consumer loans								
Installment consumer loans	1,989,755	-	331,020	2,320,775	-	201,931	201,931	2,118,844
Credit card balances	1,335,268	-	27,319	1,362,587	-	44,050	44,050	1,318,537
Leasing transactions	5,187	-	83	5,270	-	80	80	5,190
Other consumer loans	224,681	-	5,062	229,743	-	7,962	7,962	221,781
Subtotal	**3,554,891**	**-**	**363,484**	**3,918,375**	**-**	**254,023**	**254,023**	**3,664,352**
Total	**21,014,828**	**398,611**	**1,467,267**	**22,880,706**	**232,304**	**468,464**	**700,768**	**22,179,938**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued

b) Portfolio characteristics:

As of December 31, 2015 and 2014 the portfolio before allowances is as follows, by customer's economic activity:

	Domestic loans (*)		Foreign interbank loans (**)		Total loans		Distribution percentage	
	As of December 31		As of December 31,		As of December 31,		As of December 31,	
	2015	2014	2015	2014	2015	2014	2015	2014
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	%	%
Commercial loans								
Manufacturing	1,171,830	1,126,268	-	-	1,171,830	1,126,268	4.63	4.92
Mining	510,467	428,847	-	-	510,467	428,847	2.02	1.87
Electricity, gas, and water	454,456	567,548	-	-	454,456	567,548	1.80	2.48
Agriculture and livestock	1,019,922	871,247	-	-	1,019,922	871,247	4.03	3.81
Forest	96,069	98,039	-	-	96,069	98,039	0.38	0.43
Fishing	344,496	256,818	-	-	344,496	256,818	1.36	1.12
Transport	876,329	758,339	-	-	876,329	758,339	3.46	3.31
Communications	160,135	167,004	-	-	160,135	167,004	0.63	0.73
Construction	1,462,535	1,365,841	-	-	1,462,535	1,365,841	5.78	5.97
Commerce	3,050,663	2,773,410	10,827	11,899	3,061,490	2,785,309	12.10	12.17
Services	483,516	469,141	-	-	483,516	469,141	1.91	2.05
Other	3,695,991	3,447,842	-	-	3,695,991	3,447,842	14.61	15.06
Subtotal	**13,326,409**	**12,330,344**	**10,827**	**11,899**	**13,337,236**	**12,342,243**	**52.71**	**53.92**
Mortgage loans	**7,812,850**	**6,632,031**	**-**	**-**	**7,812,850**	**6,632,031**	**30.88**	**28.97**
Consumer loans	**4,150,671**	**3,918,375**	**-**	**-**	**4,150,671**	**3,918,375**	**16.41**	**17.11**
Total	**25,289,930**	**22,880,750**	**10,827**	**11,899**	**25,300,757**	**22,892,649**	**100.00**	**100.00**

(*) Includes domestic interbank loans for Ch$ 50 million as of December 31, 2015 (Ch$44 million as of December 31, 2014), see Note 8.

(**)Includes foreign interbank loans for Ch$ 10,827 million as of December 31, 2015 (Ch$11,899 million as of December 31, 2014), see Note 8.

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued

c) Impaired Portfolio

i) As of December 31, 2015 and 2014, the impaired portfolio is as follows:

	As of December 31,							
	2015				2014			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Individually impaired portfolio	486,685	-	-	486,685	420,038	-	-	420,038
Non-performing loans (collectively evaluated)	346,868	183,133	113,467	643,468	367,791	179,417	97,119	644,327
Other impaired portfolio	108,330	213,014	217,843	539,187	95,335	191,186	266,365	552,886
Total	**941,883**	**396,147**	**331,310**	**1,669,340**	**883,164**	**370,603**	**363,484**	**1,617,251**

ii) The impaired portfolio with or without guarantee as of December 31, 2015 and 2014 is as follows:

	As of December 31,							
	2015				2014			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	410,700	362,326	42,244	815,270	408,759	341,860	48,133	798,752
Unsecured debt	531,183	33,821	289,066	854,070	474,405	28,743	315,351	818,499
Total	**941,883**	**396,147**	**331,310**	**1,669,340**	**883,164**	**370,603**	**363,484**	**1,617,251**

iii) The portfolio of non-performing loans as of December 31, 2015 and 2014 is as follows:

	As of December 31,							
	2015				2014			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	115,733	158,854	9,144	283,731	130,999	157,608	8,292	296,899
Unsecured debt	231,135	24,279	104,323	359,737	236,792	21,809	88,827	347,428
Total	**346,868**	**183,133**	**113,467**	**643,468**	**367,791**	**179,417**	**97,119**	**644,327**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued

d) Allowances

The changes in allowance balances during 2015 and 2014 are as follows:

Activity during 2015	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of January 1, 2015	**232,304**	**165,697**	**48,744**	**254,023**	**700,768**
Allowances established	124,968	71,578	12,149	135,744	344,439
Allowances released	(42,472)	(17,885)	(7,205)	(18,126)	(85,688)
Allowances released due to charge-off	(37,701)	(50,839)	(2,528)	(113,772)	(204,840)
Balances as of December 31, 2015	**277,099**	**168,551**	**51,160**	**257,869**	**754,679**

Activity during 2014	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of January 1, 2014	**200,230**	**100,170**	**43,306**	**264,585**	**608,291**
Allowances established	74,839	99,648	14,959	129,410	318,856
Allowances released	(15,903)	(7,127)	(6,561)	(38,275)	(67,866)
Allowances released due to charge-off	(26,862)	(26,994)	(2,960)	(101,697)	(158,513)
Balances as of December 31, 2014	**232,304**	**165,697**	**48,744**	**254,023**	**700,768**

In addition to credit risk allowances, there are allowances held for:

ii) Country risk to cover the risk taken when holding or committing resources with any foreign country. These allowances are established according to country risk classifications as set by Chapter 7-13 of the Updated Compilation of Rules, issued by the SBIF. The balances of allowances as of December 31, 2015 and 2014 are Ch$385 million and Ch$155 million, respectively. These are presented in Note 20 "Provisions" in the liabilities of the Consolidated Statement of Financial Position.

iii) According to SBIF's regulations (compendium of Accounting Standards), the Bank has established allowances related to the undrawn available credit lines and contingent loans. The balances of allowances as of December 31, 2015 and 2014 are Ch$ 17,321 million and Ch$16,036 million, respectively and are presented in Note 20 "Provisions" in the liabilities of the Consolidated Statement of Financial Position.

i. Allowances established on customer and interbank loans

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

	As of December 31, 2015 MCh$	2014 MCh$
Customers loans	344,439	318,856
Interbank loans	183	60
Total	**344,622**	**318,916**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued

ii. Portfolio by its Impaired and non-impaired status.

	As of December 31, 2015											
	Non-impaired				Impaired				Portfolio total			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	**Total non impaired MCh$**	Commercial MCh$	Mortgage MCh$	Consumer MCh$	**Total impaired MCh$**	Commercial MCh$	Mortgage MCh$	Consumer MCh$	**Total portfolio MCh$**
Current portfolio	12,207,967	7,125,404	3,617,676	**22,951,047**	441,308	146,909	134,700	**722,917**	12,649,275	7,272,313	3,752,376	**23,673,964**
Overdue for 1-29 days	98,692	80,621	120,912	**300,225**	61,626	11,990	45,280	**118,896**	160,318	92,611	166,192	**419,121**
Overdue for 30-89 days	77,817	210,678	80,773	**369,268**	108,743	61,962	59,754	**230,459**	186,560	272,640	140,527	**599,727**
Overdue for 90 days or more	-	-	-	**-**	330,206	175,286	91,576	**597,068**	330,206	175,286	91,576	**597,068**
Total portfolio before allowances	**12,384,476**	**7,416,703**	**3,819,361**	**23,620,540**	**941,883**	**396,147**	**331,310**	**1,669,340**	**13,326,359**	**7,812,850**	**4,150,671**	**25,289,880**
Overdue loans (less than 90 days) presented as portfolio percentage	1.43%	3.93%	5.28%	**2.83%**	18.09%	18.67%	31.70%	**20.93%**	2.60%	4.68%	7.39%	**4.03%**
Overdue loans (90 days or more) presented as portfolio percentage.	-	-	-	**-**	35.06%	44.25%	27.64%	**35.77%**	2.48%	2.24%	2.21%	**2.36%**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLES FROM CUSTOMERS, continued

iii. Portfolio by its Impaired and non-impaired status, continued.

	As of December 31, 2014											
	Non-impaired				Impaired				Portfolio total			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	**Total non impaired MCh$**	Commercial MCh$	Mortgage MCh$	Consumer MCh$	**Total impaired MCh$**	Commercial MCh$	Mortgage MCh$	Consumer MCh$	**Total portfolio MCh$**
Current portfolio	11,225,561	5,959,902	3,361,922	**20,547,385**	374,317	129,185	160,292	**663,794**	11,599,878	6,089,087	3,522,214	**21,211,179**
Overdue for 1-29 days	136,012	94,212	116,315	**346,539**	38,909	18,164	53,921	**110,994**	174,921	112,376	170,236	**457,533**
Overdue for 30-89 days	85,562	207,314	76,654	**369,530**	107,093	51,435	60,676	**219,204**	192,655	258,749	137,330	**588,734**
Overdue for 90 days or more	-	-	-	**-**	362,846	171,819	88,595	**623,260**	362,846	171,819	88,595	**623,260**
Total portfolio before allowances	**11,447,135**	**6,261,428**	**3,554,891**	**21,263,454**	**883,165**	**370,603**	**363,484**	**1,617,252**	**12,330,300**	**6,632,031**	**3,918,375**	**22,880,706**
Overdue loans (less than 90 days) presented as portfolio percentage	1.94%	4.82%	5.43%	**3.37%**	16.53%	18.78%	31.53%	**20.42%**	2.98%	5.60%	7.85%	**4.57%**
Overdue loans (90 days or more) presented as portfolio percentage.	-	-	-	-	41.08%	46.36%	24.37%	**38.54%**	2.94%	2.59%	2.26%	**2.72%**

NOTE 10
AVAILABLE FOR SALE INVESTMENTS

As of December 31, 2015 and 2014, detail of instruments deemed as available for sale investments is as follows:

		As of December 31,	
		2015	2014
		MCh$	MCh$
Chilean Central Bank and Government securities			
Chilean Central Bank Bonds		687,292	381,117
Chilean Central Bank Notes		-	384
Other Chilean Central Bank and Government securities		145,603	353,419
	Subtotal	**832,895**	**734,920**
Other Chilean securities			
Time deposits in Chilean financial institutions		712,859	590,382
Mortgage finance bonds of Chilean financial institutions		29,025	31,693
Chilean financial institution bonds		-	-
Chilean corporate bonds		-	-
Other Chilean securities		-	-
	Subtotal	**741,884**	**622,075**
Foreign financial securities			
Foreign Central Banks and Government securities		-	-
Other foreign financial securities		469,632	294,603
	Subtotal	**469,632**	**294,603**
Total		**2,044,411**	**1,651,598**

As of December 31, 2015 and 2014, the line item *Chilean Central Bank and Government securities* item includes securities sold under repurchase agreements to clients and financial institutions for Ch$72,901 million and Ch$116,475 million, respectively.

As of December 31, 2015 and 2014, the line item *Other National Institutions Securities* includes securities sold to customers and financial institutions under repurchase agreements totaling Ch$68,321 million and Ch$275,675 million, respectively.

As of December 31, 2015 available for sale investments included a net unrealized loss of Ch$7,093 million, recorded as a “Valuation adjustment” in Equity, distributed between Ch$6,965 million attributable to Bank shareholders and Ch$128 million attributable to non-controlling interest.

As of December 31, 2014 available for sale investments included a net unrealized profit of Ch$21,684 million, recorded as a “Valuation adjustment” in Equity, distributed between a profit of Ch$21,680 million attributable to Bank shareholders and a profit of Ch$4 million attributable to non-controlling interest.

NOTE 10
AVAILABLE FOR SALE INVESTMENTS, continued

Gross profits and losses realized on the sale of available for sale investments as of December 31, 2015 and 2014 are as follows:

	For the years ended December 31,	
	2015	2014
	MCh$	MCh$
Sale of available for sale investments generating realized profits	2,627,490	2,064,836
Realized profits	22,473	6,079
Sale of available for sale investments generating realized losses	346,450	92,620
Realized losses	72	64

The Bank evaluated those instruments with unrealized losses as of December 31, 2015 and 2014 and concluded they were not impaired. This review consisted of evaluating the economic reasons for any declines, the credit ratings of the securities' issuers, and the Bank's intention and ability to hold the securities until the unrealized loss is recovered. Based on this analysis, the Bank believes that there were no significant or prolonged decline in its investment portfolio, since most of the decline in fair value of these instruments was caused by market conditions which the Bank considers to be temporary. All of the instruments that have unrealized losses as of December 31, 2015 and 2014, were not in a continuous unrealized loss position for more than one year.

NOTE 10
AVAILABLE FOR SALE INVESTMENTS, continued

The following charts show the available for sale investments unrealized profit and loss, as of December 31, 2015 and 2014.

As of December 31, 2015:

	Less than 12 months				More than 12 months				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized Profit MCh$	Unrealized loss MCh$
Chilean Central Bank and Government securities												
Chilean Central Bank Bonds	692,559	687,292	280	(5,547)	-	-	-	-	692,559	687,292	280	(5,547)
Chilean Central Bank Notes	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean Central Bank and Government securities	145,778	145,603	541	(716)	-	-	-	-	145,778	145,603	541	(716)
Subtotal	**838,337**	**832,895**	**821**	**(6,263)**	**-**	**-**	**-**	**-**	**838,337**	**832,895**	**821**	**(6,263)**
Other Chilean securities												
Time deposits in Chilean financial institutions	713,172	712,859	44	(357)	-	-	-	-	713,172	712,859	44	(357)
Mortgage finance bonds of Chilean financial institutions	28,726	29,025	325	(26)	-	-	-	-	28,726	29,025	325	(26)
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**741,898**	**741,884**	**369**	**(383)**	**-**	**-**	**-**	**-**	**741,898**	**741,884**	**369**	**(383)**
Foreign financial securities												
Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	471,269	469,632	1,577	(3,214)	-	-	-	-	471,269	469,632	1,577	(3,214)
Subtotal	**471,269**	**469,632**	**1,577**	**(3,214)**	**-**	**-**	**-**	**-**	**471,269**	**469,632**	**1,577**	**(3,214)**
Total	**2,051,504**	**2,044,411**	**2,767**	**(9,860)**	**-**	**-**	**-**	**-**	**2,051,504**	**2,044,411**	**2,767**	**(9,860)**

NOTE 10
AVAILABLE FOR SALE INVESTMENTS, continued

As of December 31, 2014:

	Less than 12 months				More than 12 months				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized Profit MCh$	Unrealized loss MCh$
Chilean Central Bank and Government securities												
Chilean Central Bank Bonds	370,858	381,117	10,297	(38)	-	-	-	-	370,858	381,117	10,297	(38)
Chilean Central Bank Notes	385	384	-	(1)	-	-	-	-	385	384	-	(1)
Other Chilean Central Bank and Government securities	343,847	353,419	9,572	-	-	-	-	-	343,847	353,419	9,572	-
Subtotal	**715,090**	**734,920**	**19,869**	**(39)**	**-**	**-**	**-**	**-**	**715,090**	**734,920**	**19,869**	**(39)**
Other Chilean securities												
Time deposits in Chilean financial institutions	592,398	590,382	600	(2,616)	-	-	-	-	592,398	590,382	600	(2,616)
Mortgage finance bonds of Chilean financial institutions	31,693	31,693	218	(218)	-	-	-	-	31,693	31,693	218	(218)
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**624,091**	**622,075**	**818**	**(2,834)**	**-**	**-**	**-**	**-**	**624,091**	**622,075**	**818**	**(2,834)**
Foreign financial securities												
Foreign Central Banks and Government securities	-	-	-	-	-	-	-	-	-	-	-	-
Other foreign financial securities	290,733	294,603	3,870	-	-	-	-	-	290,733	294,603	3,870	-
Subtotal	**290,733**	**294,603**	**3,870**	**-**	**-**	**-**	**-**	**-**	**290,733**	**294,603**	**3,870**	**-**
Total	**1,629,914**	**1,651,598**	**24,557**	**(2,873)**	**-**	**-**	**-**	**-**	**1,629,914**	**1,651,598**	**24,557**	**(2,873)**

NOTE 11
INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

a) The Consolidated Statements of Financial Position reflect investments in associates and other companies amounting to Ch$ 20,309 million as of December 31, 2015, and Ch$17,914 million, as of December 31, 2014, as shown in the following table:

	Ownership interest As of December 31,		Investment: Investment value As of December 31,		Investment: Profit and loss for the years ended December 31,	
	2015 %	2014 %	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$
Company						
Redbanc S.A.	33.43	33.43	1,876	1,725	215	211
Transbank S.A. (1)	25.00	25.00	10,201	8,646	1,256	1,022
Centro de Compensación Automatizado	33.33	33.33	1,105	894	212	220
Sociedad Interbancaria de Depósito de Valores S.A.	29.29	29.29	794	745	213	170
Cámara de Compensación de Pagos de Alto Valor S.A. (2)	14.23	14.14	768	709	127	107
Administrador Financiero del Transantiago S.A.	20.00	20.00	2,552	2,229	323	282
Sociedad Nexus S.A.	12.90	12.90	1,290	1,123	225	195
Servicios de Infraestructura de Mercado OTC S.A.	11.11	11.11	1,138	1,258	(115)	(172)
Subtotal			**19,724**	**17,329**	**2,456**	**2,035**
Shares or rights in other companies (*)						
Bladex			136	136	25	20
Stock exchanges			417	425	107	110
Others			32	24	-	-
Subtotal			**20,309**	**17,914**	**2,588**	**2,165**
Total			**20,309**	**17,914**	**2,588**	**2,165**

(*) The investments in other companies do not have a market price.

(1) A capital increase was agreed in the Transbank's Extraordinary Shareholders' Meeting held in April 2015. Banco Santander participated in proportion to its ownership share (25%).

(2) In October 2015, HSBC Bank Chile sold its participation in Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A to Banco Santander. This transaction increased the Bank's participation to 14.23%. See Note 1.

b) Summary of financial information of associates as of and for the years ended December 31, 2015 and 2014:

	As of December 31: 2015 Assets MCh$	2015 Liabilities MCh$	2015 Equity MCh$	2015 Net income MCh$	2014 Assets MCh$	2014 Liabilities MCh$	2014 Equity MCh$	2014 Net income MCh$
Centro de Compensación Automatizado	5,148	1,897	2,616	635	3,731	1,117	1,953	661
Redbanc S.A.	20,296	14,877	4,777	642	19,215	14,246	4,336	633
Transbank S.A.	601,627	561,325	35,278	5,024	535,507	501,330	30,088	4,089
Sociedad Interbancaria de Depósito de Valores S.A.	2,714	58	2,093	563	2,715	314	1,863	538
Sociedad Nexus S.A.	23,153	13,682	7,730	1,741	14,438	6,185	6,745	1,508
Servicios de Infraestructura de Mercado OTC S.A.	17,631	7,800	10,869	(1,038)	12,001	1,094	12,603	(1,696)
Administrador Financiero del Transantiago S.A.	42,518	29,760	11,145	1,613	70,302	59,157	9,737	1,408

Cámara de Compensación de Pagos de Alto Valor S.A.	5,730	775	4,066	889	5,278	636	3,901	741
Total	**718,817**	**630,174**	**78,574**	**10,069**	**663,187**	**584,079**	**71,226**	**7,882**

NOTE 11
INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES, continued

c) Restrictions over the ability of associated companies to transfer funds to investors.

There are no significant restrictions regarding the capacity of associates to transfer funds, whether in cash dividends, refund of loans, or advance payments to the Bank.

d) Activity with respect to investments in other companies during 2015 and 2014 is as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Opening balance as of January 1,	**17,914**	**9,681**
Acquisition of investments (1)	302	6,313
Sale of investments	-	-
Participation in income	2,588	2,165
Dividends received	(278)	(119)
Other equity adjustments	(217)	(126)
Total	**20,309**	**17,914**

(1) See reference (1) of part a) of this note.

NOTE 12
INTANGIBLE ASSETS

a) As of December 31, 2015 and 2014, the composition of intangible assets is as follows:

	Years of useful life	Average remaining useful life	Net opening balance as of January 1, 2015 MCh$	As of December 31, 2015 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	2,006	10,932	(8,872)	2,060
Software development (acquired)	3	2	38,977	259,500	(210,423)	49,077
Total			**40,983**	**270,432**	**(219,295)**	**51,137**

	Years of useful life	Average remaining useful life	Net opening balance as of January 1, 2014 MCh$	As of December 31, 2014 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	2,197	10,441	(8,435)	2,006
Software development (acquired)	3	2	64,506	232,418	(193,441)	38,977
Total			**66,703**	**242,859**	**(201,876)**	**40,983**

b) The changes in the value of intangible assets during the periods ended December 31, 2015 and December 2014 is as follows:

b.1) Gross balance

Gross balances	Licenses MCh$	Software development MCh$	Total MCh$
Balances as of January 1, 2015	**10,441**	**232,418**	**242,859**
Acquisitions	491	27,082	27,573
Disposals and Impairment	-	-	-
Other	-	-	-
Balances as of December 31, 2015	**10,932**	**259,500**	**270,432**
Balances as of January 1, 2014	**9,955**	**242,023**	**251,978**
Acquisitions	486	26,951	27,437
Disposals and Impairment	-	(36,556)	(36,556)
Other	-	-	-
Balances as of December 31, 2014	**10,441**	**232,418**	**242,859**

NOTE 12
INTANGIBLE ASSETS, continued

b.2) Accumulated amortization

Accumulated amortization	**Licenses MCh$**	**Software development MCh$**	**Total MCh$**
Balances as of January 1, 2015	**(8,435)**	**(193,441)**	**(201,876)**
Year's amortization	(437)	(16,982)	(17,419)
Other changes	-	-	-
Balances as of December 31, 2015	**(8,872)**	**(210,423)**	**(219,295)**
Balances as of January 1, 2014	**(7,758)**	**(177,517)**	**(185,275)**
Year's amortization	(677)	(15,924)	(16,601)
Other changes	-	-	-
Balances as of December 31, 2014	**(8,435)**	**(193,441)**	**(201,876)**

c) The Bank has no restriction on intangible assets as of December 31, 2015 and 2014. Additionally, the intangibles assets have not been pledged as guarantee for fulfillment of financial liabilities. Also, the Bank has no debt related to intangible assets as of those dates.

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT

a) As of December 31, 2015 and 2014, the composition of property, plant, and equipment balances are composed as follows:

	Net opening balance as of January 1, 2015 MCh$	As of December 31, 2015 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	142,596	237,449	(79,015)	158,434
Equipment	49,100	137,621	(77,713)	59,908
Ceded under operating leases	4,250	4,888	(650)	4,238
Other	15,615	51,482	(33,403)	18,079
Total	**211,561**	**431,440**	**(190,781)**	**240,659**

	Net opening balance as of January 1, 2014 MCh$	As of December 31, 2014 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and buildings	128,119	209,668	(67,072)	142,596
Equipment	38,841	108,416	(59,316)	49,100
Ceded under operating leases	4,329	4,888	(638)	4,250
Other	8,926	43,499	(27,884)	15,615
Total	**180,215**	**366,471**	**(154,910)**	**211,561**

b) The activity in property, plant, and equipment as of December 31, 2015 and 2014 is as follows:

b.1) Gross balance

2015	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2015	**209,668**	**108,416**	**4,888**	**43,499**	**366,471**
Additions	27,781	29,282	-	8,048	65,111
Disposals	-	(56)	-	(65)	(121)
Impairment due to damage	-	(21)	-	-	(21)
Other	-	-	-	-	-
Balances as of December 31, 2015	**237,449**	**137,621**	**4,888**	**51,482**	**431,440**

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT, continued

2014	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2014	**184,711**	**85,857**	**4,888**	**32,207**	**307,663**
Additions	24,957	22,785	-	11,346	59,088
Disposals	-	(118)	-	(54)	(172)
Impairment due to damage	-	(108)	-	-	(108)
Other	-	-	-	-	-
Balances as of December 31, 2014	**209,668**	**108,416**	**4,888**	**43,499**	**366,471**

b.2) Accumulated depreciation

2015	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2015	**(67,073)**	**(59,316)**	**(638)**	**(27,883)**	**(154,910)**
Depreciation charges in the period	(11,966)	(18,417)	(12)	(5,800)	(36,195)
Sales and disposals in the period	24	20	-	280	324
Transfers	-	-	-	-	-
Other	-	-	-	-	-
Balances as of December 31, 2015	**(79,015)**	**(77,713)**	**(650)**	**(33,403)**	**(190,781)**

2014	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Total MCh$
Balances as of January 1, 2014	**(56,592)**	**(47,016)**	**(559)**	**(23,281)**	**(127,448)**
Depreciation charges in the period	(10,483)	(12,331)	(79)	(4,678)	(27,571)
Sales and disposals in the period	2	31	-	76	109
Transfers	-	-	-	-	-
Other	-	-	-	-	-
Balances as of December 31, 2014	**(67,073)**	**(59,316)**	**(638)**	**(27,883)**	**(154,910)**

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT, continued

c) Operational leases – Lessor

As of December 31, 2015 and 2014, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Due within 1 year	465	453
Due after 1 year but within 2 years	1,057	1,140
Due after 2 years but within 3 years	465	278
Due after 3 years but within 4 years	462	278
Due after 4 years but within 5 years	440	276
Due after 5 years	2,322	1,755
Total	**5,211**	**4,180**

d) Operational leases – Lessee

Certain Bank's premises and equipment are leased under various operating leases. Future minimum rental payments under non-cancellable leases are as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Due within 1 year	22,303	19,225
Due after 1 year but within 2 years	20,862	17,509
Due after 2 year but within 3 years	19,499	16,416
Due after 3 years but within 4 years	17,215	15,206
Due after 4 years but within 5 years	14,154	13,012
Due after 5 years	55,561	58,213
Total	**149,594**	**139,581**

e) As of December 31, 2015 and 2014, the Bank has no financial leases which cannot be unilaterally rescinded.

f) The Bank has no restriction on property, plant and equipment as of December 31, 2015 and 2014. Additionally, the property, plant, and equipment have not been provided as guarantees of financial liabilities. The Bank has no debt in connection with property, plant and equipment.

NOTE 14
CURRENT AND DEFERRED TAXES

a) Current taxes

As of December 31, 2015 and 2014, the Bank recognizes Taxes payable (recoverable) , which is determined based on the currently applicable tax legislation. This amount is recorded net of recoverable taxes, and is as shown as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Summary of current tax liabilities (assets)		
Current tax (assets)	-	(2,241)
Current tax liabilities	17,796	1,077
Total tax payable (recoverable)	**17,796**	**(1,164)**
(Assets) liabilities current taxes detail (net)		
Income tax, tax rate (*)	121,775	122,150
Minus:		
Provisional monthly payments	(96,319)	(115,743)
Credit for training expenses	(1,851)	(1,764)
Land taxes leasing	(3,853)	(3,357)
Grant credits	(1,326)	(1,587)
Other	(630)	(863)
Total tax payable (recoverable)	**17,796**	**(1,164)**

(*)The tax rate is 22.5% for 2015 and 21% for 2014.

b) Effect on income

The effect of tax expense on income for the years ended December 31, 2015 and 2014 is comprised of the following items:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Income tax expense		
Current tax	121,775	122,150
Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	(46,766)	(77,742)
Subtotals	**75,009**	**44,408**
Tax for rejected expenses (Article No.21)	340	746
Other	(48)	398
Net charges for income tax expense	**75,301**	**45,552**

NOTE 14
CURRENT AND DEFERRED TAXES, continued:

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate applied in determining tax expenses as of December 31, 2015 and 2014 is as follows:

	As of December 31,			
	2015		2014	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Tax calculated over profit before tax	22.50	118,674	21.00	126,391
Permanent differences	(5.61)	(29,570)	(6.47)	(38,956)
Single penalty tax (rejected expenses)	0.06	340	0.12	746
Effect of tax reform changes on deferred tax	(2.01)	(10,600)	(6.52)	(39,262)
Real estate taxes	(0.73)	(3,853)	(0.56)	(3,357)
Other	0.06	310	-	(10)
Effective rates and expenses for income tax	**14.27**	**75,301**	**7.57**	**45,552**

d) Effect of deferred taxes on comprehensive income

Below is a summary of the separate effect of deferred tax on other comprehensive income, showing the asset and liability balances, for the years ended December 31, 2015 and 2014:

	As of December 31,	
	2015 MCh$	2014 MCh$
Deferred tax assets		
Available for sale investments	1,751	24
Cash flow hedges	(155)	(2,252)
Total deferred tax assets recognized through other comprehensive income	**1,596**	**2,228**
Deferred tax liabilities		
Available for sale investments	(155)	(4,578)
Cash flow hedges	(1,785)	-
Total deferred tax liabilities recognized through other comprehensive income	**(1,940)**	**(4,578)**
Net deferred tax balances in equity	**(344)**	**(6,806)**
Deferred taxes in equity attributable to equity holders of the bank	**(373)**	**(6,805)**
Deferred tax in equity attributable to non-controlling interests	**29**	(1)

NOTE 14
CURRENT AND DEFERRED TAXES, continued

e) Effect of deferred taxes on income

As of December 31, 2015 and 2014, the Bank has recorded effects for deferred taxes in the financial statements.

Below are the effects of deferred taxes on assets, liabilities and income:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Deferred tax assets		
Interests and adjustments	10,962	10,999
Non-recurring charge-offs	7,839	7,988
Assets received in lieu of payment	2,214	1,209
Property, plant and equipment	5,408	5,154
Allowance for loan losses	150,436	125,195
Provision for expenses	47,218	28,902
Derivatives	7,481	9,939
Leased assets	69,244	73,886
Subsidiaries tax losses	7,705	7,887
Valuation of investments	9,800	4,895
Other	11,811	8,385
Total deferred tax assets	**330,118**	**284,439**
Deferred tax liabilities		
Depreciation	(355)	(395)
Other	(1,611)	(2,658)
Total deferred tax liabilities	**(1,966)**	**(3,053)**

f) Summary of deferred tax assets and liabilities

Below is a summary of the deferred taxes impact on equity and income.

	As of December 31,	
	2015	2014
	MCh$	MCh$
Deferred tax assets		
Recognized through other comprehensive income	1,596	(2,228)
Recognized through profit or loss	330,118	284,439
Total deferred tax assets	**331,714**	**282,211**
Deferred tax liabilities		
Recognized through other comprehensive income	(1,940)	(4,578)
Recognized through profit or loss	(1,966)	(3,053)
Total deferred tax liabilities	**(3,906)**	**(7,631)**

NOTE 14
CURRENT AND DEFERRED TAXES, continued

g) Complementary information related to the circular issued by the local Tax Service (SII) and the SBIF

g.1) Loans and accounts receivable from customers, net

	As of December 31, 2015				2014			
		Tax value of assets				Tax value of assets		
			Impaired Portfolio				Impaired Portfolio	
	Financial value of assets MCh$	Total MCh$	With Guarantees MCh$	Without Guarantees MCh$	Financial value of assets MCh$	Total MCh$	With Guarantees MCh$	Without Guarantees MCh$
Interbank loans	10,877	10,877	-	-	11,943	11,943	-	-
Commercial loans	11,516,520	11,543,677	76,980	189,170	10,513,400	10,541,375	116,155	167,153
Consumer loans	4,145,211	4,174,763	1,667	24,004	3,913,105	3,945,458	1,747	24,865
Mortgage loans	7,812,850	7,827,755	87,639	9,412	6,632,029	6,646,305	90,693	8,697
Total	**23,485,458**	**23,557,072**	**166,286**	**222,586**	**21,070,477**	**21,145,081**	**208,595**	**200,715**

g.2) Allowances for the impaired portfolio without guarantees

	Balance as of 01.01.2015 MCh$	Allowance charge-off MCh$	Allowance established MCh$	Allowance release MCh$	Balance as of 31.12.2015 MCh$
Commercial loans	167,153	(92,538)	225,110	(110,555)	189,170
Consumer loans	24,865	(201,637)	249,724	(48,948)	24,004
Mortgage loans	8,697	(4,166)	50,221	(45,340)	9,412
Total	**200,715**	**(298,341)**	**525,055**	**(204,843)**	**222,586**

	Balance as of 01.01.2014 MCh$	Allowance charge-off MCh$	Allowance established MCh$	Allowance release MCh$	Balance as of 31.12.2014 MCh$
Commercial loans	134,807	(87,403)	266,434	(146,685)	167,153
Consumer loans	14,995	(110,094)	143,741	(23,777)	24,865
Mortgage loans	1,154	(2,108)	22,181	(12,530)	8,697
Total	**150,956**	**(199,605)**	**432,356**	**(182,992)**	**200,715**

NOTE 14
CURRENT AND DEFERRED TAXES, continued

g.3) Direct charge-offs and recoveries

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Direct charge-offs according to Art. 31 N°4 (paragraph II)	(38,690)	33,519
Cancellations that generated the release of allowances	-	-
Recoveries or renegotiations of charged-off loans	22,073	50,420
Total	**(16,617)**	**83,939**

g.4) Application of article 31 N°4 (paragraph I and II)

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Charge-offs according to paragraph I	-	-
Cancellations according to paragraph III	28,928	38,229
Total	**28,928**	**38,229**

NOTE 15
OTHER ASSETS

Other assets item includes the following:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Assets for leasing (1)	**35,519**	**66,656**
Assets received or awarded in lieu of payment (2)		
Assets received in lieu of payment	13,544	12,270
Assets awarded at judicial sale	14,938	12,055
Provision on assets received in lieu of payment or awarded	(5,873)	(3,561)
Subtotal	**22,609**	**20,764**
Other assets		
Guarantee deposits (margin accounts)	649,325	3,013
Gold investments	443	422
VAT credit	9,468	11,579
Income tax recoverable	35,925	38,674
Prepaid expenses	192,894	204,626
Assets recovered from leasing for sale	2,214	1,042
Pension plan assets	1,875	1,857
Accounts and notes receivable	36,566	47,153
Notes receivable through brokerage and simultaneous transactions	52,798	53,142
Other receivable assets	11,379	10,251
Other assets	46,811	33,994
Subtotal	**1,039,698**	**405,753**
Total	**1,097,826**	**493,173**

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

(2) The Assets received in lieu of payment correspond to assets received as payment of debts due from customers. The total of these assets acquired in this way should not at any time exceed 20% of regulatory capital of the Bank. These assets now account for 0.38% (0.37% as of December 31, 2014) of the Bank's effective equity.

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

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

NOTE 16
TIME DEPOSITS AND OTHER TIME LIABILITIES

As of December 31, 2015 and 2014, the composition of the line item Time deposits and other liabilities is as follows:

	As of December 31,	
	2015 MCh$	2014 MCh$
Deposits and other demand liabilities		
Checking accounts	5,875,992	5,131,130
Other deposits and demand accounts	577,077	554,785
Other demand liabilities	903,052	794,582
Total	**7,356,121**	**6,480,497**
Time deposits and other time liabilities		
Time deposits	12,065,697	10,303,167
Time savings account	113,562	107,599
Other time liabilities	3,508	3,174
Total	**12,182,767**	**10,413,940**

NOTE 17
INTERBANK BORROWINGS

As of December 31, 2015 and 2014 the line item Interbank borrowings is as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Loans from financial institutions and the Central Bank of Chile	4	94
Subtotal	**4**	**94**
Loans from domestic financial institutions	**-**	**66,006**
Loans from foreign financial institutions		
Citibank N.A. - New York	272,572	177,246
Mizuho Corporate Bank	260,042	192,522
Sumitomo Mitsui Banking Corporation	169,906	-
Standard Chartered Bank - New York	141,738	206,471
Wells Fargo Bank N.A. – New York	106,328	140,060
Bank of America	70,890	15,331
The Bank of Nova Scotia	60,206	-
The Bank of New York Mellon	52,393	12,184
Barclays Bank PLC London	35,391	-
NTT Docomo Inc.	35,133	-
Wachovia Bank N.A.- Miami	26,668	299
Zurcher Kantonal Bank	21,257	-
European Investment Bank	14,808	12,702
Corporación Andina de Fomento	14,162	-
Banco Santander – Brasil S.A.	7,619	2,459
Banco Santander – Hong Kong	5,106	1,959
Standard Chartered Bank	1,464	-
Bank of China	1,174	737
Unicrédito Italiano - New York	863	225
China Construcción Bank	585	-
Deutsche Bank A.G.- New York	573	269
Banco do Brasil S.A. – London	496	249
Bank of Tokio Mitsubishi	474	-
BNP Paribas S.A.	435	-
ING Bank N.V. - Vienna	303	267
First Union National Bank	290	276
Banca Commerciale Italiana S. P.	280	47
Caixa D'Estalvis i Pensions	243	-
Taipei Bank	214	-
Shinhan Bank	200	-
Banco Bradesco S.A.	177	93
Commerzbank A.G. – Frankfurt	175	425
Commerzbank A.G. – Miami	-	6,097
Shanghai Pudong Development	167	-
Banco de Occidente	162	123
Banco de Sabadell S.A.	147	17
Banco Bilbao Vizcaya Argentaria	144	-
Banco Espirito Santo S.A.	142	-
Banco Itaú – Paraguay S.A.	135	1,156
Hua Nan Commercial Bank Ltd.	130	-
Banco del Pichincha	124	-
Fifth Third Bank	123	-
Banca Monte dei Paschi di Siena	123	-
Danske Bank	113	-
Banco Santander – Madrid	112	369
China Guangfa Bank Co. Ltd.	103	-
Finans Bank S.A.	101	-
Banco Surinvest S.A.	96	-
Casa di Risparmo de Padova ER	85	-
Korea Exchange Bank	83	-
J.P. Morgan Chase Bank N.A. - New York	80	385
Kasikom Bank Public Co. Ltd.	79	-
Woori Bank	75	-
Citic Industrial Bank	71	-
Banca Popolare d Vicenza SCPa	68	174

Banco de Crédito del Perú	67	-
Taiwan Business Bank	64	-
Hanvit Bank	61	-

NOTE 17
INTERBANK BORROWINGS, continued

	As of December 31,	
	2015	2014
	MCh$	MCh$
Loans from foreign financial institutions		
Bank Mandiri (Persero)	60	-
Banco Popular Español S.A.	59	-
Citibank El Cairo	57	-
Habib Bank	37	-
U.S. Bank	37	1,193
Nordea Bank Danmark	34	-
Banca Nazionale del Lavoro S.P.	30	26
Turk Ekonomi Bank A.S.	29	-
Chang Hwa Commercial Bank Ltd.	28	-
Bank of Taiwan	28	-
Punjab National Bank	26	-
Hang Seng Bank Ltd.	26	-
State Bank of India	25	-
The Toronto Dominion Bank – Toronto	21	73,110
Banco Interamericano de Finanzas	21	-
BBVA Banco Francés S.A.	21	210
Turkiye Halk Bankasi	-	22
Banque Generale Du Luxembourg	-	237
National Westminster Bank PLC	-	145
Yapi Ve KrediI Bankasi A.S.	-	363
Banco Sudameris Paraguay s.A.	-	308
Banco Interamericano del Desarrollo	-	121,575
Bank of Montreal – Toronto	-	103,439
HSBC Bank of New York	-	30,430
Canadian Imperial Bank of Comm	-	24,341
National Bank of Abu Dhabi	-	18,235
KFW IPEX Bank GMBH	-	12,184
Standard Chartered Bank - Hong Kong	-	4,851
Standard Chartered Bank	-	228
HSBC Bank USA	-	391
Others	2,211	2,071
Subtotal	**1,307,570**	**1,165,501**
Total	**1,307,574**	**1,231,601**

NOTE 17
INTERBANK BORROWINGS, continued

a) Obligations with Central Bank of Chile

Debts to the Central Bank of Chile include credit lines for renegotiation of loans and other borrowings. These credit lines were provided by the Central Bank of Chile for renegotiation of loans due to the need to refinance debt as a result of the economic recession and crisis of the banking system in the early 1980s.

The outstanding amounts owed to the Central Bank of Chile under these credit lines are as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Total Line of credit for renegotiation with Central Bank of Chile	4	94

b) Loans from domestic financial institutions

These obligations' maturities are as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Due within 1 year	-	66,006
Due within 1 and 2 year	-	-
Due within 2 and 3 year	-	-
Due within 3 and 4 year	-	-
Due after 5 years	-	-
Total loans from domestic financial institutions	**-**	**66,006**

c) Foreign obligations

	As of December 31,	
	2015	2014
	MCh$	MCh$
Due within 1 year	868,593	717,416
Due within 1 and 2 year	352,345	242,863
Due within 2 and 3 year	35,390	192,522
Due within 3 and 4 year	35,133	-
Due after 5 years	16,109	12,700
Total loans from foreign financial institutions	**1,307,570**	**1,165,501**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of December 31, 2015 and 2014, composition of this item is as follows:

		As of December 31,	
		2015	2014
		MCh$	MCh$
Other financial liabilities			
Obligations to public sector		63,921	65,843
Other domestic obligations		152,247	136,021
Foreign obligations		4,359	3,261
	Subtotal	**220,527**	**205,125**
Issued debt instruments			
Mortgage finance bonds		62,858	81,509
Senior bonds		5,041,636	4,868,487
Mortgage bond		107,582	109,200
Subordinated bonds		745,019	725,916
	Subtotal	**5,957,095**	**5,785,112**
Total		**6,177,622**	**5,990,237**

Debts classified as current are either demand obligations or will mature in one year or less. All other debts are classified as non-current. The Bank's debts, both current and non-current, are summarized below:

	As of December 31, 2015		
	Current	Non-current	Total
	MCh$	MCh$	MCh$
Mortgage finance bonds	5,544	57,314	62,858
Senior bonds	796,012	4,245,624	5,041,636
Mortgage bond	4,063	103,519	107,582
Subordinated bonds	6,583	738,436	745,019
Issued debt instruments	**812,202**	**5,144,893**	**5,957,095**
Other financial liabilities	**136,172**	**84,355**	**220,527**
Total	**948,374**	**5,229,248**	**6,177,622**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

	As of December 31, 2014		
	Current MCh$	Non-current MCh$	Total MCh$
Mortgage finance bonds	6,561	74,948	81,509
Senior bonds	1,166,602	3,701,885	4,868,487
Mortgage bond	3,778	105,422	109,200
Subordinated bonds	10,451	715,465	725,916
Issued debt instruments	**1,187,392**	**4,597,720**	**5,785,112**
Other financial liabilities	**120,549**	**84,576**	**205,125**
Total	**1,307,941**	**4,682,296**	**5,990,237**

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. Loans are indexed to UF and create a yearly interest yield of 5.95% as of December 31, 2015 (5.83% as of December 31, 2014).

	As of December 31,	
	2015 MCh$	2014 MCh$
Due within 1 year	5,544	6,561
Due after 1 year but within 2 years	6,237	6,971
Due after 2 year but within 3 years	8,000	8,282
Due after 3 year but within 4 years	5,211	10,366
Due after 4 year but within 5 years	5,005	6,198
Due after 5 years	32,861	43,131
Total mortgage finance bonds	**62,858**	**81,509**

b) Senior bonds

The following table shows senior bonds by currency:

	As of December 31,	
	2015 MCh$	2014 MCh$
Santander bonds in UF	5,027,297	1,797,438
Santander bonds in US$	8,659	2,191,347
Santander bonds in CHF	2,396	443,186
Santander bonds in Ch$	1,951	236,025
Santander bonds in CNY	-	-
Current bonds in AUD	358	62,472
Santander bonds in JPY	975	138,019
Total senior bonds	**5,041,636**	**4,868,487**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of senior bonds:

In 2015, the Bank issued bonds for UF22,000,000; CLP 200,000,000,000; CHF 150,000,000; and JPY 1,200,000,000 detailed as follows:

Series	Currency	Amount	Term	Issuance rate	Issuance date	Series issued amount	Maturity date
SG Series Series	UF	3,000,000	12 years	3.30% per annum simple	11-01-2014	UF 3,000,000	11-01-2025
SF Series Series	UF	3,000,000	5 years	3.00% per annum simple	11-01-2014	UF 3,000,000	04-01-2020
SB Series Series	UF	2,000,000	5 years	2.65% per annum simple	07-01-2014	UF 2,000,000	07-01-2019
BSTDP6 Series	UF	3,000,000	5 years	2.25% per annum simple	03-01-2015	UF 3,000,000	03-01-2020
BSTDP7 Series	UF	3,000,000	8 years	2.40% per annum simple	03-01-2015	UF 3,000,000	09-01-2022
BSTDP8 Series	UF	3,000,000	6 years	2.25% per annum simple	03-01-2015	UF 3,000,000	09-01-2021
BSTDP9 Series	UF	2,000,000	6 years	2.60% per annum simple	03-01-2015	UF 5,000,000	09-01-2025
BSTDSA0714 Series	UF	3,000,000	10 years	3.00% per annum simple	07-01-2014	UF 5,000,000	07-01-2024
UF Total	**UF**	**22,000,000**					
BSTDP2 Series	CLP	100,000,000,000	5 years	5.20% per annum simple	01-01-2015	CLP 100,000,000,000	03-01-2020
BSTDP4 Series	CLP	100,000,000,000	5 years	4.80% per annum simple	03-01-2015	CLP 150,000,000,000	03-01-2020
CLP Total	**CLP**	**200,000,000,000**					
CHF fixed rate bond	CHF	150,000,000	7 years	0.38% quarterly	05-19-2015	CHF 150,000,000	05-19-2022
CHF Total	**CHF**	**150,000,000**					
JPY Current Bond	JPY	1,200,000,000	5 years	0.42% biannually	12-17-2015	JPY 1,200,000,000	12-17-2020
JPY Total	**JPY**	**1,200,000,000**					

During 2015, the Bank performed a partial repurchase of of the following bond:

Date	Type	Amount
12-01-2015	Senior	USD 19,000,000

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

In 2014, the Bank issued bonds for UF11,400,000; CLP 75,000,000,000; CHF 300,000,000; USD 750,000,000, AUD 125,000,000, and JPY 27,300,000,000 detailed as follows:

Series	Currency	Amount	Term	Issuance rate	Issuance date	Series issued amount	Maturity date
EB Series	UF	2,000,000	5 years	3.5% per annum simple	02-21-2014	UF 2,000,000	10-01-2018
ED Series	UF	2,000,000	7 years	3.5% per annum simple	08-28-2014	UF 2,000,000	01-01-2021
EF Series	UF	2,400,000	10 years	3.40% biannually	10-29-2014	UF 2,400,000	01-01-2024
SB Series	UF	3,000,000	5 years	2.65% biannually	12-11-2014	UF 3,000,000	07-01-2019
SA Series	UF	2,000,000	10 years	3.00% biannually	12-16-2014	UF 2,000,000	07-01-2024
UF Total	**UF**	**11,400,000**					
EA Series	CLP	25,000,000,000	5 years	6.2% per annum simple	02-22-2014	CLP 25,000,000,000	09-01-2018
SE Series	CLP	50,000,000,000	5 years	5.50% biannually	11-21-2014	CLP 50,000,000,000	07-01-2019
CLP Total	**CLP**	**75,000,000,000**					
CHF Bond	CHF	300,000,000	3 years	1% per annum simple	01-31-2014	CHF 300,000,000	07-31-2017
CHF Total	**CHF**	**300,000,000**					
DN Current Bond	USD	250,000,000	5 years	Libor (3 months) + 75 bp	02-19-2014	USD 250,000,000	02-19-2019
Floating Bond	USD	500,000,000	5 years	Libor (3 months) + 90 bp	04-15-2014	USD 500,000,000	04-11-2017
USD Total	**USD**	**750,000,000**					
AUD Bond	AUD	125,000,000	3 years	4.5% per annum simple	03-13-2014	AUD 125,000,000	03-13-2017
AUD Total	**AUD**	**125,000,000**					
JPY Floating Bond	JPY	6,600,000,000	3 years	Libor (3 months) + 65 bp	04-24-2014	JPY 6,600,000,000	04-24-2017
JPY Current Bond	JPY	2,000,000,000	3 years	0.72% per annum simple	04-24-2014	JPY 2,000,000,000	04-24-2017
JPY Current Bond	JPY	18,700,000,000	5 years	0.97% per annum simple	04-24-2014	JPY 18,700,000,000	04-24-2019
JPY Total	**JPY**	**27,300,000,000**					

During 2014, the Bank repurchased bonds for CLP 118,409,000,000 and UF 6,000,000.

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

ii. The maturities of senior bonds are as follows:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Due within 1 year	796,012	1,166,602
Due after 1 year but within 2 years	1,147,138	646,380
Due after 2 year but within 3 years	415,914	1,037,521
Due after 3 year but within 4 years	682,494	381,263
Due after 4 year but within 5 years	466,700	566,430
Due after 5 years	1,533,378	1,070,291
Total senior bonds	**5,041,636**	**4,868,487**

c) Mortgage bonds

Detail of mortgage bonds per currency is as follows:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Mortgage bonds in UF	107,582	109,200
Total mortgage bonds	**107,582**	**109,200**

i. Allocation of mortgage bonds

During 2015, the Bank has not placed any mortgage bonds.
During 2014, the Bank placed bonds for UF 1,500,000, detailed as follows:

Series	Amount	Term	Issuance rate	Issuance date	Series issued amount	Maturity date
AB Series	UF 1,500,000	18 years	3.2% biannually	09-01-2014	UF 1,500,000	04-01-2032
Total UF	**UF 1,500,000**					

The maturities of Mortgage bonds are as follows:

	As of December 31, 2015 MCh$	As of December 31, 2014 MCh$
Due within 1 year	4,063	3,778
Due after 1 year but within 2 years	6,522	6,065
Due after 2 year but within 3 years	6,733	6,261
Due after 3 year but within 4 years	6,951	6,463
Due after 4 year but within 5 years	7,175	6,671
Due after 5 years	76,138	79,962
Total Mortgage bonds	**107,582**	**109,200**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

d) Subordinated bonds

Detail of the subordinated bonds per currency is as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Subordinated bonds denominated in CLP	6	-
Subordinated bonds denominated in USD	-	3
Subordinated bonds denominated in UF	745,013	725,913
Total subordinated bonds	**745,019**	**725,916**

i. Allocation of subordinated bonds

During 2015 and 2014, the Bank has not placed any subordinated bonds.

The maturities of subordinated bonds, are as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Due within 1 year	6,583	10,451
Due after 1 year but within 2 years	-	6,311
Due after 2 year but within 3 years	-	-
Due after 3 year but within 4 years	-	-
Due after 4 year but within 5 years	-	-
Due after 5 years	738,436	709,154
Total subordinated bonds	**745,019**	**725,916**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

e) Other financial liabilities

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

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Non-current portion:		
Due after 1 year but within 2 years	3,497	3,380
Due after 2 year but within 3 years	20,240	2,248
Due after 3 year but within 4 years	16,063	20,988
Due after 4 year but within 5 years	28,227	15,116
Due after 5 years	16,328	42,844
Non-current portion subtotal	**84,355**	**84,576**
Current portion:		
Amounts due to credit card operators	129,358	112,530
Acceptance of letters of credit	3,176	2,496
Other long-term financial obligations, short-term portion	3,638	5,523
Current portion subtotal	**136,172**	**120,549**
Total other financial liabilities	**220,527**	**205,125**

NOTE 19
MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2015 and 2014, the detail of the maturities of financial assets and liabilities is as follows:

As of December 31, 2015	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,677,076	387,730	-	-	**2,064,806**	-	-	**-**	**2,064,806**
Cash items in process of collection	724,521	-	-	-	**724,521**	-	-	**-**	**724,521**
Trading investments	-	126,248	21,364	264	**147,876**	87,735	88,660	**176,395**	**324,271**
Investments under resale agreements	-	2,463	-	-	**2,463**	-	-	**-**	**2,463**
Financial derivative contracts	-	158,843	213,335	407,854	**780,032**	1,191,866	1,234,028	**2,425,894**	**3,205,926**
Interbank loans (1)	9,371	-	1,506	-	**10,877**	-	-	**-**	**10,877**
Loans and accounts receivables from customers (2)	664,164	2,401,995	2,178,424	4,027,990	**9,272,573**	7,498,802	8,518,505	**16,017,307**	**25,289,880**
Available for sale investments	-	480,801	72,217	243,241	**796,259**	517,655	730,497	**1,248,152**	**2,044,411**
Guarantee deposits (margin accounts)	649,325	-	-	-	**649,325**	-	-	**-**	**649,325**
Total assets	**3,724,457**	**3,558,080**	**2,486,846**	**4,679,349**	**14,448,732**	**9,296,058**	**10,571,690**	**19,867,748**	**34,316,480**
Liabilities									
Deposits and other demand liabilities	7,356,121	-	-	-	**7,356,121**	-	-	**-**	**7,356,121**
Cash items in process of being cleared	462,157	-	-	-	**462,157**	-	-	**-**	**462,157**
Obligations under repurchase agreements	-	143,689	-	-	**143,689**	-	-	**-**	**143,689**
Time deposits and other time liabilities	114,341	5,707,940	3,210,947	2,853,761	**11,886,989**	238,933	56,845	**295,778**	**12,182,767**
Financial derivative contracts	-	126,643	190,409	380,158	**697,210**	1,016,731	1,148,665	**2,165,396**	**2,862,606**
Interbank borrowings	27,323	7,946	148,509	684,819	**868,597**	438,977	-	**438,977**	**1,307,574**
Issued debt instruments	1,953	440,500	155,821	213,928	**812,202**	2,764,082	2,380,811	**5,144,893**	**5,957,095**
Other financial liabilities	129,358	3,142	558	3,114	**136,172**	68,027	16,328	**84,355**	**220,527**
Guarantees received (margin accounts)	819,331	-	-	-	**819,331**	-	-	**-**	**819,331**
Total liabilities	**8,910,584**	**6,429,860**	**3,706,244**	**4,135,780**	**23,182,468**	**4,526,750**	**3,602,649**	**8,129,399**	**31,311,867**

(1) Interbank loans are presented on a gross basis. The amount of allowance is Ch$16 million.
(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to type of loan are detailed as follows: Commercial loans Ch$445,650 million, Mortgage loans Ch$51,160 million and Consumer loans Ch$257,869 million.

NOTE 19
MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2014	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Assets									
Cash and deposits in banks	1,538,888	70,000	-	-	**1,608,888**	-	-	**-**	**1,608,888**
Cash items in process of collection	531,373	-	-	-	**531,373**	-	-	**-**	**531,373**
Trading investments	-	263,034	-	164,823	**427,857**	171,620	175,338	**346,958**	**774,815**
Investments under resale agreements	-	-	-	-	**-**	-	-	**-**	**-**
Financial derivative contracts	-	131,675	152,441	350,432	**634,548**	1,078,925	1,014,090	**2,093,015**	**2,727,563**
Interbank loans (1)	2,872	-	9,071	-	**11,943**	-	-	**-**	**11,943**
Loans and accounts receivables from customers (2)	814,557	2,168,019	1,774,873	3,773,848	**8,531,297**	7,084,202	7,265,207	**14,349,409**	**22,880,706**
Available for sale investments	-	22,652	158,014	526,410	**707,076**	184,376	760,146	**944,522**	**1,651,598**
Guarantee deposits (margin accounts)	3,013	-	-	-	**3,013**	-	-	-	**3,013**
Total assets	**2,890,703**	**2,655,380**	**2,094,399**	**4,815,513**	**12,455,995**	**8,519,123**	**9,214,781**	**17,733,904**	**30,189,899**
Liabilities									
Deposits and other demand liabilities	6,480,497	-	-	-	**6,480,497**	-	-	**-**	**6,480,497**
Cash items in process of being cleared	281,259	-	-	-	**281,259**	-	-	**-**	**281,259**
Obligations under repurchase agreements	-	390,331	1,453	342	**392,126**	-	-	**-**	**392,126**
Time deposits and other time liabilities	112,025	5,343,226	2,480,158	2,289,405	**10,224,814**	130,427	58,699	**189,126**	**10,413,940**
Financial derivative contracts	-	125,884	176,048	319,488	**621,420**	1,028,017	911,947	**1,939,964**	**2,561,384**
Interbank borrowings	4,133	137,921	227,898	413,564	**783,516**	435,309	12,776	**448,085**	**1,231,601**
Issued debt instruments	-	176,649	319,516	691,227	**1,187,392**	2,693,946	1,903,774	**4,597,720**	**5,785,112**
Other financial liabilities	114,564	1,934	746	3,305	**120,549**	41,733	42,843	**84,576**	**205,125**
Guarantees received (margin accounts)	39,639	-	-	-	**39,639**	-	-	-	**39,639**
Total liabilities	**7,032,117**	**6,175,945**	**3,205,819**	**3,717,331**	**20,131,212**	**4,329,432**	**2,930,039**	**7,259,471**	**27,390,683**

(1) Interbank loans are presented on a gross basis. The amount of allowance is Ch$25 million.
(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to type of loan are detailed as follows: Commercial loans Ch$398,001 million, Mortgage loans Ch$48,744 million and Consumer loans Ch$254,023 million.

NOTE 20
PROVISIONS

a) As of December 31, 2015 and 2014, the composition is as follows:

	As of December 31, 2015 MCh$	2014 MCh$
Provisions for personnel salaries and expenses.	64,861	46,759
Provisions for mandatory dividends	134,663	165,099
Provisions for contingent loan risk:		
Provisions for available on demand credit lines	17,321	16,036
Other provisions for contingent credit risk	12,425	12,139
Provisions for contingencies	64,463	70,404
Additional loan provisions	35,000	-
Provisions for country risk	385	155
Total	**329,118**	**310,592**

b) Below is the activity regarding provisions during the years ended December 31, 2015 and 2014:

	Provisions						
	Personnel salaries and expenses MCh$	Contingent loans risk MCh$	Contingencies MCh$	Additional loan MCh$	Mandatory dividends MCh$	Country risk MCh$	Total MCh$
Balances as of January 1, 2015	**46,759**	**28,175**	**70,404**	**-**	**165,099**	**155**	**310,592**
Provisions established	75,491	8,909	147,320	35,000	134,663	373	401,756
Application of provisions	(56,878)	-	(150,681)	-	(165,099)	-	(372,658)
Provisions released	-	(7,338)	(2,580)	-	-	(143)	(10,061)
Reclassifications	-	-	-	-	-	-	-
Other movements	(511)	-	-	-	-	-	(511)
Balances as of December 31, 2015	**64,861**	**29,746**	**64,463**	**35,000**	**134,663**	**385**	**329,118**
Balances as of January 1, 2014	**39,501**	**30,614**	**33,069**		**132,578**	**470**	**236,232**
Provisions established	57,071	8,410	57,032		165,099	438	288,050
Application of provisions	(46,777)	-	(9,664)		(132,578)	-	(189,019)
Provisions released	-	(10,849)	(10,033)		-	(753)	(21,635)
Reclassifications	(3,036)	-	-		-	-	(3,036)
Balances as of December 31, 2014	**46,759**	**28,175**	**70,404**		**165,099**	**155**	**310,592**

c) Provisions for personnel salaries and expenses:

	As of December 31, 2015 MCh$	2014 MCh$
Provision for seniority compensation	11,550	1,917
Provision for stock-based personnel benefits	-	-
Provision for performance bonds	31,528	24,540
Provision for vacations	21,053	19,746
Provision for other personnel benefits	730	556
Total	**64,861**	**46,759**

NOTE 20
PROVISIONS, continued

d) Provision for seniority compensation:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Balances as of January 1,	**1,917**	**691**
Provisions established	17,523	3,377
Payments	(7,364)	(2,151)
Prepayments	-	-
Provisions released	-	-
Other movements	(526)	-
Total	**11,550**	**1,917**

e) Movement of provision for performance bonds:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Balances as of January 1,	**24,540**	**18,218**
Provisions established	47,752	40,395
Application of provisions	(40,764)	(32,335)
Provisions released	-	(1,738)
Total	**31,528**	**24,540**

f) Movement of provision for personnel vacations:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Balances as of January 1,	**19,746**	**18,741**
Provisions established	9,542	11,161
Application of provisions	(8,249)	(9,204)
Provisions released	-	(952)
Other movements	14	-
Total	**21,053**	**19,746**

NOTE 21
OTHER LIABILITIES

The other liabilities line item is as follows:

	As of December 31,	
	2015	2014
	MCh$	MCh$
Accounts and notes payable	129,547	90,261
Unearned income	514	478
Margin accounts	819,331	39,639
Notes payable through brokerage and simultaneous transactions	20,764	27,751
Other payable obligations	40,828	43,550
Withheld VAT	1,656	1,698
Other liabilities	33,229	17,476
Total	**1,045,869**	**220,853**

NOTE 22
CONTINGENCIES AND COMMITMENTS

a) Lawsuits and legal procedures

As of the issuance date of these financial statements, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of December 31, 2015, the Banks and its subsidiaries have provisions for this item of Ch$1,803 million and Ch$118 million, respectively (Ch$1,437 million and as Ch$738 million of December 31, 2014) which is included in "Provisions" in the Consolidated Statements of Financial Position as provisions for contingencies.

b) Contingent loans

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

		As of December 31,	
		2015	2014
		MCh$	MCh$
Letters of credit issued		179,042	205,920
Foreign letters of credit confirmed		70,434	75,813
Guarantees		1,684,847	1,481,154
Personal guarantees		163,955	262,169
	Subtotal	**2,098,278**	**2,025,056**
Available on demand credit lines		6,806,745	5,699,573
Other irrevocable credit commitments		82,328	109,520
Total		**8,987,351**	**7,834,149**

c) Held securities

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

		As of December 31,	
		2015	2014
		MCh$	MCh$
Third party operations			
Collections		162,619	172,070
Assets from third parties managed by the Bank and its affiliates		1,507,359	1,247,923
	Subtotals	**1,669,978**	**1,419,993**
Custody of securities			
Securities held in custody		321,741	238,264
Securities held in custody deposited in other entity		561,612	552,741
Issued securities held in custody		18,246,385	16,383,501
	Subtotals	**19,129,738**	**17,174,506**
Total		**20,799,716**	**18,594,499**

During 2015, the Bank classified the portfolios managed by private banking in "Assets from third parties managed by the Bank and its affiliates". At the end of December 2015, the balance for this was Ch$ 1,507,305 million (Ch$ 1,247,888 million at December 31, 2014).

d) Guarantees

Banco Santander Chile has comprehensive officer fidelity insurance policy, No. 4223658, with the Chilena Consolidada de Seguros insurance company, for USD 5,000,000, which jointly covers both the Bank and its affiliates for the period from July 1, 2015 to June 30, 2016

NOTE 22
CONTINGENCIES AND COMMITMENTS, continued

e) Contingent loans and liabilities

To satisfy its clients' needs, the Bank took on several contingent loans and liabilities that are not be recognized in the Consolidated Financial Statement of Financial Position; these contain loan risks and they are, therefore, part of the Bank`s global risk.

Santander Agente de Valores Limitada

In accordance with the provisions of Article No. 30 and onward of Law No. 18,045 on the Securities Market, the Company provided a guarantee in the amount of UF4,000 through Insurance Policy No. 216100453, underwritten by the Compañía de Seguros de Crédito Continental S.A., which matures on December 19, 2016.

Santander S.A. Corredores de Bolsa

i) The Company has given guarantees to the Bolsa de Comercio de Santiago for a current value of Ch$32,380 million to cover default risk on transactions entered into instantaneously or within short timeframes.

ii) In addition, the Company has issued a guarantee to CCLV Contraparte Central S.A. (formerly known as Cámara de Compensación) in cash, for a total Ch$3,000 million and additional guarantees entered at the Electronical Stock Market for Ch$1,009 million as of December 31, 2015.

iii) As of December 31, 2015, the following legal situations are in process:

- Case of "Bilbao vs. Santander Investment S.A. Corredores de Bolsa", predecessor to Santander S.A. Corredores de Bolsa, followed in Santiago 20th Civil Court, File No. 15549-2012. The period to provide evidence has expired and evidentiary proceedings are pending.

- Case of "Echeverria con Santander Corredora", followed in Santiago 21st Civil Court File No. c21-366-2014: a claim for indemnity damages for the failure of acquiring shares. Value: Ch$ 59,594,764. It is pending the Company's procedural defense.

Santander Corredora de Seguros Limitada

i) In accordance with Circular No. 1,160 of the Chilean Securities and Insurance Supervisor, the Company has an insurance policy relating to its obligations as an intermediary for insurance contracts. The company purchased a guarantee policy No, 10029139, covering UF500 and professional liability policy No. 10029140 for its insurance brokers, covering UF 60,000 from the Seguros Generales Consorcio Nacional de Seguros S.A. Policies valid from April 15, 2015 to April 14, 2016.

ii) There are lawsuits for UF 4,604.14 that are related to goods given in leasing. Internal counsel has estimated, according to the criteria defined in IAS 37, a loss of Ch$106.3 million. The estimated loss amount was recorded as provisions.

iii) There are performance guarantees with Banco Santander Chile to guarantee full compliance with public bidding of payment protection insurance and payment protection plus 2/3 permanent disability insurance for the mortgage loan portfolio of Banco Santander Chile. The amount is up to UF 5,000 and UF 2,500 respectively, both valid till July 31, 2017. For the same reason, the Company also has a performance guarantee for compliance with public bidding of fire insurance which amounts to UF 3,200 with the Bank, valid till December 31, 2016.

NOTE 23
EQUITY

a) Capital

As of December 31, 2015 and 2014 the Bank had 188,446,126,794 shares outstanding, all of which are subscribed for and paid in full, amounting to Ch$891,303 million. All shares have the same rights, and have no preferences or restrictions.

The activity with respect to shares during 2015 and 2014 was as follows:

	Shares as of December 31,	
	2015	2014
Issued as of January 1	188,446,126,794	188,446,126,794
Issuance of paid shares	-	-
Issuance of outstanding shares	-	-
Stock options exercised	-	-
Issued as of December 31,	**188,446,126,794**	**188,446,126,794**

As of December 31, 2015 and 2014 the Bank does not have any of its own shares in treasury, nor do any of the consolidated companies.

As of December 31, 2015 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon (1)	-	32,516,063,671	32,516,063,671	17.25
Banks on behalf of third parties	11,878,070,560	-	11,878,070,560	6.30
Pension funds (AFP)	8,887,560,424	-	8,887,560,424	4.72
Stock brokers on behalf of third parties	3,460,285,074	-	3,460,285,074	1.84
Other minority holders	5,111,145,797	-	5,111,145,797	2.71
Total	**155,930,063,123**	**32,516,063,671**	**188,446,126,794**	**100.00**

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

(1) As of August 4, 2015, Banco Santander Chile signed a contract which appoints The Bank of New York Mellon as the commercial bank authorized to trade ADRs, replacing J.P.Morgan Chase Bank NA.

NOTE 23
EQUITY, continued

As of December 31, 2014 the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
J,P, Morgan Chase Bank	-	31,370,004,471	31,370,004,471	16.65
Banks on behalf of third parties	10,949,884,423	-	10,949,884,423	5.81
Pension fund (AFP) on behalf of third parties	10,082,508,540	-	10,082,508,540	5.35
Stock brokers on behalf of third parties	3,623,967,964	-	3,623,967,964	1.92
Other minority holders	5,826,760,128	-	5,826,760,128	3.09
Total	**157,076,122,323**	**31,370,004,471**	**188,446,126,794**	**100.00**

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

b) Dividends

Dividends have been distributed as per the Consolidated Statements of Changes in Equity.

c) As of December 31, diluted earnings and basic earnings were as follows:

	As of December 31, 2015 MCh$	2014 MCh$
a) Basic earnings per share		
Total attributable to equity holders of the Bank	448,878	550,331
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch$)	2,382	2.920
b) Diluted earnings per share		
Total attributable to equity holders of the Bank	448,878	550,331
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch$)	2.382	2.920

As of December 31, 2015 and 2014 the Bank does not own instruments with dilutive effects.

NOTE 23
EQUITY, continued

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

	For the years ended December 31, 2015 MCh$	2014 MCh$
Available for sale investments		
As of January 1,	21,684	840
Gain (loss) on the fair value adjustment of available for sale investments, before tax	(51,178)	14.829
Reclassification from other comprehensive income to income for the year	22,401	6.015
Subtotal	(28,777)	20.844
Total	**(7,093)**	**21,684**
Cash flow hedges		
As of January 1,	10,725	(8,257)
Gains (losses) on the re-measurement of cash flow hedges, before tax	(2,105)	18,552
Reclassification adjustments on cash flow hedges, before tax	6	430
Amounts removed from equity and included in carrying amount of non-financial asset (liability) which acquisition or incurrence was hedged as a highly probable transaction	-	-
Subtotal	(2,099)	18,982
Total	**8,626**	**10,725**
Other comprehensive income, before taxes	1,533	32,409
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	1,596	(4,554)
Income tax relating to cash flow hedges	(1,940)	(2,252)
Total	**(344)**	**(6,806)**
Other comprehensive income, net of tax	**1,189**	**25,603**
Attributable to:		
Equity holders of the Bank	1,288	25,600
Non-controlling interest	(99)	3

The Bank expects that the results included in "Other comprehensive income" will be reclassified to profit or loss when the specific conditions have been met.

NOTE 24
CAPITAL REQUIREMENTS (BASEL)

In accordance with Chilean General Banking Law, the Bank must maintain a minimum ratio of effective equity to risk-weighted consolidated assets of 8% net of required allowances, and a minimum ratio of basic equity to consolidated total assets of 3%, net of required allowances. However, as a result of the Bank's merger in 2002, the SBIF has determined that the Bank's combined effective equity cannot be lower than 11% of its risk-weighted assets. Effective net equity is defined for these purposes as basic equity (capital and reserves) plus subordinated bonds, up to a maximum of 50% of basic equity.

Assets are allocated to different risk categories, each of which is assigned a weighting percentage according to the amount of capital required to be held for each type of asset. For example, cash, deposits in banks and financial instruments issued by the Central Bank of Chile have a 0% risk weighting, meaning that it is not necessary to hold equity to back these assets according to current regulations. Property, plant and equipment have a 100% risk weighting, meaning that a minimum capital equivalent to 11% of these assets must be held. All derivatives traded off the exchanges are also assigned a risk weighting, using a conversion factor applied to their notional values, to determine the amount of their exposure to credit risk. Off-balance-sheet contingent credits are also included for weighting purposes, as "Credit equivalents."

According to Chapter 12-1 of the SBIF's Recopilación Actualizada de Normas [Updated Compilation of Rules] effective January 2010, the SBIF changed existing regulation with the enforcement of Chapter B-3 from the Compendium of Accounting Standards, which changed the risk exposure of contingent allocations from 100% exposure to the following:

Type of contingent loan	Exposure
a) Pledges and other commercial commitments	100%
b) Foreign letters of credit confirmed	20%
c) Letters of credit issued	20%
d) Guarantees	50%
e) Interbank guarantee letters	100%
f) Available lines of credit	50%
g) Other loan commitments:	
- Higher education loans Law No. 20,027	15%
- Other	100%
h) Other contingent loans	100%

NOTE 24
CAPITAL REQUIREMENTS (BASEL), continued

The levels of basic capital and effective net equity as of December 31, 2015 and 2014, are as follows:

	Consolidated assets As of December 31,		Risk-weighted assets As of December 31	
	2015 MCh$	2014 MCh$	2015 MCh$	2014 MCh$
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	2,064,806	1,608,888	-	-
Cash in process of collection	724,521	531,373	80,447	90,203
Trading investments	324,271	774,815	57,796	89,605
Investments under resale agreements	2,463	-	493	-
Financial derivative contracts (*)	1,425,450	1,154,471	1,158,218	996,334
Interbank loans, net	10,861	11,918	1,505	2,384
Loans and accounts receivables from customers, net	24,535,201	22,179,938	21,480,044	19,519,483
Available for sale investments	2,044,411	1,651,598	222,784	190,137
Investments in associates and other companies	20,309	17,914	20,309	17,914
Intangible assets	51,137	40,983	51,137	40,983
Property, plant, and equipment	240,659	211,561	240,659	211,561
Current taxes	-	2,241	-	224
Deferred taxes	331,714	282,211	33,171	28,221
Other assets	1,097,826	493,173	603,503	493,173
Off-balance-sheet assets				
Contingent loans	4,516,319	3,976,465	2,507,530	2,265,904
Total	**37,389,948**	**32,937,549**	**26,457,596**	**23,946,126**

(*) "Financial derivative contracts" are presented at their "Credit Equivalent Risk" value as established in Chapter 12-1 of the Updated Compilation of Rules issued by the SBIF.

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

	As of December 31,		Ratio As of December 31,	
	2015 MCh$	2014 MCh$	2015 %	2014 %
Basic capital	2,734,699	2,609,896	7.31	7.92
Effective net equity	3,538,216	3,354,702	13.37	14.00

NOTE 25
NON-CONTROLLING INTEREST

a) The non-controlling interest included in the equity and the income from the subsidiaries is summarized as follows:

				Other comprehensive income			
As of December 31, 2015	**Non-controlling %**	**Equity MCh$**	**Income MCh$**	**Available for sale investments MCh$**	**Deferred tax MCh$**	**Total other comprehensive income MCh$**	**Comprehensive income MCh$**
Subsidiaries:							
Santander Agente de Valores Limitada	0.97	652	98	(4)	1	(3)	95
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Santander Corredores de Bolsa Limitada (1)	49.00	21,765	816	(128)	29	(99)	717
Santander Corredora de Seguros Limitada	0.25	156	(5)	-	-	-	(5)
Subtotal		**22,575**	**909**	**(132)**	**30**	**(102)**	**807**
Entities controlled through other considerations:							
Bansa Santander S.A.	100	6,004	334	-	-	-	334
Santander Gestión de Recaudación y Cobranzas Limitada	100	1,602	564	-	-	-	564
Multinegocios S.A. (2)	100	-	310	-	-	-	310
Servicios Administrativos y Financieros Limitada. (2)	100	-	550	-	-	-	550
Multiservicios de Negocios Limitada. (2)	100	-	596	-	-	-	596
Subtotal		**7,606**	**2,354**	**-**	**-**	**-**	**2,354**
Total		**30,181**	**3,263**	**(132)**	**30**	**(102)**	**3,161**

(1) Ex Santander S.A. Corredores de Bolsa, See Note1.
(2) As of June 30, 2015, these entities have stopped rendering sales services for the Bank and therefore they have been excluded from the consolidation perimeter. See Note 1.

NOTE 25
NON-CONTROLLING INTEREST, continued

As of December 31, 2014	Non-controlling %	Equity MCh$	Income MCh$	Other comprehensive income: Available for sale investments MCh$	Deferred tax MCh$	Total other comprehensive income MCh$	Comprehensive income MCh$
Subsidiaries:							
Santander Agente de Valores Limitada	0.97	558	87	-	-	-	87
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Santander S.A. Corredores de Bolsa	49.00	20,928	1,239	(34)	7	(27)	1,212
Santander Asset Management S.A. Administradora General de Fondos	-	-	-	-	-	-	-
Santander Corredora de Seguros Limitada	0.25	154	(4)	-	-	-	(4)
Subtotal		**21,642**	**1,322**	**(34)**	**7**	**(27)**	**1,295**
Entities controlled through other considerations:							
Bansa Santander S.A.	100.00	5,671	2,236	-	-	-	2,236
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	1,037	1,531	-	-	-	1,531
Multinegocios S.A.	100.00	730	253	-	-	-	252
Servicios Administrativos y Financieros Limitada.	100.00	2,001	315	-	-	-	315
Multiservicios de Negocios Limitada.	100.00	2,002	323	-	-	-	324
Subtotal		**11,441**	**4,658**	**-**	**-**	**-**	**4,658**
Total		**33,083**	**5,980**	**(34)**	**7**	**(27)**	**5,953**

NOTE 25
NON-CONTROLLING INTEREST, continued

b) The overview of the financial information of the subsidiaries included in the consolidation of the Bank that possess non-controlling interests is as follows, which does not include consolidating or conforming accounting policy adjustments:

	As of December 31,							
	2015				2014			
	Assets MCh$	Liabilities MCh$	Capital MCh$	Net income MCh$	Assets MCh$	Liabilities MCh$	Capital MCh$	Net income MCh$
Santander Corredora de Seguros Limitada	72,860	10,588	60,765	1,507	70,602	9,068	63,078	(1,544)
Santander Corredores de Bolsa Limitada	71,118	26,763	42,618	1,737	74,408	31,790	40,171	2,447
Santander Agente de Valores Limitada	131,305	64,049	57,554	9,702	339,787	282,233	48,556	8,998
Santander S.A. Sociedad Securitizadora	566	53	561	(48)	622	61	640	(79)
Santander Gestión de Recaudación y Cobranzas Ltda.	6,194	4,592	1,038	564	4,917	3,880	458	579
Multinegocios S.A. (management of sales force) (1)	-	-	-	-	1,959	1,229	477	253
Servicios Administrativos y Financieros Ltda. (management of sales force). (1)	-	-	-	-	2,956	955	1,686	315
Multiservicios de Negocios Ltda. (call center).(1)	-	-	-	-	3,401	1,399	1,679	323
Bansa Santander S.A.	31,631	25,627	5,670	334	31,062	25,391	3,435	2,236
Total	**313,674**	**131,672**	**168,206**	**13,796**	**529,714**	**356,006**	**160,180**	**13,528**

(1) As of June 30, 2015, these entities have stopped rendering sales services for the Bank and therefore they have been excluded from the consolidation perimeter. See Note 1.

NOTE 26
INTEREST INCOME AND INFLATION-INDEXATION ADJUSTMENTS

This item refers to interest earned in the period from the financial assets whose return, whether implicitly or explicitly, is determined by applying the effective interest method, regardless of the fair value, as well as the reclassifications as a consequence of hedge accounting,

a) For the years ended December 31, 2015 and 2014, the income from interest and inflation-indexation adjustments, not including income from hedge accounting, was attributable to the following items:

	For the years ended December 31,							
	2015				2014			
Items	**Interest MCh$**	**Inflation-indexation adjustments MCh$**	**Prepaid fees MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation-indexation adjustments MCh$**	**Prepaid fees MCh$**	**Total MCh$**
Resale agreements	1,075	-	-	**1,075**	1,223	-	-	**1,223**
Interbank loans	375	-	-	**375**	139	-	-	**139**
Commercial loans	687,464	168,752	8,494	**864,710**	706,190	208,427	7,883	**922,500**
Mortgage loans	259,941	286,437	23,191	**569,569**	245,980	328,212	18,230	**592,422**
Consumer loans	586,385	3,418	3,706	**593,509**	603,804	5,108	3,205	**612,117**
Investment instruments	60,004	7,616	-	**67,620**	61,774	25,461	-	**87,235**
Other interest income	10,111	5,831	-	**15,942**	10,584	3,218	-	**13,802**
Interest income not including income from hedge accounting	**1,605,355**	**472,054**	**35,391**	**2,112,800**	**1,629,694**	**570,426**	**29,318**	**2,229,438**

b) As indicated in section i) of Note 01, suspended interest relates to loans with late payments of 90 days or more, are recorded in off-balance sheet accounts until they are effectively received.

For the years ended December 31, 2015 and 2014, the suspended interest and adjustments income consists of the following:

	For the years ended December 31,					
	2015			2014		
Items	**Interest MCh$**	**Inflation-indexation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation-indexation adjustments MCh$**	**Total MCh$**
Commercial loans	13,999	9,311	**23,310**	16,337	8,416	**24,753**
Mortgage loans	3,831	9,437	**13,268**	3,925	8,529	**12,454**
Consumer loans	5,546	678	**6,224**	5,529	807	**6,336**
Total	**23,376**	**19,426**	**42,802**	**25,791**	**17,752**	**43,543**

NOTE 26
INTEREST INCOME AND INFLATION-INDEXATION ADJUSTMENTS, continued

c) For the years ended December 31, 2015 and 2014, the expenses from interest and inflation-indexation adjustments, excluding expense from hedge accounting, is as follows:

	For the years ended December 31,					
	2015			2014		
Items	**Interest MCh$**	**Inflation-indexation adjustments MCh$**	**Total MCh$**	**Interest MCh$**	**Inflation-indexation adjustments MCh$**	**Total MCh$**
Demand deposits	(13,875)	(1,343)	**(15,218)**	(6,189)	(1,909)	**(8,098)**
Repurchase agreements	(6,893)	-	**(6,893)**	(7,052)	-	**(7,052)**
Time deposits and liabilities	(346,174)	(47,370)	**(393,544)**	(334,841)	(74,384)	**(409,225)**
Interbank borrowings	(14,998)	(2)	**(15,000)**	(19,015)	(9)	**(19,024)**
Issued debt instruments	(183,561)	(113,029)	**(296,590)**	(175,886)	(137,460)	**(313,346)**
Other financial liabilities	(3,070)	(1,180)	**(4,250)**	(3,131)	(1,729)	**(4,860)**
Other interest expense	(3,456)	(14,776)	**(18,232)**	(2,636)	(17,839)	**(20,475)**
Interest expense not including expenses from hedge accounting	**(572,027)**	**(177,700)**	**(749,727)**	**(548,750)**	**(233,330)**	**(782,080)**

d) For the years ended December 31, 2015 and 2014, the income from interest and inflation-indexation adjustments is as follows:

	For the years ended December 31,	
	2015	2014
Items	**MCh$**	**MCh$**
Interest income less income from hedge accounting	2,112,800	2,229,438
Interest expense less expense from hedge accounting	(749,727)	(782,080)
Net Interest income less net (expense) income from hedge accounting	**1,363,073**	**1,447,358**
Income from hedge accounting (net)	(107,867)	(130,254)
Total net interest income	**1,255,206**	**1,317,104**

NOTE 27
FEES AND COMMISSIONS

This item includes the amount of fees earned and paid during the year, except for those which are an integral part of the financial instrument's effective interest rate:

	For the years ended December 31,	
	2015	2014
	MCh$	MCh$
Fee and commission income		
Fees and commissions for lines of credits and overdrafts	6,597	7,015
Fees and commissions for guarantees and letters of credit	35,276	32,403
Fees and commissions for card services	175,262	147,256
Fees and commissions for management of accounts	30,291	29,031
Fees and commissions for collections and payments	30,399	35,355
Fees and commissions for intermediation and management of securities	10,000	9,286
Insurance brokerage fees	39,252	34,695
Office banking	15,224	17,602
Fees for other services rendered	35,978	30,798
Other fees earned	24,621	23,288
Total	**402,900**	**366,729**

	For the years ended December 31,	
	2015	2014
	MCh$	MCh$
Fee and commission expense		
Compensation for card operation	(129,196)	(104,095)
Fees and commissions for securities transactions	(1,315)	(979)
Office banking	(15,320)	(16,602)
Other fees	(19,442)	(17,770)
Total	(165,273)	**(139,446)**
Net fees and commissions income	**237,627**	**227,283**

The fees earned in transactions with letters of credit are presented in the Consolidated Statements of Income in the line item "Interest income".

NOTE 28
NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

For the years ended December 31, 2015 and 2014, the detail of income from financial operations is as follows:

	For the years ended December 31,	
	2015	2014
	MCh$	MCh$
Profit and loss from financial operations		
Trading derivatives	(503,981)	(215,691)
Trading investments	21,505	45,952
Sale of loans and accounts receivables from customers		
Current portfolio	921	1,261
Charged-off portfolio	(58)	4,809
Available for sale investments	23,655	6,934
Repurchase of issued bonds	(14)	5,198
Other profit and loss from financial operations	75	214
Total	**(457,897)**	**(151,323)**

NOTE 29
NET FOREIGN EXCHANGE GAIN (LOSS)

Net foreign exchange income includes the income earned from foreign currency trading, differences arising from converting monetary items in a foreign currency to the functional currency, and those generated by non-monetary assets in a foreign currency at the time of their sale.

For the years ended December 31, 2015 and 2014, net foreign exchange income is as follows:

	For the years ended December 31,	
	2015	2014
	MCh$	MCh$
Net foreign exchange gain (loss)		
Net profit (loss) from currency exchange differences	(197,875)	(370,282)
Hedging derivatives:	777,254	621,767
Income from inflation-indexed assets in foreign currency	25,421	22,404
Loss on inflation-indexed liabilities in foreign currency	(1,404)	(1,677)
Total	**603,396**	**272,212**

NOTE 30
PROVISIONS FOR LOAN LOSSES

a) For the years ended December 31, 2015 and 2014, activity within income for provisions for loan losses is as follows:

		Loans and accounts receivable from customers							
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Additional loan provisions	
For the year ended December 31, 2015	**Individual MCh$**	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Individual MCh$**	**Group MCh$**	**MCh$**	**Total MCh$**
Charged-off loans	**-**	**(12,955)**	**(59,055)**	**(10,957)**	**(103,555)**	**-**	**-**	**-**	**(186,522)**
Provisions established	(183)	(124,968)	(71,578)	(12,149)	(135,744)	(4,879)	(2,601)	(35,000)	**(387,102)**
Total provisions and charge-offs	**(183)**	**(137,923)**	**(130,633)**	**(23,106)**	**(239,299)**	**(4,879)**	**(2,601)**	**(35,000)**	**(573,624)**
Provisions released	192	42,472	17,885	7,205	18,126	3,614	2,296	-	**91,790**
Recovery of loans previously charged-off	-	8,978	17,054	6,543	35,565	-	-	-	**68,140**
Net charge to income	**9**	**(86,473)**	**(95,694)**	**(9,358)**	**(185,608)**	**(1,265)**	**(305)**	**(35,000)**	**(413,694)**

		Loans and accounts receivable from customers							
	Interbank loans	Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Additional loan provisions	
For the year ended December 31, 2014	**Individual MCh$**	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Individual MCh$**	**Group MCh$**	**MCh$**	**Total MCh$**
Charged-off loans	**-**	**(10,811)**	**(74,596)**	**(9,948)**	**(89,531)**	**-**	**-**	**-**	**(184,886)**
Provisions established	(60)	(74,839)	(99,648)	(14,959)	(129,410)	(4,769)	(3,641)	-	**(327,326)**
Total provisions and charge-offs	**(60)**	**(85,650)**	**(174,244)**	**(24,907)**	**(218,941)**	**(4,769)**	**(3,641)**	**-**	**(512,212)**
Provisions released	89	15,903	7,127	6,561	38,275	4,431	6,418	-	**78,804**
Recovery of loans previously charged-off	-	5,302	11,645	5,122	36,908	-	-	-	**58,977**
Net charge to income	**29**	**(64,445)**	**(155,472)**	**(13,224)**	**(143,758)**	**(338)**	**2,777**	**-**	**(374,431)**

b) The detail of Charge-off net of provisions is as follows:

	Loans and accounts receivable from customers				
	Commercial loans		Mortgage loans	Consumer loans	
As of December 31, 2015	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Charged-off of loans	50,656	109,894	13,485	217,327	**391,362**
Provision applied	(37,701)	(50,839)	(2,528)	(113,772)	**(204,840)**
Charged-off loans, net of provisions	**12,955**	**59,055**	**10,957**	**103,555**	**186,522**

	Loans and accounts receivable from customers				
	Commercial loans		Mortgage loans	Consumer loans	
As of December 31, 2014	**Individual MCh$**	**Group MCh$**	**Group MCh$**	**Group MCh$**	**Total MCh$**
Charged-off of loans	37,673	101,590	12,908	191,228	343,399
Provision applied	(26,862)	(26,994)	(2,960)	(101,697)	(158,513)
Charged-off loans, net of provisions	**10,811**	**74,596**	**9,948**	**89,531**	**184,886**

NOTE 31
PERSONNEL SALARIES AND EXPENSES

For the years ended December 31, 2015 and 2014, the composition of personnel salaries and expenses is as follows:

	For the years ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
Personnel compensation	233,707	213,364
Bonuses	78,260	77,145
Stock-based benefits	66	329
Senior compensation	34,012	10,551
Pension plans	431	1,395
Training expenses	3,186	2,477
Day care and kindergarten	2,992	2,485
Health funds	5,228	4,615
Other personnel expenses	29,181	26,527
Total	**387,063**	**338,888**

Share-based compensation (settled in cash)

In accordance with IFRS 2, equity instruments settled in cash are allocated to executives of the Bank and its Subsidiaries as a form of compensation for their services. The Bank measures the services received and the cash obligation at fair value at the end of each reporting period and on the settlement date, recognizing any change in fair value in the income statement for the period.

For the years ended December 31, 2015 and 2014, share-based compensation amounted to Ch$66 million and Ch$329 million.

NOTE 32
ADMINISTRATIVE EXPENSES

For the years ended December 31, 2015 and 2014, the composition of the item is as follows:

	For the years ended December 31,	
	2015 MCh$	2014 MCh$
General administrative expenses	**127,826**	**125,271**
Maintenance and repair of property, plant and equipment	20,002	17,498
Office lease	27,472	28,348
Equipment lease	134	94
Insurance payments	3,656	3,302
Office supplies	6,232	4,567
IT and communication expenses	28,420	29,379
Lighting, heating, and other utilities	4,764	4,131
Security and valuables transport services	15,393	17,089
Representation and personnel travel expenses	4,590	4,173
Judicial and notarial expenses	2,103	2,192
Fees for technical reports and auditing	7,301	6,891
Other general administrative expenses	7,759	7,607
Outsourced services	**60,913**	**51,504**
Data processing	39,286	32,253
Products sale	226	1,502
Archive service	1,047	3,305
Valuation service	2,969	2,119
Outsourcing	7,275	5,608
Other	10,110	6,717
Board expenses	**1,465**	**1,314**
Marketing expenses	**18,483**	**16,419**
Taxes, payroll taxes, and contributions	**11,844**	**10,641**
Real estate taxes	1,813	1,415
Patents	1,589	1,525
Other taxes	3	15
Contributions to SBIF	8,439	7,686
Total	**220,531**	**205,149**

NOTE 33
DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) Depreciation, amortization and impairment charges for the years ended December 31, 2015 and 2014, are detailed below:

	For the years ended December 31,	
	2015 MCh$	2014 MCh$
Depreciation and amortization		
Depreciation of property, plant, and equipment	(36,195)	(27,571)
Amortization of Intangible assets	(17,419)	(16,601)
Total depreciation and amortization	**(53,614)**	**(44,172)**
Impairment		
Impairment of property, plant, and equipment	(21)	(108)
Impairment of intangibles	-	(36,556)
Total impairment	**(21)**	**(36,664)**
Total	**(53,635)**	**(80,836)**

As of December 31, 2015, the costs for Property, plant, and equipment impairment totaled Ch$21 million, mainly due to damages to ATMs and Ch$435 million for insurance compensation (Ch$108 million as of December 31, 2014, respectively).

b) The changes in book value of depreciation and amortization from January 1, 2014 and 2015 through December 31, 2014 and 2015 are as follows:

	Depreciation and amortization 2015		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 1, 2015	**(154,910)**	**(201,876)**	**(356,786)**
Depreciation and amortization charges in the period	(36,195)	(17,419)	(53,614)
Sales and disposals in the period	324	-	324
Other	-	-	-
Balances as of December 31, 2015	**(190,781)**	**(219,295)**	**(410,076)**

	Depreciation and amortization 2014		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 1, 2014	**(127,448)**	**(185,275)**	**(312,723)**
Depreciation and amortization charges in the period	(27,571)	(16,601)	(44,172)
Sales and disposals in the period	109	-	109
Other	-	-	-
Balances as of December 31, 2014	**(154,910)**	**(201,876)**	**(356,786)**

NOTE 34
OTHER OPERATING INCOME AND EXPENSES

a) Other operating income is comprised of the following components:

	For the years ended December 31, 2015 MCh$	2014 MCh$
Income from assets received in lieu of payment		
Income from sale of assets received in lieu of payment	2,455	2,811
Recovery of charge-offs and income from assets received in lieu of payment	5,860	8,289
Other income from assets received in lieu of payment	3,343	-
Subtotal	**11,658**	**11,100**
Recovery of provisions for contingencies	617	315
Subtotal	**617**	**315**
Other income		
Leases	708	805
Income from sale of property, plant and equipment	381	687
Compensation from insurance companies due to damages	435	661
Other	1,843	1,266
Subtotal	**3,367**	**3,419**
Total	**15,642**	**14,834**

b) Other operating expenses are detailed as follows:

	For the years ended December 31, 2015 MCh$	2014 MCh$
Provisions and expenses for assets received in lieu of payment		
Charge-offs of assets received in lieu of payment	9,327	4,694
Provision on assets received in lieu of payment	7,803	4,045
Expenses for maintenance of assets received in lieu of payment	2,397	2,489
Subtotal	**19,527**	**11,228**
Credit card expenses	**4,624**	**2,638**
Customer services	**3,919**	**9,940**
Other expenses		
Operating charge-offs	5,359	6,153
Life insurance and general product insurance policies	11,224	8,919
Additional tax on expenses paid overseas	2,651	3,055
Provisions for contingencies	230	29,004
Payment of Retail Association	1,018	1,021
Expense for adopting chip technology on cards	-	1,476
Other	5,645	7,674
Subtotal	**26,127**	**57,302**
Total	**54,197**	**81,108**

NOTE 35
TRANSACTIONS WITH RELATED PARTIES

In addition to Affiliates and associated entities, the Bank's "related parties" include its "key personnel" from the executive staff (members of the Bank's Board and the Managers of Banco Santander Chile and its Affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also considers the companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, i.e., Banco Santander S.A. (located in Spain).

Article 89 of the Ley de Sociedades Anónimas (Public Companies Act), which is also applicable to banks, states that any transaction with a related party must be made under equitable conditions similar to those that customarily prevail in the market.

Article 84 of the Ley General de Bancos (General Banking Act) establishes limits for loans that can be granted to related parties and prohibits lending to the Bank's directors, General Manager, or representatives.

Transactions between the Bank and its related parties are specified below and have been divided into four categories:

Santander Group Companies

This category includes all the companies that are controlled by the Santander Group around the world, and hence, including the companies over which the Bank exercises any degree of control (affiliates and special-purpose entities).

Associated companies

This category includes the entities over which the Bank, in accordance with section b) of Note 1 to these Financial Statements, exercises a significant degree of influence and which generally belong to the group of entities known as "business support companies."

Key personnel

This category includes members of the Bank's Board and the managers of Banco Santander Chile and its Affiliates, together with their close relatives.

Other

This category encompasses the related parties that are not included in the groups identified above and which are, in general, entities over which the key personnel could exercise significant influence or control.

The terms for transactions with related parties are equivalent to those which prevail in transactions made under market conditions or under which corresponding considerations in kind have been attributed.

NOTE 35
TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties:

Below are loans and receivables as well as contingent loans that correspond to related entities:

	As of December 31,							
	2015				2014			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Loans and accounts receivables:								
Commercial loans	77,388	565	5,841	1,963	51,647	9,614	4,348	8,743
Mortgage loans	-	-	20,559	-	-	-	19,941	-
Consumer loans	-	-	2,274	-	-	-	2,798	-
Loans and account receivables:	**77,388**	**565**	**28,674**	**1,963**	**51,647**	**9,614**	**27,087**	**8,743**
Allowance for loan losses	(213)	(190)	(62)	(20)	(139)	(10)	(46)	(18)
Net loans	**77,175**	**375**	**28,612**	**1,943**	**51,508**	**9,604**	**27,041**	**8,725**
Guarantees	499,803	-	25,493	1,632	409,339	-	23,896	1,289
Contingent loans								
Personal guarantees	-	-	-	-	-	-	-	
Letters of credit	29,275	-	-	-	16,000	-	-	11
Guarantees	510,309	-	-	2	432,802	-	-	762
Contingent loans	**539,584**	**-**	**-**	**2**	**448,802**	**-**	**-**	**773**
Allowance for contingent loans	(11)	-	-	-	(12)	-	-	-
Net contingent loans	**539,573**	**-**	**-**	**2**	**448,790**	**-**	**-**	**773**

Loan activity to related parties during 2015 and 2014, is shown below:

	As of December 31,							
	2015				2014			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Others MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Others MCh$
Balances as of January 1,	500,449	9,614	27,087	9,516	250,293	618	21,644	61,130
Loans granted	276,383	7	8,991	4,113	338,784	9,108	11,651	17,585
Loans payments	(159,864)	(9,056)	(7,403)	(11,663)	(88,628)	(112)	(6,208)	(69,199)
Total	**616,968**	**565**	**28,675**	**1,966**	**500,449**	**9,614**	**27,087**	**9,516**

NOTE 35
TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of December 31,							
	2015				2014			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Assets								
Cash and deposits in banks	23,578	-	-	-	193,377	-	-	-
Trading investments	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-
Financial derivative contracts	771,774	-	-	-	995,468	-	-	-
Available for sale investments	-	-	-	-	-	-	-	-
Other assets	3,218	-	-	-	2,776	-	-	-
Liabilities								
Deposits and other demand liabilities	9,987	8,535	2,454	1,373	5,061	1,168	2,403	4,602
Obligations under repurchase agreements	12,006	-	-	-	47,010	-	-	-
Time deposits and other time liabilities	1,360,572	234	2,728	898	269,381	2,320	81,079	81,079
Financial derivative contracts	1,323,996	-	-	-	1,395,507	-	-	-
Issued debts instruments	398,565	-	-	-	336,323	-	-	-
Other financial liabilities	2,409	-	-	-	846	-	-	-
Other liabilities	376	-	-	-	771	-	-	-

c) Income (expenses) recorded due to transactions with related parties

	As of December 31,							
	2015				2014			
	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Companies of the Group MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Income (expense) recorded								
Income and expenses from interest and inflation-indexation adjustments	(10,986)	-	1,664	116	(11,130)	25	1,963	(2,509)
Income and expenses from fees and services	35,955	77	208	39	30,591	84	230	167
Net income from financial operations and foreign exchange transactions (*)	(321,985)	-	15	6	(315,918)	-	20	(10,051)
Other operating income and expenses	955	-	-	-	1,158	-	-	-
Key personnel compensation and expenses	-	-	(39,323)	-	-	-	(31,361)	-
Administrative and other expenses	(30,591)	(41,691)	-	-	(30,342)	(33,961)	-	-
Total	**(326,652)**	**(41,614)**	**(37,436)**	**161**	**(325,641)**	**(33,852)**	**(29,148)**	**(12,393)**

(*) Primarily relates to derivative contracts used to financially cover exchange risk of assets and liabilities that cover positions of the Bank and its subsidiaries.

NOTE 35
TRANSACTIONS WITH RELATED PARTIES, continued

d) Payments to Board members and key management personnel

The compensation received by key management personnel, including Board members and all the executives holding manager positions shown in the "Personnel salaries and expenses" and/or "Administrative expenses" items of the Consolidated Statements of Income, corresponds to the following categories:

	For the years ended December 31, 2015 MCh$	2014 MCh$
Personnel compensation	18,605	17,410
Board member's salaries and expenses	1,374	1,235
Bonuses or gratifications	12,861	12,358
Compensation in stock	66	310
Training expenses	122	78
Seniority compensation	4,154	234
Health funds	314	288
Other personnel expenses	1,396	504
Pension plans (*)	431	1,395
Total	**39,323**	**33,812**

(*) Some of the executives that qualified for this benefit left the Group for different reasons, without complying with the requirements to use the benefit, therefore the obligation amount decreased, which generated the reversal of provisions.

e) Composition of key personnel

As of December 31, 2015 and 2014, the composition of the Bank's key personnel is as follows:

Position	**No. of executives As of December 31 2015**	**2014**
Director	12	13
Division manager	16	18
Department manager	79	90
Manager	53	54
Total key personnel	**160**	**175**

NOTE 36
PENSION PLANS

The Bank has an additional benefit available to its principal executives, consisting of a pension plan. The purpose of the pension plan is to endow the executives with funds for a better supplementary pension upon their retirement.

For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pensions with an equivalent contribution. The executives will be entitled to receive this benefit only when they fulfill the following conditions:

a. Aimed at the Bank's management
b. The general requisite to apply for this benefit is that the employee must be carrying out his/her duties when turning 60 years old.
c. The Bank will create a pension fund, with life insurance, for each beneficiary in the plan. Periodic contributions into this fund are made by the manager and matched by the Bank.
d. The Bank will be responsible for granting the benefits directly.

If the working relationship between the manager and the respective company ends, before s/he fulfills the abovementioned requirements, s/he will have no rights under this benefit plan.

In the event of the executive's death or total or partial disability, s/he will be entitled to receive this benefit.

The Bank will make contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank. The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company.

Plan Assets owned by the Bank at the end of 2015 totaled Ch$6,945 million (Ch$6,495 million in 2014).

The amount of the defined benefit plans has been quantified by the Bank, based on the following criteria:

Calculation method:
Use of the projected unit credit method which considers each working year as generating an additional amount of rights over benefits and values each unit separately. It is calculated based primarily on fund contributions, as well as other factors such as the legal annual pension limit, seniority, age and yearly income for each unit valued individually.

Assets related to the pension fund contributed by the Bank into the Seguros Euroamérica insurance company with respect to defined benefit plans are presented as net of associated commitments.

Actuarial hypothesis assumptions:
Actuarial assumptions with respect to demographic and financial variables are non-biased and mutually compatible with each other. The most significant actuarial hypotheses considered in the calculations were:

	Plans post-employment 2014	Plans post-employment 2013
Mortality chart	RV-2009	RV-2009
Termination of contract rates	5.0%	5.0%
Impairment chart	PDT 1985	PDT 1985

NOTE 36
PENSION PLANS, continued

Activity for post-employment benefits is as follows:

	As of December 31,	
	2015	**2014**
	MCh$	**MCh$**
Plan assets	6,945	6,495
Commitments for defined-benefit plans		
For active personnel	(5,070)	(4,639)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balances at year end	**1,875**	**1,856**

Year's cash flow for post-employment benefits is as follows:

	For the years ended December 31,	
	2015	**2014**
	MCh$	**MCh$**
a) Fair value of plan assets		
Opening balance	6,495	5,171
Expected yield of insurance contracts	432	446
Employer contributions	18	878
Actuarial (gain) losses	-	-
Premiums paid	-	-
Benefits paid	-	-
Fair value of plan assets at year end	**6,945**	**6,495**
b) Present value of obligations		
Present value of obligations opening balance	(4,639)	(3,244)
Net incorporation of Group companies	-	-
Service cost	(431)	(1,395)
Interest cost	-	-
Curtailment/settlement effect	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gain) losses	-	-
Other	-	-
Present value of obligations at year end	**(5,070)**	**(4,639)**
Net balance at year end	**1,875**	**1,856**

NOTE 36
PENSION PLANS, continued

Plan expected profit:

	As of December 31,	
	2015	**2014**
Type of expected yield from the plan's assets	UF + 2,50% annual	UF + 2,50% annual
Type of yield expected from the reimbursement rights	UF + 2,50% annual	UF + 2,50% annual

Plan associated expenses:

	As of December 31,	
	2015 MCh$	**2014 MCh$**
Current period service expenses	431	1,395
Interest cost	-	-
Expected yield from plan's assets	(432)	(446)
Expected yield of insurance contracts linked to the Plan:	-	
Extraordinary allocations	-	-
Actuarial (gain)/ losses recorded in the period	-	-
Past service cost	-	-
Other	-	-
Total	**(1)**	**949**

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value assumes the sale transaction of an asset or the transference of the liability happens within the main asset or liability market, or the most advantageous market for the asset or liability.

For financial instruments with no available market prices, fair values have been estimated by using recent transactions in analogous instruments, and in the absence thereof, the present values or other valuation techniques based on mathematical valuation models sufficiently accepted by the international financial community. In the use of these models, consideration is given to the specific particularities of the asset or liability to be valued, and especially to the different kinds of risks associated with the asset or liability.

These techniques are significantly influenced by the assumptions used, including the discount rate, the estimates of future cash flows and prepayment expectations. Hence, the fair value estimated for an asset or liability may not coincide exactly with the price at which that asset or liability could be delivered or settled on the date of its valuation, and may not be justified in comparison with independent markets.

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2015 and 2014:

	As of December 31,			
	2015		2014	
	Book value MCh$	Fair value MCh$	Book value MCh$	Fair value MCh$
Assets				
Trading investments	324,271	324,271	774,815	774,815
Financial derivative contracts	3,205,926	3,205,926	2,727,563	2,727,563
Loans and accounts receivable from customers and interbank loans, net	24,546,062	26,676,836	22,191,856	24,187,545
Available for sale investments	2,044,411	2,044,411	1,651,598	1,651,598
Guarantee deposits (margin accounts)	649,325	649,325	3,013	3,013
Liabilities				
Investments under repurchase agreements	20,846,462	21,167,077	18,126,038	18,470,479
Financial derivative contracts	2,862,606	2,862,606	2,561,384	2,561,384
Issued debt instruments and other financial liabilities	6,177,622	6,556,120	5,990,237	6,456,142
Guarantees received (margin accounts)	819,331	819,331	39,639	39,639

The fair value approximates the carrying amount of the following line items due to their short-term nature: cash and deposits in banks, cash items in process of collection and investments under resale or repurchase agreements.

In addition, the fair value estimates presented above do not attempt to estimate the value of the Bank's profits generated by its business activity, nor its future activities, and accordingly, they do not represent the Bank's value as a going concern. Below is a detail of the methods used to estimate the financial instruments' fair value.

a) Trading investments and available for sale investment instruments

The estimated fair value of these financial instruments was established using market values or estimates from an available dealer, or quoted market prices of similar financial instruments. Investments with maturity of less than one year are evaluated at recorded value since, due to their short maturity term, they are considered as having a fair value not significantly different from their recorded value. To estimate the fair value of debt investments or representative values in these lines of businesses, we take into consideration additional variables and elements, as long as they apply, including the estimate of prepayment rates and credit risk of issuers.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

b) Loans and accounts receivable from customers and interbank loans

Fair value of commercial, mortgage and consumer loans and credit cards is measured through a discounted cash flow (DCF) analysis. To do so, we use current market interest rates considering product, term, amount and similar loan quality. Fair value of loans with 90 days or more of delinquency are measured by means of the market value of the associated guarantee, minus the rate and term of expected payment. For variable rate loans whose interest rates change frequently (monthly or quarterly) and that are not subjected to any significant credit risk change, the estimated fair value is based on their book value.

c) Deposits

Disclosed fair value of deposits that do not bear interest and saving accounts is the amount payable at the reporting date and, therefore, equals the recorded amount. Fair value of time deposits is calculated through a discounted cash flow calculation that applies current interest rates from a monthly calendar of scheduled maturities in the market.

e) Short and long term issued debt instruments

The fair value of these financial instruments is calculated by using a discounted cash flow analysis based on the current incremental lending rates for similar types of loans having similar maturities.

f) Financial derivative contracts

The estimated fair value of financial derivative contracts is calculated using the prices quoted on the market for financial instruments having similar characteristics.

The fair value of interest rate swaps represents the estimated amount that the Bank determines as exit price in accordance with IFRS 13.

If there are no quoted prices from the market (either direct or indirect) for any derivative instrument, the respective fair value estimates have been calculated by using models and valuation techniques such as Black-Scholes, Hull, and Monte Carlo simulations, taking into consideration the relevant inputs/outputs such as volatility of options, observable correlations between underlying assets, counterparty credit risk, implicit price volatility, the velocity with which the volatility reverts to its average value, and the straight-line relationship (correlation) between the value of a market variable and its volatility, among others.

Measurement of fair value and hierarchy

IFRS 13 - Fair Value Measurement, provides a hierarchy of reasonable values which separates the inputs and/or valuation technique assumptions used to measure the fair value of financial instruments. The hierarchy reflects the significance of the inputs used in making the measurement. The three levels of the hierarchy of fair values are the following:

• Level 1: the inputs are quoted prices (unadjusted) on active markets for identical assets and liabilities that the Bank can access on the measurement date.

• Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

• Level 3: inputs are unobservable inputs for the asset or liability i.e. they are not based on observable market data.

The hierarchy level within which the fair value measurement is categorized in its entirety is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

The best evidence of a financial instrument's fair value at the initial time is the transaction price (Level 1).

In cases where quoted market prices cannot be observed, Management makes its best estimate of the price that the market would set using its own internal models which in most cases use data based on observable market parameters as a significant input (Level 2) and, in very specific cases, significant inputs not observable in market data (Level 3). Various techniques are employed to make these estimates, including the extrapolation of observable market data.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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

- Chilean Government and Department of Treasury bonds

Instruments which cannot be 100% observable in the market are valued according to other inputs observable in the market (Level 2).

The following financial instruments are classified under Level 2:

Type of financial instrument	Model used in valuation	Description
ž Mortgage and private bonds	Present Value of Cash Flows Model	Internal Rates of Return ("IRRs") are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on historical spread for the same item or similar ones.
ž Time deposits	Present Value of Cash Flows Model	IRRs are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on issuer curves.
ž Constant Maturity Swaps (CMS), FX and Inflation Forward (Fwd) , Cross Currency Swaps (CCS), Interest Rate Swap (IRS)	Present Value of Cash Flows Model	IRRs are provided by ICAP, GFI, Tradition, and Bloomberg according to this criterion: With published market prices, a valuation curve is created by the bootstrapping method and is then used to value different derivative instruments.
ž FX Options	Black-Scholes	Formula adjusted by the volatility smile (implicit volatility). Prices (volatility) are provided by BGC Partners, according to this criterion: With published market prices, a volatility surface is created by interpolation and then these volatilities are used to value options.

In limited occasions significant inputs not observable in market data are used (Level 3). To carry out this estimate, several techniques are used, including extrapolation of observable market data or a mix of observable data.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following financial instruments are classified under Level 3:

Type of financial instrument	Model used in valuation	Description
ž Caps/ Floors/ Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
ž UF options	Black – Scholes	There is no observable input of implicit volatility.
ž Cross currency swap with window	Hull-White	Hybrid HW model for rates and Brownian motion for FX There is no observable input of implicit volatility.
ž CCS (special contracts)	Implicit Forward Rate Agreement (FRA)	Start Fwd unsupported by MUREX (platform) due to the UF forward estimate.
ž Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate) TAB,	Present Value of Cash Flows Model	Valuation obtained by using the interest curve and interpolating at flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.
ž Bonds (in our case, low liquidity bonds)	Present Value of Cash Flows Model	Valued by using similar instrument prices plus a charge/off rate by liquidity.

The Bank does not believe that any change in unobservable inputs with respect to level 3 instruments would result in a significantly different fair value measurement.

The following table presents the assets and liabilities that are measured at fair value on a recurrent basis, as of December 31, 2015 and 2014:

		Fair value measurement		
As of December 31,	2015 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	324,271	283,236	41,035	-
Available for sale investments	2,044,411	1,287,589	756,056	766
Derivatives	3,205,926	-	3,166,779	39,147
Margin accounts	649,325	649,325	-	-
Total	**6,223,933**	**2,220,150**	**3,963,870**	**39,913**
Liabilities				
Derivatives	2,862,606	-	2,862,606	-
Margin accounts	819,331	819,331	-	-
Total	**3,681,937**	**819,331**	**2,862,606**	**-**

		Fair value measurement		
As of December 31,	2014 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	774,815	731,344	43,471	-
Available for sale investments	1,651,598	1,028,639	622,075	884
Derivatives	2,727,563	-	2,684,782	42,781
Margin accounts	3,013	3,013	-	-
Total	**5,156,989**	**1,762,996**	**3,350,328**	**43,665**
Liabilities				
Derivatives	2,561,384	-	2,561,384	-
Margin accounts	39,639	39,639	-	-
Total	**2,601,023**	**39,639**	**2,561,384**	**-**

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents assets or liabilities which are not measured at fair value in the statement of financial position but for which the fair value is disclosed, as of December 31, 2015 and 2014:

		Fair value measurement		
As of December 31,	**2015 MCh$**	**Level 1 MCh$**	**Level 2 MCh$**	**Level 3 MCh$**
Assets				
Loans and accounts receivable from customers and interbank loans, net	26,676,836	-	26,676,836	-
Total	**26,676,836**	**-**	**26,676,836**	**-**
Liabilities				
Deposits and interbank borrowings	21,167,077	-	21,167,077	-
Issued debt instruments and other financial liabilities	6,556,120	-	6,556,120	-
Total	**27,723,197**	**-**	**27,723,197**	**-**

		Fair value measurement		
As of December 31,	**2014 MCh$**	**Level 1 MCh$**	**Level 2 MCh$**	**Level 3 MCh$**
Assets				
Loans and accounts receivable from customers and interbank loans, net	24,187,545	-	24,187,545	-
Total	**24,187,545**	**-**	**24,187,545**	**-**
Liabilities				
Deposits and interbank borrowings	18,470,479	-	18,470,479	-
Issued debt instruments and other financial liabilities	6,456,142	-	6,456,142	-
Total	**24,926,621**	**-**	**24,926,621**	**-**

There were no transfer between levels 1 and 2 for the year ended December 31, 2015 and 2014.

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of December 31, 2015 and 2014:

	Assets MCh$	**Liabilities MCh$**
As of January 1, 2015	**43,665**	**-**
Total realized and unrealized profits (losses)		
Included in statement of income	(3,634)	-
Included in other comprehensive income	(118)	-
Purchases, issuances, and loans (net)	-	-
As of December 31, 2015	**39,913**	**-**
Total profits or losses included in comprehensive income for 2014 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2015	**(3,752)**	**-**

	Assets MCh$	**Liabilities MCh$**
As of January 1, 2014	**52,104**	**(1,419)**
Total realized and unrealized profits (losses)		
Included in statement of income	(8,485)	1,419
Included in other comprehensive income	46	-
Purchases, issuances, and loans (net)	-	-
As of December 31, 2014	**43,665**	**-**
Total profits or losses included in comprehensive income for 2014 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2013	**(8,439)**	**1,419**

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The realized and unrealized profits (losses) included in comprehensive income for 2015 and 2014, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Statement of Comprehensive Income in the associate line item.

The potential effect as of December 31, 2015 and 2014 on the valuation of assets and liabilities valued at fair value on a recurrent basis through unobservable significant entries (level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

The following sheet shows the financial instruments subject to offsetting according to IAS 32:

	As of December 31, 2015								
	Linked financial instruments subject to offsetting			Linked financial instruments not subject to offsetting			Other financial instruments		
Financial instrument	Gross value of financial assets **MCh$**	Gross value of financial liabilities compensated on the balance sheet **MCh$**	Net amount ("+" or "-") of financial assets presented on the balance sheet **MCh$**	Financial instruments-Assets **MCh$**	Financial instruments-Liabilities **MCh$**	Net amount **MCh$**	Assets **MCh$**	Liabilities **MCh$**	Net amount **MCh$**
Financial derivative contracts	-	-	-	3,011,322	2,718,401	292,921	194,604	144,205	50,399
Repurchase agreements	-	-	-	-	-	-	2,463	143,689	(141,226)
Total	**-**	**-**	**-**	**3,011,322**	**2,718,401**	**292,921**	**197,067**	**287,894**	**(90,827)**

NOTE 38
RISK MANAGEMENT

Introduction and general description

The Bank, due to its activities with financial instruments is exposed to several types of risks. The main risks related to financial instruments that apply to the Bank are as follows:

- **Market risk**: rises from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:
  a. Foreign exchange risk: this arises as a consequence of exchange rate fluctuations among currencies.
  b. Interest rate risk: this arises as a consequence of fluctuations in market interest rates.
  c. Price risk: this arises as a consequence of changes in market prices, either due to factors specific to the instrument itself or due to factors that affect all the instruments negotiated in the market.
  d. Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UFs.

- **Credit risk**: this is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question to continue as a going concern, causing a financial loss to the other party.

- **Liquidity risk**: is the possibility that an entity may be unable to meet its payment commitments, or that in order to meet them, it may have to raise funds with onerous terms or risk damage to its image and reputation.

- **Operating risk**: this is a risk arising from human errors, system errors, fraud or external events which may damage the Bank's reputation, may have legal or regulatory implications, or cause financial losses.

This note includes information on the Bank's exposure to these risks and on its objectives, policies, and processes involved in their measurement and management.

Risk management structure

The Board is responsible for the establishment and monitoring of the Bank's risk management structure, for which purpose it has an on-line corporate governance system which incorporates international recommendations and trends, adapted to Chilean regulatory conditions and given it the ability to apply the most advanced practices in the markets in which the Bank operates. To optimize the performance of this function, the Board of Directors has established the Asset and Liability Committee ("ALCO"), whose principal task is to assist in carrying out its functions relating to oversight and management of the Bank's risks. To complement the ALCO in the risk management function, the Board also has three key committees: the Markets Committee ("CDM," the acronym in Spanish) the Executive Credit Committee ("CEC," the acronym in Spanish) and the Audit Committee ("CDA," the acronym in Spanish). Each of these committees is composed of directors and executive members of the Bank's management.

The ALCO is responsible for developing risk handling policies of the Bank following the Board and Santander Spain Global Risk Department guidelines, as well as the requirements of the Chilean SBIF. Said policies have been created mainly to identify and analyze the risks the Bank faces, establishing risk limits and adequate control monitoring risks, and the abiding by of limits. Risk handling policies and systems are revised regularly to reflect changes in market conditions and products or services offered. The Bank, through the creation and management of regulations and procedures, aims at developing a disciplined and constructive control environment in which all employees understand their role and duties.

To carry out its duties, the ALCO works directly with the Bank's control and risk departments, whose joint objectives include the following:

- evaluate risks whose magnitude might threaten the Bank's solvency or which might potentially pose significant risks to its operations or reputation;
- ensure that the Bank is equipped with the means, systems, structures, and resources, consistent with best practices, which enable the implementation of the risk management strategy;
- ensure the integration, control, and management of all the Bank's risks;
- apply homogeneous risk principles, policies, and metrics throughout the Bank and its businesses;
- develop and implement a risk management model at the bank, in order for risk exposure to be adequately integrated into the different decision making processes;

NOTE 38
RISK MANAGEMENT, continued

- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantifying sensitivities and the foreseeable impact of different scenarios on risk positioning; and
- carry out the management of structural liquidity, interest rate, and exchange rate risks, as well as those arising from the Bank's own resource base.

To achieve the aforementioned objectives, the Bank (its management and the ALCO) performs a variety of activities relating to risk management, including the following: calculate exposures to risk from different portfolios and/or investments, taking into consideration mitigating factors (guarantees, netting, collateral, etc.); calculate the probabilities of expected loss for each portfolio and/or investment; assign loss factors to new transactions (rating and scoring); measure the risk values of the portfolios and/or investments based on different scenarios by means of historical simulations; specify limits for potential losses based on the different risks incurred; determine the potential impact of the structural risks on the Bank's Consolidated Statements of Income; set limits and alerts which guarantee the Bank's liquidity; and identify and quantify the operating risks by line of business, so as to facilitate their mitigation through corrective actions.

The CDA is mainly responsible for supervising compliance with the Bank's risk management policies and procedures, and for reviewing the adaptation of the risk management framework to the risks faced by the Bank.

Credit risk

Credit risk is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question to continue as a going concern, causing a financial loss to the other party. To manage credit risk, the Bank consolidates all elements and components of credit risk exposure (e.g. individual delinquency risk, innate risk of a business line or segment, and/or geographical risk).

Mitigation of credit risk for loans and accounts receivable

The Board has delegated the duty of credit risk management to the ALCO and CEC, as well as to the Bank's risk departments, whose roles are summarized below:

- Formulation of credit policies, by consulting with the business units, meeting requirements of guarantees, credit evaluation, risk rating and submission of reports, documentation and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.

- Establish the structure to approve and renew credit requests. The Bank structures credit risks by assigning limits to the concentration of that risk in terms of individual debtors, debtor groups, industry segment and country. Approval levels are assigned to the correspondent officials of the business unit (commercial, consumer, SMEs) to be exercised by that level of management. In addition, those limits are revised constantly. Teams in charge of risk evaluation at the branch level interact on a regular basis with customers; however, for larger credit requests, the risk team from the head office and even the CEC work directly with customers to assess credit risks and prepare risk requests. Moreover, Banco Santander España participates in the process to approve larger credits; for example, to customers or economic groups with debts over USD 40 million.

- Limit concentrations of exposure to customers or counterparties in geographic areas or industries (for accounts receivable or loans), and by issuer, credit rating, and liquidity (for investments).

- Develop and maintain the Bank's credit risk classifications for the purpose of classifying risks according to the degree of exposure to financial loss that is exhibited by the respective financial instruments, with the aim of focusing risk management specifically on the associated risks.

- Revise and evaluate credit risk. Review and evaluate credit risk. Management's risk divisions are largely independent of the Bank's commercial division and evaluate all credit risks in excess of the specified limits prior to loan approvals for customers or prior to the acquisition of specific investments. Credit renewal and revisions are subject to similar processes.

NOTE 38
RISK MANAGEMENT, continued

When preparing a credit request for a corporate customer, the Bank verifies several parameters such as debt service capacity (generally including future cash flows), the customer's financial records and/or projections for their economic sector. The risk division is closely involved in this process. All applications include an analysis of the customer's strengths and weaknesses, as well as a risk classification and a recommendation. Credit limits are not established over customers' outstanding balances but on the direct and indirect credit risk of the financial group. For example, a corporation would be evaluated together with subsidiaries and affiliates.

Consumer loans are evaluated and approved by their respective risk divisions (individual, SME), and the evaluation process is based on an evaluation system known as Garra (Banco Santander) and Syseva (Santander Banefe). Both of these processes are decentralized, automated, and based on a scoring system that includes the credit risk policies adopted by the Bank's Board. The loan application process is based on a collection of information to determine the customer's financial condition and payment capacity. The parameters used to assess the credit risk of the applicant include different variables such as income levels, duration of current job, indebtedness, reports from credit reporting agencies, etc.

- Provide advice, training, and specialized knowledge to the business units in order to promote the Bank's best practices in credit risk management.

Mitigation of credit risk of other financial assets (investments, derivatives, commitments)

As a part of the acquisition process of financial investments and financial instruments, the Bank examines the probability of uncollectability from issuers or counterparties, using internal and external evaluations, such as risk evaluators that are independent from the Bank. The Bank is also governed by a strict and conservative policy which ensures that the issuers of its investments and the counterparties in derivative transactions are highly reputable.

In addition, the Bank holds a variety of instruments which imply credit risk, but are not reflected in the Consolidated Statement of Financial Position, such as: personal guarantees, documentary letters of credit, performance bonds, and commitments to grant loans.

Personal guarantees represent an irrevocable payment obligation. If a guaranteed customer fails to meet their obligations to third parties secured by the Bank, the Bank will make the relevant payments; hence, these transactions imply the same credit risk exposure as an ordinary loan.

Documentary letters of credit are commitments documented by the Bank on behalf of customers, which are secured by the shipped merchandise to which they relate, and hence, have a lower risk than direct indebtedness. Performance bonds are contingent commitments which become enforceable only if the customer fails to carry out the work agreed upon with a third party who is secured by such performance bonds.

In the case of loan commitments, the Bank is potentially exposed to losses for an amount equivalent to the unused amount of the commitment. However, the expected loss amount is lower than the commitment's unused amount. The Bank controls the maturity term of credit lines since generally, long-term obligations have a larger credit risk than short-term ones.

Maximum credit risk exposure

For financial assets recognised in the Consolidated Statements of Financial Position, maximium credit risk exposure equals their carrying value. For financial guarantees granted, the maximum exposure to credit risk equals the maximum amount the Banks would have to pay if the financial guaranty was executed.

NOTE 38
RISK MANAGEMENT, continued

Below is the distribution by financial asset of the Bank's maximum exposure to credit risk as of December 31, 2015 and 2014, without deduction of collateral security interests or credit improvements received:

		As of December 31,	
	Note	2015 Amount of exposure MCh$	2014 Amount of exposure MCh$
Cash and deposits in banks	4	1,432,371	1,013,909
Cash items in process of collection	4	724,521	531,373
Trading investments	5	324,271	774,815
Investments under resale agreements	6	2,463	-
Financial derivative contracts	7	3,205,926	2,727,563
Loans and accounts receivable from customers and interbank loans, net	8 and 9	24,546,062	22,191,856
Available for sale investments	10	2,044,411	1,651,598
Off-balance commitments:			
Letters of credit issued		178,461	204,932
Foreign letters of credit confirmed		70,417	75,798
Guarantees		1,673,580	1,470,604
Available credit lines		6,789,591	5,683,828
Personal guarantees		163,395	261,582
Other irrevocable credit commitments		82,161	109,229
Total		**41,237,630**	**36,697,087**

NOTE 38
RISK MANAGEMENT, continued

The following table shows loan portfolio information as set forth in our internal scoring policy, described in Note 01 o) “Allowance for loans losses” as of December 31, 2015 and 2014:

Category	As of December 31,							
	2014				2013			
Commercial Portfolio	Individual MCh$	Percentage %	Allowance MCh$	Percentage %	Individual MCh$	Percentage %	Allowance MCh$	Percentage %
A1	16,636	0,07%	4	0.00%	120,646	0.53%	42	0.01%
A2	2,057,156	8,13%	1,496	0.20%	1,790,389	7.82%	1,202	0.17%
A3	3,064,806	12,12%	3,500	0.46%	3,029,274	13.23%	3,340	0.48%
A4	2,833,259	11,20%	18,026	2.39%	2,535,098	11.07%	17,062	2.43%
A5	1,013,907	4,01%	15,792	2.09%	858,830	3.75%	13,114	1.87%
A6	585,327	2,31%	15,399	2.04%	475,212	2.08%	11,406	1.63%
B1	256,507	1,01%	11,191	1.48%	183,932	0.80%	9,172	1.31%
B2	84,497	0,33%	5,822	0.77%	64,695	0.28%	5,910	0.84%
B3	106,128	0,42%	21,043	2.79%	75,074	0.33%	10,351	1.48%
B4	57,805	0,23%	8,036	1.06%	74,910	0.33%	11,028	1.57%
C1	81,767	0,32%	1,635	0.22%	79,148	0.35%	1,583	0.23%
C2	48,569	0,19%	4,857	0.64%	66,267	0.29%	6,627	0.95%
C3	37,663	0,15%	9,416	1.25%	16,742	0.07%	4,185	0.60%
C4	69,952	0,28%	27,981	3.71%	33,074	0.14%	13,229	1.89%
C5	76,157	0,30%	49,503	6.56%	59,585	0.26%	38,730	5.53%
C6	92,682	0,37%	83,414	11.06%	94,832	0.41%	85,348	12.18%
Subtotal	**10,482,818**	**41,44%**	**277,115**	**36.72%**	**9,557,708**	**41.74%**	**232,329**	**33.17%**
	Group MCh$	**Percentage %**	**Allowance MCh$**	**Percentage %**	**Group MCh$**	**Percentage %**	**Allowance MCh$**	**Percentage %**
Commercial								
Normal portfolio	2,483,258	9,81%	50,559	6.70%	2,401,003	10.49%	51,027	7.28%
Impaired portfolio	371,160	1,47%	117,992	15.63%	383,532	1.68%	114,670	16.36%
Subtotal	**2,854,418**	**11,28%**	**168,551**	**22.33%**	**2,784,535**	**12.17%**	**165,697**	**23.64%**
Mortgage								
Normal portfolio	7,416,703	29,31%	19,133	2.54%	6,261,428	27.35%	17,574	2.50%
Impaired portfolio	396,147	1,57%	32,027	4.24%	370,603	1.62%	31,170	4.45%
Subtotal	**7,812,850**	**30,88%**	**51,160**	**6.78%**	**6,632,031**	**28.97%**	**48,744**	**6.95%**
Consumer								
Normal portfolio	3,819,361	15,10%	118,006	15.64%	3,554,891	15.53%	116,865	16.67%
Impaired portfolio	331,310	1,31%	139,863	18.53%	363,484	1.59%	137,158	19.57%
Subtotal	**4,150,671**	**16,41%**	**257,869**	**34.17%**	**3,918,375**	**17.12%**	**254,023**	**36.24%**
Total	**25,300,757**	**100,00%**	**754,695**	**100.00%**	**22,892,649**	**100.00%**	**700,793**	**100.00%**

As December 31, 2015 and 2014, the Bank does not believe that the credit quality of its other financial assets or liabilities is of sufficient significance to warrant future disclosure.

NOTE 38
RISK MANAGEMENT, continued

Regarding the individually evaluated portfolio, the different categories and levels within each category correspond to:

- Category A or Normal Portfolio. Consists of debtors with a payment capacity that allows them to fulfill their financial obligations and commitments and who, according to their financial situation, are not likely to experience a change in this condition in the short term.

- Category B or Substandard Portfolio. Includes debtors with financial difficulties or whose payment capacity has been diminished and about whom the Bank has considerable doubts about the total reimbursement of the capital and interest according to the agreed terms, showing they have a lesser likelihood of meeting their financial obligations in the short term.

- Categories C and D or Default Portfolio. Consists of those debtors where the Bank considers the ability of reimbursement remote since they have an impaired or null payment capacity.

Regarding the portfolios evaluated on a group basis, all of the associated operations are evaluated together.

See Note 30 for the detail of the Bank's impaired loans and the associated allowances. Also, see Note 19 for a detail of the maturity of the Bank's financial assets.

Exposure to credit risk in foreign derivative contracts

As of December 31, 2015, the Bank's foreign exposure -including counterparty risk in the derivative instruments' portfolio- was USD 2,090 million or 4.27% of assets. In the table below, exposure to derivative instruments is calculated by using the equivalent credit risk; which equals the replacement carrying amount plus the maximum potential value, considering the cash collateral that minimizes exposure.

Below, there are additional details regarding our exposure to Colombia and Italy, since they are classified above 1 and where the below represents our majority of exposure to categories other than 1. Below we detail exposure to Italy and Colombia as of December 31, 2015, considering fair value of derivative instruments.

Country	Classification (1)	Derivative Instruments (adjusted to market) USD MCh$	Deposits USD MCh$	Loans USD MCh$	Financial investments USD MCh$	Total Exposure USD MCh$
Colombia	2	1.20	-	-	-	1.20
Italy	2	46.40	0.65	-	-	47.05
Other	3	1.32	-	-	-	1.32
Total		**48.92**	**0.65**	**-**	**-**	**49.57**

(1) Corresponds to country's classification established in Chapter B-6 of the Compendium of Accounting Standards issued by the SBIF.

The total amount of this exposure to derivative instruments must be compensated daily with collateral and, therefore, the net credit exposure is USD 0.

<u>Our exposure to Spain within the group is as follows:</u>

Counterpart	Country	Classification	Derivative instruments (market adjusted) USD MM	Deposits USD MM	Loans USD MM	Financial Investments USD MM	Exposure Exposure USD MM
Banco Santander España (*)	Spain	1	20.11	357.53	-	-	377.64

The total amount of this exposure to derivative instruments must be compensated daily with collateral and, therefore, the net credit exposure is USD 0.28

* We have included our exposure to Santander branches in New York and Hong Kong as exposure to Spain.

NOTE 38
RISK MANAGEMENT, continued

Impairment of other financial instruments

As of December 31, 2014 and 2013, the Bank had no significant impairments of its financial assets other than loans and accounts receivable.

Security interests and credit improvements

The maximum exposure to credit risk is reduced in some cases by security interests, credit improvements, and other actions which mitigate the Bank's exposure. Based on the foregoing, the creation of security interests are a necessary but not a sufficient condition for granting a loan; accordingly, the Bank's acceptance of risks requires the verification of other variables and parameters, such as the ability to pay or generate funds in order to mitigate the risk being taken on.

Procedures for management and valuation of securities are described in the internal policies of risk management. Said policies set the basic principles for credit risk management, including the management of securities received in customers' operations. In this sense, the risk management model includes assessing the existence of adequate and sufficient guarantees that allow recovering the credit when the debtor's circumstances prevent them from fulfilling their obligations.

The procedures used for the valuation of security interests utilize the prevailing market practices, which provide for the use of appraisals for mortgage securities, market prices for stock securities, fair value of the participating interest for investment funds, etc. All security interests received must be instrumented properly and registered on the relevant register, as well as have the approval of legal divisions of the Bank.

In addition, the Bank has classification tools that allow it to group the credit quality of transactions or customers. To study how this probability varies, the Bank has historical databases that keep this internally generated information. Classification tools vary according to the analyzed customer (commercial, consumer, SMEs, etc.).

Below is the detail of security interests, collateral, or credit improvements provided to the Bank as of December 31, 2015 and 2014.

	As of December 31,	
	2015	2014
	MCh$	MCh$
Non-impaired financial assets:		
Properties/mortgages	16,849,296	14,643,933
Investments and others	2,287,128	2,005,276
Impaired financial assets:		
Properties/ mortgages	265,052	420,033
Investments and others	4,268	12,314
Total	**19,405,744**	**17,081,556**

Liquidity risk

Liquidity risk is the risk that the Bank may have difficulty meeting the obligations associated with its financial obligations.

Liquidity risk management

The Bank is exposed on a daily basis to requirements for cash funds from various banking activities, such as wires from checking accounts, fixed-term deposit payments, guarantee payments, disbursements on derivatives transactions, etc. As typical in the banking industry, the Bank does not hold cash funds to cover the balance of all the positions, as experience shows that only a minimum level of these funds will be withdrawn, which can be accurately predicted with a high degree of certainty.

NOTE 38
RISK MANAGEMENT, continued

The Bank's approach to liquidity management is to ensure— whenever possible—to have enough liquidity on hand to fulfill its obligations at maturity, in both normal and stressed conditions, without entering into unacceptable debts or risking the Bank's reputation. The Board establishes limits on the minimal part of available funds close to maturity to fulfill said payments as well as over a minimum level of interbank operations and other loan facilities that should be available to cover transfers at unexpected demand levels. This is constantly reviewed. Additionally, the Bank must comply with the regulation limits established by the SBIF for maturity mismatches.

These limits affect the mismatches of future flows of income and expenditures of the Bank on an individual basis. They are:

i. mismatches of up to 30 days for all currencies, up to the amount of basic capital;
ii. mismatches of up to 30 days for foreign currencies, up to the amount of basic capital; and
iii. mismatches of up to 90 days for all currencies, twice the basic capital.

The Bank's treasury department ("Treasury") receives information from all business units about the liquidity profile of its financial assets and liabilities in addition to details from other future cash flows that arise from future business transactions. Based on this information, Treasury keeps a short-term liquid assets portfolio, mainly composed of liquid investments, interbank loans, and advanced payments, to guarantee that the Bank has enough liquidity. Liquidity needs of business units are fulfilled through short-term transfers from Treasury to cover any short-term variation and long-term financing to address all structural liquidity requirements.

The Bank monitors its liquidity position daily to establish future flows of inflow and outflow. At each month's closing, stress tests are carried out in which a variety of scenarios are used, from normal market conditions to those that contain significant fluctuations. Liquidity policy and procedures are subjected to review and approval of the Bank's Board. There are periodic reports which detail the Bank's, and its subsidiaries', liquidity position, including any exceptions and adopted correcting measures, which are also reviewed periodically by the ALCO.

The Bank relies on customer (retail) and institutional deposits, obligations to banks, debt instruments, and time deposits as its main sources of funding. Although most obligations to banks, debt instruments and time deposits have maturities of more than one year, customer (retail) and institutional deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. The short-term nature of these deposits increases the Bank's liquidity risk, and hence, the Bank actively manages this risk through continual supervision of the market trends and price management.

Exposure to liquidity risk

A similar, yet not identical, measure is the calculation used to measure the Bank´s liquidity limit as established by the SBIF. The Bank determines a mismatch percentage for purposes of calculating such liquidity limit which is calculated by dividing its benefits (assets) by its obligations (liabilities) according to maturity based on estimated repricing. The mismatch amount permitted for the 30 day and under period is 1 times [regulatory] capital and for the 90 day and under period – 2 times [regulatory] capital.

The following table displays the actual derived percentages as calculated per above:

	As of December 31,	
	2015	**2014**
	%	**%**
30 days	38	32
30 days foreign currency	-	-
90 days	44	15

NOTE 38
RISK MANAGEMENT, continued

Below, is the breakdown by maturity, of the asset and liability balances of the Bank as of December 31, 2015 and 2014, which also includes off-balance sheet commitments:

As of December 31, 2015	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Maturity of assets (Note 19)	3,724,457	3,558,080	2,486,846	4,679,349	9,296,058	10,571,690	**34,316,480**
Maturity of liabilities (Note 19)	(8,910,584)	(6,429,860)	(3,706,244)	(4,135,780)	(4,526,750)	(3,602,649)	**(31,311,867)**
Net maturity	(5,186,127)	(2,871,780)	(1,219,398)	543,569	4,769,308	6,969,041	**3,004,613**
Off-balance commitments:							
Personal guarantees	-	(11,935)	(11,179)	(58,629)	(82,212)	-	**(163,955)**
Foreign letters of credit confirmed	-	(16,522)	(12,504)	(6,535)	(34,873)	-	**(70,434)**
Letters of credit issued	-	(39,552)	(100,407)	(37,753)	(1,330)	-	**(179,042)**
Guarantees	-	(89,430)	(142,285)	(714,747)	(709,844)	(28,541)	**(1,684,847)**
Net maturity, including commitments	**(5,186,127)**	**(3,029,219)**	**(1,485,773)**	**(274,095)**	**3,941,049**	**6,940,500**	**906,335**

As of December 31, 2014	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Between 1 and 5 years MCh$	More than 5 years MCh$	Total MCh$
Maturity of assets (Note 19)	2,890,703	2,655,380	2,094,399	4,815,513	8,519,123	9,214,781	**30,189,899**
Maturity of liabilities (Note 19)	(7,032,117)	(6,175,945)	(3,205,819)	(3,717,331)	(4,329,432)	(2,930,039)	**(27,390,683)**
Net maturity	(4,141,414)	(3,520,565)	(1,111,420)	1,098,182	4,189,691	6,284,742	**2,799,216**
Off-balance commitments:							
Personal guarantees	-	(17,626)	(6,858)	(169,875)	(54,126)	(13,684)	**(262,169)**
Foreign letters of credit confirmed	-	(2,426)	(26,807)	(4,085)	(42,495)	-	**(75,813)**
Letters of credit issued	-	(54,701)	(108,218)	(43,001)	-	-	**(205,920)**
Guarantees	-	(122,176)	(188,378)	(620,143)	(522,233)	(28,224)	**(1,481,154)**
Net maturity, including commitments	**(4,141,414)**	**(3,717,494)**	**(1,441,681)**	**261,078**	**3,570,837**	**6,242,834**	**774,160**

The tables above show cash flows without deducting financial assets and liabilities over the estimated maturity base. Future cash flows from these instruments might vary significantly compared to this analysis. For example, we expect that demand deposits remain stable or grow steadily and we do not expect to execute all unrecognized loan obligations. In addition, the above detail excludes available credit lines since they do not have contractually defined maturities.

Market risk

Market risk arises as a consequence of the market activity, by means of financial instruments whose value can be affected by market variations, reflected in different assets and financial risk factors. The risk can be diminished by means of hedging through other products (assets/liabilities or derivative instruments) or terminating the open transaction/position. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

There are four major risk factors that affect the market prices: type of interest, type of exchange, price, and inflation. In addition and for certain positions, it is necessary to consider other risks as well, such as spread risk, base risk, commodity risk, volatility or correlation risk.

Market risk management

The Bank's internal management measure market risk based mainly on the procedures and standards of Santander Spain, which are in turn based on analysis of management in three principal components:

- trading portfolio;
- domestic financial management portfolio;
- foreign financial management portfolio.

The trading portfolio is comprised mainly of investments, valued at fair value, and free of any restriction on their immediate sale, which are often bought and sold by the Bank with the intent of selling them in the short term in order to benefit from short-term price fluctuations. The financial management portfolios include all the financial investments not considered a part of trading portfolio.

NOTE 38
RISK MANAGEMENT, continued

The ALCO has the general responsibility for the market risk. The Bank's risk/finance department is responsible for formulating detailed management policies and applying them to the Bank's operations, in conformity with the guidelines adopted by the ALCO and the Global Risk Department of Banco Santander – Spain.

The department's functions in connection with trading portfolio include the following:

i. apply the "Value at Risk" (VaR) techniques to measure interest rate risk,
ii. adjust the trading portfolios to market and measure the daily income and loss from commercial activities,
iii. compare the real VaR with the established limits,
iv. establish procedures to prevent losses in excess of predetermined limits, and
v. furnish information on the trading activities to the ALCO, other members of the Bank's management, and the Global Risk Department of Santander – Spain.

The department's functions in connection with financial management portfolios include the following:

i. perform sensitivity simulations (as explained below) to measure interest rate risk for activities denominated in local currency and the potential losses forecasted by these simulations, and
ii. provide daily reports thereon to the ALCO, other members of the Bank's management, and the Global Risk Department of Santander - Spain.

Market risk - trading portfolio

The Bank applies VaR methods to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position that is made up of fixed income investments, foreign exchange trading, and a minimum position of investments in equity shares. This portfolio is mostly made of Chilean Central Bank bonds, mortgage bonds and corporate bonds issued locally at low risk. At the closing date, the trading portfolio did not show investments in another portfolio.

For the Bank, the VaR estimate is done through the historical simulation method which consists of observing the behavior of profit and loss that might have taken place with the current portfolio if the market conditions at a given time had been present and, based on that information, infer maximum losses with a determined confidence level. This method has the advantage of reflecting precisely the historical distribution of market values and not requiring any distribution assumption for a specific probability. All VaR measures are designed to establish the distribution function for the value change in a given portfolio and, once this distribution is known, to calculate the percentile related to the necessary confidence level, which will match the risk value in virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of market value of a given portfolio in one day, with 99.00% confidence. It is the maximum loss in one day the Bank could expect in a given portfolio with a confidence level of 99.00%. In other words, it is the loss the Bank would have to deal only 1.0% of the time. VaR provides a single estimation of the market risk that cannot be compared with other market risks. Returns are calculated using a time window of 2 years or, at least, 520 data points gathered since the reference date in the past to calculate VaR.

The Bank does not calculate three separate VaRs. Only one VaR is calculated for the entire trading portfolio which, in addition, is separated into risk types. The VaR program carries out a historical simulation and calculates a profit (ganancia or "G") and loss (pérdida or "P") G&P Statement for 520 data points (days) for each risk factor (fixed income, currency, and variable income). Each risk factor's G&P is added and a consolidated VaR is calculated with 520 data points or days. In addition, the VaR is calculated for each risk factor based on the individual G&P calculated for each. Additionally, a weighted VaR is calculated following the above mentioned method but giving a larger weight to the 30 most recent data points. The highest VaR is reported. In 2014 and 2013, we were still using the same VaR model and the methodology has not changed.

The Bank uses VaR estimates to issue a warning in case the statistically estimated losses for the trading portfolio exceed the cautionary levels.

<u>Limitations of the VaR model</u>

When applying a calculation methodology, no assumptions are made regarding the probability distribution of the changes in the risk factors; the historically observed changes are used for the risk factors on which each position in the portfolio will be valued.

NOTE 38
RISK MANAGEMENT, continued

It is necessary to define a valuation function fj(xi) for each instrument j, preferably the same one used to calculate the market value and income of the daily position. This valuation function will be applied in each scenario to generate simulated prices for all the instruments in each scenario.

In addition, the VaR methodology should be interpreted taking into consideration the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, and may not have a normal distribution. In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;

- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in the risk factors in the future, and any modification of the data may be inadequate. In particular, the use of historical data may fail to capture the risk of potential extreme and adverse market fluctuations, regardless of the time period used;

- A 1-day time horizon may not fully capture the market risk positions which cannot be liquidated or covered in a single day. It would not be possible to liquidate or cover all the positions in a single day;

- The VaR is calculated at the close of business, but trading positions may change substantially in the course of the trading day;

- The use of a 99% level of confidence does not take account of, or make any statement about, the losses that could occur outside of that degree of confidence; and

- A model such as the VaR does not capture all the complex effects of the risk factors over the value of the positions or portfolios, and accordingly, it could underestimate potential losses.

At no time in 2015 and 2014 did the Bank exceed the VaR limits in connection with the three components which comprise the trading portfolio: fixed-income investments, variable-income investments and foreign currency investments.

The Bank carries out *back-testings* on a daily basis and, generally, discovers that trading losses exceed the estimated VaR approximately one out of hundred business days. Also, a maximum VaR limit was established that can be applied over the trading portfolio. Both in 2014 and 2013, the Bank has kept within the maximum limit it established for the VaR; even when the real VaR exceeded estimations.

High, low and average levels for each component and year were as follows:

VaR	2015 USDMM	2014 USDMM
Consolidated:		
High	3.61	3.77
Low	0.62	1.06
Average	1.38	1.91
Fixed-income investments:		
High	3.13	3.99
Low	0.61	1.06
Average	1.23	1.78
Variable-income investments		
High	0.19	0.15
Low	0.00	0.00
Average	0.00	0.00
Foreign currency investments		
High	3.43	2.39
Low	0.04	0.06
Average	0.64	0.58

NOTE 38
RISK MANAGEMENT, continued

Market risk - local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's non-trading assets and liabilities, including the credit/loan portfolio. For these portfolios, investment and financing decisions are strongly influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure market risk for domestic and foreign currencies (not included in the trading portfolio). The Bank carries out a simulation of scenarios that will be calculated as the difference between current flows in the chosen scenario (curve with a parallel movement of 100 basis points ("bp") in all its sections) and its value in the base scenario (current market). All positions in domestic currency indexed to inflation (UF) are adjusted by a sensitivity factor of 0.57 which represents a change in the curve of 57bp in all real rates and 100 bp in nominal rates. The same scenario is carried out for net positions in foreign currency and interest rates in USD. In addition, the Bank has established limits regarding maximum loss this kind of movement in interest rates can have over capital and net financial income budgeted for the year.

To establish the consolidated limit, we add the foreign currency limit to the domestic currency limit and multiple by 2 the sum of the multiplication of them together both for net financial loss limit as well as for the capital and reserves loss limit, using the following formula:

Consolidated limit = square root of a2 + b2 + 2ab
a: domestic currency limit
b: foreign currency limit
Since we assume the correlation is 0; 2ab = 0. 2ab = 0.

Limitations of the sensitivity models

The most important assumption is using an exchange rate of 100 bp based on yield curve (57 bp for real rates). The Bank uses a 100 bp exchange since sudden changes of this magnitude are considered realistic. Santander Spain Global Risk Department has also established comparable limits by country, so as to compare, control and consolidate market risk by country in a realistic and orderly fashion.

In addition, the sensitivity simulation methodology should be interpreted taking into consideration the following limitations:

- The simulation of scenarios assumes that the volumes remain consistent in the Bank's Consolidated Statements of Financial Position and are always renewed at maturity, thereby omitting the fact that certain credit risk and prepayment considerations may affect the maturity of certain positions.

- This model assumes an identical change along the entire length of the yield curve and does not take into account the different movements for different maturities.

- The model does not take into account the volume sensitivity which results from interest rate changes.

- The limits to losses of budgeted financial income are calculated based on the financial income foreseen for the year, which may not be actually earned, meaning that the real percentage of financial income at risk may be higher than the expected one.

NOTE 38
RISK MANAGEMENT, continued

Market risk – Financial management portfolio – December 31, 2015 and 2014

	2015		2014	
	Effect on financial income	**Effect on capital**	**Effect on financial income**	**Effect on capital**
Financial management portfolio – local currency (MCh$)				
Loss limit	32,500	150,000	38,150	192,660
High	29,721	103,091	27,707	112,133
Low	13,882	72,104	16,904	77,231
Average	22,695	88,394	21,077	92,809
Financial management portfolio – foreign currency (in millions of $US)				
Loss limit	30	70	40	70
High	9	15	16	39
Low	-	5	-	10
Average	2	12	10	28
Financial management portfolio – consolidated (in MCh$)				
Loss limit	34,500	150,000	40,650	172,390
High	29,232	102,002	27,949	112,364
Low	14,129	70,741	17,441	77,848
Average	22,390	87,095	21,404	93,245

Operating risk

Operating risk is the risk of direct or indirect losses stemming from a wide variety of causes related to the Bank's processes, personnel, technology, and infrastructure, as well as external factors other than credit, market, or liquidity, such as those related to legal or regulatory requirements. Operating risks arise from all the Bank's operations.

The Bank's objective is to manage operating risk in order to mitigate economic losses and damage to the Bank's reputation through a flexible internal control structure.

The Bank's management has the main responsibility to develop and apply controls to mitigate operating risks. This responsibility is supported by the global development of the Bank's standards for operating risk management in the following areas:

- Requirements for adequate segregation of duties, including independent authorization of transactions
- Requirements for reconciliation and supervision of transactions
- Compliance with the applicable legal and regulatory requirements
- Documentation of controls and procedures
- Requirements for periodic evaluation of applicable operating risks and improvement of the controls and procedures to address the risks that are identified
- Requirements for disclosure of operating losses and the proposed corrective measures
- Development of contingency plans
- Training and professional development
- Adoption of ethical business standards
- Reduction or mitigation of risks, including acquisition of insurance policies if they are effective

Compliance with the Bank's standards is supported by a program of periodic reviews conducted by the Bank's internal audit unit, whose results are internally submitted to the management of the business unit that was examined and to the CDA.

Risk Concentration

The Bank operates mainly in Chile, thus most of its financial instruments are concentrated in that country. See Note 9 of the financial statements for a detail of the concentration of the Bank's loans and accounts receivable by industry.

NOTE 39
SUBSEQUENT EVENTS

Between January 1, 2016 and the date on which these Consolidated Financial Statements were issued (January 18, 2016), no other events have occurred which could significantly affect their interpretation.

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

Santander