

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

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99.1	Banco Santander-Chile and Subsidiaries, Consolidated Interim Financial Statements, as of March 31, 2020 and 2019 and December 31, 2019

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: June 22, 2020



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of March 31, 2020 and 2019 and December 31, 2019



CONTENT

Consolidated interim Financial Statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED INTERIM STATEMENT OF INCOME	4
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME	5
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	7

Notes to the Consolidated Interim Financial Statements

NOTE 01 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 02 CHANGES IN ACCOUNTING	40
NOTE 03 SIGNIFICANT EVENTS	41
NOTE 04 REPORTING SEGMENTS	43
NOTE 05 CASH AND CASH EQUIVALENTS	46
NOTE 06 TRADING INVESTMENTS	47
NOTE 07 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING	48
NOTE 08 INTERBANK LOANS	55
NOTE 09 LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS	56
NOTE 10 AVAILABLE FOR SALE INVESTMENTS	62
NOTE 11 INTANGIBLE ASSETS	63
NOTE 12 FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT	65
NOTE 13 CURRENT AND DEFERRED TAXES	69
NOTE 14 OTHER ASSETS	72
NOTE 15 TIME DEPOSITS AND OTHER TIME LIABILITIES	73
NOTE 16 ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES	74
NOTE 17 MATURITY OF FINANCIAL ASSETS AND LIABILITIES	82
NOTE 18 PROVISIONS	84
NOTE 19 OTHER LIABILITIES	85
NOTE 20 CONTINGENCIES AND COMMITMENTS	86
NOTE 21 EQUITY	89
NOTE 22 CAPITAL REQUIREMENTS (BASEL)	92
NOTE 23 NON-CONTROLLING INTEREST	94
NOTE 24 INTEREST INCOME	96
NOTE 25 FEES AND COMMISSIONS	98
NOTE 26 NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS	101
NOTE 27 NET FOREIGN EXCHANGE INCOME	102
NOTE 28 PROVISIONS FOR LOAN LOSSES	103
NOTE 29 PERSONNEL SALARIES AND EXPENSES	104
NOTE 30 ADMINISTRATIVE EXPENSES	105
NOTE 31 DEPRECIATION, AMORTIZATION AND IMPAIRMENT	106
NOTE 32 OTHER OPERATING INCOME AND EXPENSES	107
NOTE 33 TRANSACTIONS WITH RELATED PARTIES	108
NOTE 34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES	112
NOTE 35 RISK MANAGEMENT	119
NOTE 36 NON-CURRENT ASSETS HELD FOR SALE	133
NOTE 37 SUBSEQUENT EVENTS	134

Banco Santander-Chile and Subsidiaries
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	NOTE	As of	As of
		March 31,	December 31,
		2020	2019
		MChs	MChs
ASSETS			
Cash and deposits in banks	5	3,755,786	3,554,520
Cash items in process of collection	5	615,922	355,062
Trading investments	6	552,889	270,204
Investments under resale agreements		-	-
Financial derivative contracts	7	14,925,196	8,148,608
Interbank loans, net	8	12,935	14,833
Loans and accounts receivables from customers, net	9	33,435,231	31,823,735
Available for sale investments	10	3,048,071	4,010,272
Held to maturity investments		-	-
Investments in associates and other companies		10,605	10,467
Intangible assets	11	70,298	73,389
Property, plant, and equipment	12	190,892	197,833
Right of use assets	12	208,041	210,500
Current taxes	13	13,989	11,648
Deferred taxes	13	469,653	462,867
Other assets	14	2,000,950	1,434,308
TOTAL ASSETS		59,310,458	50,578,246
LIABILITIES			
Deposits and other demand liabilities	15	11,047,625	10,297,432
Cash items in process of being cleared	5	627,535	198,248
Obligations under repurchase agreements		252,621	380,055
Time deposits and other time liabilities	15	14,210,320	13,192,817
Financial derivative contracts	7	13,367,012	7,390,654
Interbank borrowing		3,002,998	2,519,818
Issued debt instruments	16	10,340,124	9,500,723
Other financial liabilities	16	222,722	226,358
Lease liabilities	12	156,554	158,494
Current taxes	13	-	-
Deferred taxes	13	99,539	99,608
Provisions	18	357,686	337,397
Other liabilities	19	2,051,004	2,806,325
TOTAL LIABILITIES		55,735,740	47,107,929
EQUITY			
Attributable to the equity holders of the Bank		3,494,433	3,390,823
Capital	21	891,303	891,303
Reserves	21	2,121,148	2,121,148
Valuation adjustments	21	(5,293)	(8,093)
Retained earnings		487,275	386,465
Retained earnings from prior years		552,093	-
Income for the period		144,014	552,093
Minus: Provision for mandatory dividends		(208,832)	(165,628)
Non-controlling interest	23	80,285	79,494
TOTAL EQUITY		3,574,718	3,470,317
TOTAL LIABILITIES AND EQUITY		59,310,458	50,578,246

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED INTERIM STATEMENT OF INCOME
For the periods ended

	NOTE	As of March 31,	
		2020 MCh\$	2019 MCh\$
OPERATING INCOME			
Interest income	24	640,434	460,751
Interest expense	24	(252,135)	(138,050)
Net interest income		388,299	322,701
Fee and commission income	25	125,650	121,366
Fee and commission expense	25	(51,245)	(50,691)
Net fee and commission income		74,405	70,675
Net income (expense) from financial operations	26	155,694	(168,510)
Net foreign exchange gain	27	(132,847)	207,355
Other operating income	32	6,411	5,156
Net operating profit before provision for loan losses		491,962	437,377
Provision for loan losses	28	(102,870)	(76,274)
NET OPERATING INCOME		389,092	361,103
Personnel salaries and expenses	29	(99,834)	(54,557)
Administrative expenses	30	(63,624)	(59,336)
Depreciation and amortization	31	(27,714)	(26,163)
Impairment of property, plant and equipment	31	(638)	-
Other operating expenses	32	(21,057)	(14,165)
Total operating expenses		(212,867)	(194,221)
OPERATING INCOME		176,225	166,882
Income from investments in associates and other companies		138	923
Income before tax		176,363	167,805
Income tax expense	13	(31,548)	(42,146)
Result of continuous operations		144,815	125,659
Result of discontinued operations	35	-	-
NET INCOME FOR THE PERIOD		144,815	125,659
Attributable to:			
Equity holders of the Bank		144,014	125,430
Non-controlling interest	23	801	229
Earnings per share attributable to Equity holders of the Bank (expressed in Chilean pesos):			
Basic earnings	21	0.764	0.666
Diluted earnings	21	0.764	0.666

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
 For the periods ended

	NOTE	As of March 31,	
		2020 MCh\$	2019 MCh\$
NET INCOME FOR THE PERIOD		144,815	125,659
OTHER COMPREHENSIVE INCOME - ITEMS WHICH WILL BE RECLASSIFIED TO PROFIT OR LOSS			
Available for sale investments	21	(43,139)	9,677
Cash flow hedge	21	47,174	(17,278)
Other comprehensive income which may be reclassified subsequently to profit or loss, before tax		4,035	(7,601)
Income tax related to items which may be reclassified subsequently to profit or loss		(1,245)	2,052
Other comprehensive income for the period which may be reclassified subsequently to profit or loss, net of tax		2,790	(5,549)
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		-	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		147,605	120,110
Attributable to:			
Equity holders of the Bank		146,814	119,881
Non-controlling interest	23	791	229

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the periods ended March 31, 2020 and 2019

	RESERVES			VALUATION ADJUSTMENTS			RETAINED EARNINGS			Total attributable to equity holders of the Bank	Non-c in
	Capital	Reserves and other retained earnings	Effects of merger of companies under common control	Available for sale investments	Cash flow hedge	Income tax effects	Prior years retained earnings	Income for the period	Provision for mandatory dividends		
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Equity as of December 31, 2018	891.303	1.925.246	(2.224)	5.114	9.803	(4.027)	-	591.902	(177.571)	-	3.239.546
Distribution of income from previous period	-	-	-	-	-	-	-	591.902	(591.902)	-	-
Equity as of January 1, 2019	891.303	1.925.246	(2.224)	5.114	9.803	(4.027)	591.902	-	(177.571)	-	3.239.546
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-
Transactions with own shares	-	-	-	-	-	-	-	-	-	-	-
Dividend distributions/ withdrawals made	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(37.629)	-	(37.629)
Subtotal	-	-	-	-	-	-	-	-	(37.629)	-	(37.629)
Other comprehensive income	-	-	-	9.677	(17.278)	2.052	-	-	-	-	(5.548)
Income for the year	-	-	-	9.677	(17.278)	2.052	-	125.430	-	-	125.430
Subtotal	-	-	-	9.677	(17.278)	2.052	-	125.430	-	-	119.881
Equity as of March 31, 2019	891.303	1.925.246	(2.224)	14.791	(7.475)	(1.975)	591.902	125.430	(215.200)	-	3.321.798
Equity as of December 31, 2019	891.303	2.123.372	(2.224)	29.349	(40.435)	2.993	-	552.093	(165.628)	-	3.390.823
Distribution of income from previous period	-	-	-	-	-	-	-	552.093	(552.093)	-	-
Equity as of January 1, 2020	891.303	2.123.372	(2.224)	29.349	(40.435)	2.993	552.093	-	(165.628)	-	3.390.823
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-
Transactions with own shares	-	-	-	-	-	-	-	-	-	-	-
Dividend distributions/ withdrawals made	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(43.204)	-	(43.204)
Subtotals	-	-	-	-	-	-	-	-	(43.204)	-	(43.204)
Other comprehensive income	-	-	-	(43.338)	47.174	(1.036)	-	-	-	-	2.800
Income for the year	-	-	-	(43.338)	47.174	(1.036)	-	144.014	-	-	144.014
Subtotal	-	-	-	(43.338)	47.174	(1.036)	-	144.014	-	-	146.814
Equity as of March 31, 2020	891.303	2.123.372	(2.224)	(13.989)	6.739	1.957	552.093	144.014	(208.832)	-	3.494.433

(*) See note 1 b) for non-controlling interest.

Period	Total attributable to equity holders of the Bank	Allocated to reserves	Allocated to dividends	Distributed Percentage	Number of shares	Dividend p (in Chilean
	MCh\$	MCh\$	MCh\$	%		
Year 2018 (Shareholders Meeting April 2019)	591.902	236.761	355.141	60	188.446.126.794	1.86

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the periods ended

	NOTE	As of March 31,	
		2020 MCh\$	2019 MCh\$
A – CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME FOR THE PERIOD		144,815	125,659
Debits (credits) to income that do not represent cash flows		(309,564)	(252,061)
Depreciation and amortization	31	27,714	26,163
Impairments of property, plant and equipment and intangibles	31	638	-
Provision for loan losses	28	124,956	97,585
Provision from trading investments mark to market		1,766	7,713
Income from investments in associates and other companies		(138)	(923)
Net gain on sale of assets received in lieu of payment	32	(5,509)	(4,896)
Provision on assets received in lieu of payment	32	941	212
Net gain on sale of associates and other companies		-	-
Net gain on sale of controlled companies		-	-
Net gain on sale of property, plant and equipment	32	(164)	(50)
Charge off of assets received in lieu of payment	32	5,949	2,622
Net interest income	24	(388,299)	(322,701)
Net fee and commission income	25	(74,405)	(70,675)
Other (credits) debits to income that do not represent cash flows		5,285	(3,705)
Changes in deferred taxes	13	(8,298)	12,933
Increase/decrease in operating assets and liabilities		(175,902)	(431,234)
(Increase) decrease of loans and accounts receivables from customers, net		(1,775,328)	(306,865)
(Increase) decrease of financial investments		(679,516)	(422,488)
Decrease (increase) due to resale agreements (assets)		-	(5,015)
Decrease (increase) of interbank loans		1,904	(11,349)
(Increase) decrease of assets received or awarded in lieu of payment		2,638	38
Increase (decrease) of debits in customers checking accounts		653,092	(36,080)
Increase (decrease) of time deposits and other time liabilities		1,017,503	(132,116)
Increase (decrease) of obligations with domestic banks		(221,659)	1,280
Increase (decrease) of other demand liabilities or time obligations		(9,549)	(178,994)
Increase (decrease) of obligations with foreign banks		704,839	(55,039)
Increase (decrease) of obligations with Central Bank of Chile		-	(4)
Increase (decrease) of obligations under repurchase agreements		(127,434)	72,390
Increase (decrease) in other financial liabilities		(3,636)	479
Net increase of other assets and liabilities		(879,035)	(245,761)
Redemption of letters of credit		(1,587)	(2,190)
Mortgage bond issuances		-	-
Senior bond issuances		989,355	850,810
Redemption mortgage bonds and payments of interest		(2,665)	(3,046)
Redemption and maturity of senior bonds and payments of interest		(307,528)	(350,660)
Interest received		640,434	460,751
Interest paid		(252,135)	(138,050)
Dividends received from investments in other companies		-	-
Fees and commissions received	25	125,650	121,366
Fees and commissions paid	25	(51,245)	(50,691)
Total cash flow provided by (used in) operating activities		(340,651)	(567,636)

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

Banco Santander-Chile and Subsidiaries
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the periods ended

	NOTE	March 31,	
		2020 MCh\$	2019 MCh\$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant and equipment	12	(4,596)	(4,110)
Sales of property, plant and equipment	12	4,149	47,107
Purchases of investments in associates and other companies		-	-
Sales of investments in associates and other companies		-	-
Purchase of intangible assets	11	(4,099)	(2,731)
Total cash flow provided by (used in) investment activities		(4,546)	40,266
C – CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholder's financing activities			
Increase in other obligations		161,247	(12,911)
Subordinated bonds emissions		-	-
Redemption of subordinated bonds and payments of interest		180,146	-
Dividends paid		(4,347)	(4,277)
Lease paid		-	-
From non-controlling interest financing activities		(10,347)	(8,634)
Dividends and/or withdrawals paid		-	-
Total cash flow (used in) financing activities		161,247	(12,911)
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		(183,950)	(530,281)
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		216,789	(40,355)
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	5	3,711,334	2,256,155
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	5	3,744,173	1,685,519

Reconciliation of provisions for the Consolidated Interim Statements of Cash Flows for the periods	As of March 31,	
	2020 MCh\$	2019 MCh\$
Provision for loan losses for cash flow purposes	124,956	97,585
Recovery of loans previously charged off	(22,086)	(21,311)
Provision for loan losses - net	(102,956)	76,274

Reconciliation of liabilities arising from financing activities	December, 31 2019 MCh\$	Cash Flow MCh\$	Changes other than cash				March, 31 2020 MCh\$
			Acquisition MCh\$	Foreign Currency Movement MCh\$	UF Movement MCh\$	Fair Value Changes MCh\$	
Subordinated Bonds	818,084	(4,347)	175,941	-	4,205	-	993,883
Paid dividends	-	-	-	-	-	-	-
Other obligations	156,544	(10,347)	8,294	-	4,003	-	158,494
Total liabilities from financing activities	818,084	(14,694)	184,235	-	8,208	-	1,152,377

The accompanying notes 1 to 37 form an integral part of these consolidated interim financial statements.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

Banco Santander-Chile is a banking corporation (limited company) operating under the laws of the Republic of Chile, headquartered at Bandera N°140, Santiago. The corporation provides a broad range of general banking services to its customers, ranging from individuals to major corporations. Banco Santander-Chile and its subsidiaries (collectively referred to 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 March 31, 2020, Banco Santander Spain owns or controls directly and indirectly 99.5% of Santander Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This makes Banco Santander Spain have control over 67.18% of the Bank's shares.

a) Basis of preparation

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

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

The Notes to the Consolidated Interim Financial Statements contain additional information to support the figures submitted in the Consolidated Interim Statement of Financial Position, Consolidated Interim Statement of Income, Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Statement of Changes in Equity and Consolidated Interim Statement of Cash Flows for the period. These contain narrative descriptions and details of these statements in a clear, relevant, reliable and comparable manner.

b) Basis of preparation for the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements as of March 31, 2020 and 2019 and December 31, 2019, include the financial statements of the entities over which the Bank has control (including structured entities); and includes the adjustments, reclassifications and eliminations needed to comply with the accounting and valuation criteria established by IFRS. Control is achieved when the Bank:

- I. has power over the investee (i.e., it has rights that grant the current capacity of managing the relevant activities of the investee);
- II. is exposed, or has rights, to variable returns from its involvement with the investee; and
- III. has the ability to use its power to affect its returns.

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

When necessary, adjustments are made to the financial statements of the subsidiaries to ensure their accounting policies are consistent with the Bank's accounting policies. All balances and transactions between consolidated entities are eliminated.

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

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

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

i. Entities controlled by the Bank through participation in equity

Name of the Subsidiary	Main Activity	Place of Incorporation and operation	Percent ownership share								
			As of March 31, 2020			As of December 31, 2019			As of March 31, 2019		
			Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
			%	%	%	%	%	%	%	%	%
Santander Corredora de Seguros Limitada	Insurance brokerage	Santiago, Chile	99.75	0.01	99.76	99.75	0.01	99.76	99.75	0.01	99.76
Santander Corredores de Bolsa Limitada	Financial instruments brokerage	Santiago, Chile	50.59	0.41	51.00	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asesoría Financiera Limitada (1)	Securities brokerage	Santiago, Chile	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	Santiago, Chile	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64
Klare Corredora de Seguros S.A. (2)	Insurance brokerage	Santiago, Chile	50.10	-	50.10	50.10	-	50.10	-	-	-
Santander Consumer Finance Limitada (3)	Financial automovile	Santiago, Chile	51.00	-	51.00	51.00	-	51.00	-	-	-

The details of non-controlling interest in all the subsidiaries can be seen in Note 23 – Non-controlling interest.

(1) On December 18, 2019, Santander Agente de Valores Limitada changes its business name and the company's object, to Santander Asesorías Financieras Limitada, and offering financial advice.

(2) On October 19, 2019 Klare Corredora de Seguros S.A. was created as a digital insurance brokerage, and supporting banking business company and thus subject to banking regulations. The Banks owns the 50,10% of the company's capital share.

(3) On November 15, 2019, Financial Market Commission (CMF) authorized Banco Santander to acquire the 51% of the Santander Consumer Chile S.A. capital share from SK Berge (49%) and Banco Santander S.A. (2%). The sale was completed on November 27, 2019.

ii. Entities controlled by the Bank through other considerations

The following companies have been consolidated as of March 31, 2020 and 2019 and December 31, 2019 based on the fact that the relevant activities of them are determined by the Bank (companies complementary to the banking sector) and therefore the Bank exercises control:

- Santander Gestión de Recaudación y Cobranza Limitada (collection services).
- Bansa Santander S.A. (management of repossessed assets and leasing of properties).
- Multiplica SpA (Development card incentive programs).

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Associates

An associate is an entity over which the Bank has the ability to exercise significant influence, but not control or joint control. This ability is usually represented by a share equal to or higher than 20% of the voting rights of the Company and is accounted for using the equity method.

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

Associates	Main activity	Place of Incorporation and operation	Percentage of ownership share		
			As of March 31, 2020	As of December 31, 2019	As of March 31, 2019
			%	%	%
Redbanc S.A. (1)	ATM services	Santiago, Chile	-	-	33.43
Transbank S.A. (1)	Debit and credit card services	Santiago, Chile	-	-	25.00
Centro de Compensación Automatizado S.A.	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Repository of publically offered securities	Santiago, Chile	29.29	29.29	29.29
Cámara Compensación de Alto Valor S.A.	Payments clearing	Santiago, Chile	15.00	15.00	15.00
Administrador Financiero del Transantiago S.A.	Administration of boarding passes to public transportation	Santiago, Chile	20.00	20.00	20.00
Sociedad Nexus S.A. (2)	Credit card processor	Santiago, Chile	-	-	12.90
Servicios de Infraestructura de Mercado OTC S.A.	Administration of the infrastructure for the financial market of derivative instruments	Santiago, Chile	12.48	12.48	12.48

(1) The Bank has entered into a process of selling the shares in Redbanc S.A., Transbank S.A. and Nexus SA, therefore, the treatment established in IFRS 5 "Non-current assets held for sale and discontinued operations" has been applied, on the participation of said companies, which is described in Note 1 t) and Note N°36.

(2) By public deed dated January 22, 2020, the purchase and sale with Banco Itau-Corpbanca of 79,577 shares held by Banco Santander Chile with Nexus S.A. was materialized, thus finalizing the total sale of the Bank's participation in Nexus S.A.

In the case of Cámara Compensación Alto Valor S.A., Banco Santander-Chile has a representative in the Board of Directors, which is why Management has concluded that it exercises significant influence over the same.

In the case of Servicios de Infraestructura de Mercado OTC S.A., the Bank participates, through its executives, actively in the administration, which is why Management has concluded that it exercises significant influence over it.

iv. Share or rights in other companies

Entities over which the Bank has no control or significant influence are presented in this category. These holdings are shown at acquisition value (historical cost) less impairment, if any.

c) Non-controlling interest

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Reporting segments

The Bank's operating segments correspond to the units whose operating results are regularly reviewed by the highest decision-making authority. Two or more operating segments can be added into one, only when the aggregation is consistent with the basic principle of International Financial Reporting Standard 8 "Operating Segments" (IFRS 8) and the segments have similar economic characteristics and are similar in each one of the following aspects:

- i. the nature of the products and services;
- ii. the nature of the production processes;
- iii. the type or category of customers to whom your products and services are destined;
- iv. the methods used to distribute your products or provide services; and
- v. if applicable, the nature of the regulatory framework, for example, banking, insurance, or public services.

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

- i. Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined internal and external revenue of all the operating segments.
- ii. the absolute amount of its reported profit or loss is equal to or greater than 10%; (i) the combined reported profit of all the operating segments that did not report a loss; (ii) the combined reported loss of all the operating segments that reported a loss.
- iii. its assets represent 10% or more of the combined assets of all the operating segments.

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

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

According to the information presented, the Bank's segments were selected based on an operating segment being a component of an entity that:

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

e) Functional and presentation currency

The Bank, in accordance with IAS 21 "Effects of Variations in Exchange Rates of the Foreign Currency", has defined as functional and presentation currency the Chilean Peso, which is the currency of the primary economic environment in which the Bank operates, it also obeys the currency that influences the structure of costs and revenues.

Therefore, all balances and transactions denominated in currencies other than the Chilean Peso are considered as "Foreign currency".

f) Foreign currency transactions

The Bank performs transactions in foreign currencies, mainly in U.S. dollar. Assets and liabilities denominated in foreign currencies and held by the Bank are translated to Chilean pesos based on the representative market rate published by Reuters at 1:30 p.m. on the month end date. The rate used was Ch\$853.78 per US\$1 for March, 2020 (Ch\$679.91 per US\$1 for March 2019, and Ch\$747.37 per US\$1 for December, 2019).

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

g) Definitions and classification of financial instruments

i. Definitions

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

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

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

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative. As of March 31, 2020 and 2019 and December 31, 2019, Banco Santander-Chile did not keep implicit derivatives in its portfolio.

ii. Classification of financial assets for measurement purposes

Financial assets are classified into the following specified categories: financial assets trading investments at fair value through profit or loss (FVTPL), 'held to maturity investments', 'available for sale investments' (AFS) financial assets and 'loans and accounts receivable from customers'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A conventional purchase or sale of financial assets is the purchase or sale of a financial asset that requires the delivery of the asset during a period that is generally regulated or arises from a convention established in the market. A conventional purchase or sale of financial assets will be recognized and written off, as appropriate, by applying the accounting of the date of contracting or that of the settlement date.

Financial assets are initially recognized at fair value plus, in the case of financial assets that aren't accounted for at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Effective interest method

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

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

Trading investments

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

A financial asset is classified as held for trading if:

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

Held to maturity investments

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

Available for sale investments

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

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

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

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

Loans and accounts receivables from customers

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where discounting effects are immaterial.

iii. Classification of financial assets for presentation purposes

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

- Cash and deposits in banks: this line includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions. Amounts invested as overnight deposits are included in this item and in the corresponding items. If a special item for these operations is not mentioned, they will be included along with the accounts being reported.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- Cash items in process of collection: this item includes values of documents in process of transfer and balances from operations that, as agreed, are not settled the same day, and purchase of currencies not yet received.
- Trading investments: this item includes financial instruments held-for-trading and investments in mutual funds which must be adjusted to their fair value.
- Investments under resale agreements: This item presents the balances corresponding to the transactions for the purchase of instruments with an agreement and the securities loans. In accordance with current regulations, the Bank does not register as its own portfolio those papers purchased with retro-purchase agreements.
- Financial derivative contracts: financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or accounted for as derivatives held for hedging, as shown in Note 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 loans: this item includes the balances of transactions with domestic and foreign banks, including the Central Bank of Chile, other than those reflected in certain other financial asset classifications listed above.
- Loans and accounts receivables from customers: these loans are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and rewards incidental to the leased asset, the transaction is presented in loans and accounts receivable from customers while the leased asset is removed from the Bank's financial statements.
- Investment instruments: are classified into two categories: held-to-maturity investments, and available-for-sale investments. The held-to-maturity investment classification includes only those instruments for which the Bank has the ability and intent to hold to maturity. The remaining investments are treated as available for sale.

iv. Classification of financial liabilities for measurement purposes

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

Financial liabilities FVTPL

As of March 31, 2020 and December 31, 2019, the bank does not possess any financial liabilities FVTPL.

Other financial liabilities

Other financial liabilities (including loans and accounts payable) are subsequently measured at amortised cost using the effective interest method.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by their nature into the following items in the Consolidated Interim Statement of Financial Position:

- Deposits and other on-demand liabilities: this includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations whose payment may be required during the period are deemed to be on-demand obligations. Operations which become callable the day after the closing date are not treated as on-demand obligations.
- Cash items in process of collection: this item includes balances from asset purchase operations that are not settled the same day, and sale of currencies not yet delivered.
- Obligations under repurchase agreements: this includes the balances of sales of financial instruments under securities repurchase and loan agreements. The Bank does not record as own portfolio instruments acquired under repurchase agreements.
- Time deposits and other time liabilities: this shows the balances of deposit transactions in which a term at the end of which they become callable has been stipulated.
- Financial derivative contracts: this includes financial derivative contracts with negative fair values (i.e. a liability of the Bank), whether they are for trading or for hedge accounting, as set forth in Note 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.
- Obligations with banks: Includes obligations with other banks in the country, with foreign banks or with the Central Bank of Chile and which were not classified in any previous definition.
- 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

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

i. Valuation of financial instruments

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

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

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

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

Capital instruments whose fair value cannot be determined sufficiently objectively and financial derivatives that have these instruments as underlying assets and are settled by delivery thereof are maintained at their acquisition cost, corrected, where appropriate, by losses for deterioration they have experienced.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Valuation techniques

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

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

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

The main techniques used as of March 31, 2020 and 2019 and as of December 31, 2019 by the Bank's internal models to determine the fair value of the financial instruments are as follows:

- i. In the valuation of financial instruments permitting static hedging (mainly forwards and swaps), the present value method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.
- ii. In the valuation of financial instruments requiring dynamic hedging (mainly structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation indexes and market liquidity.
- iii. In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

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

iii. Hedging transactions

The Bank uses financial derivatives for the following purposes:

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

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:
 - a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").
 - b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness").
3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effective hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

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

- a. For fair value hedges, the gains or losses arising on both hedging instruments and the hedged items (attributable to the type of risk being hedged) are included as "Net income (expense) from financial operations" in the Consolidated Interim Statement of Income.
- b. For fair value hedges of interest rate risk on a portfolio of financial instruments, gains or losses that arise in measuring hedging instruments and other gains or losses due to changes in fair value of the underlying hedged item (attributable to the hedged risk) are recorded in the Consolidated Interim Financial Statement of Income under "Net income (expense) from financial operations".
- c. For cash flow hedges, the change in fair value of the hedging instrument is included as "Cash flow hedge" in "Other comprehensive income".
- 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 Interim Statement of Income under "Net income (expense) from financial operations".

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

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

iv. Embedded Derivatives in hybrid financial instruments

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

v. Offsetting of financial instruments

Financial asset and liability balances are offset, i.e., reported in the Consolidated Interim Statements of Financial Position at their net amount, only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. As of March 31, 2020 and December 31, 2019 there is not offsetting of financial asset and liability balances.

vi. Derecognition of financial assets and liabilities

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

- i. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is derecognized from the Consolidated Interim Statement 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 Interim Financial Statement of Financial Position and continues to be measured by the same criteria as those used before the transfer. However, the following items are recorded:
- An associated financial liability for an amount equal to the consideration received; this liability is subsequently measured at amortized cost.
 - Both the income from the transferred (but not removed) financial asset as well as any expenses incurred due to the new financial liability.
- iii. If the Bank neither transfers nor substantially retains all the risks and rewards of ownership associated with the transferred financial asset—as in the case of sales of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases, the following distinction is made:
- a. If the transferor does not retain control of the transferred financial asset: the asset is derecognized from the Consolidated Interim Statement of Financial Position and any rights or obligations retained or created in the transfer are recognized.
 - b. If the transferor retains control of the transferred financial asset: it continues to be recognized in the Consolidated Interim Statement of Financial Position for an amount equal to its exposure to changes in value and a financial liability associated with the transferred financial asset is recorded. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized from the Consolidated Interim Statement of Financial Position when the rights over the cash flows they generate have terminated or when all the inherent risks and rewards of ownership have been substantially transferred to third parties. Similarly, financial liabilities are only derecognized from the Consolidated Interim Financial Statement 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, expense and similar items are recorded on an accrual basis using the effective interest method.

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

This interest and adjustments are generally referred to as "suspended" and are recorded as memorandum accounts in they are reported as part of the complementary information thereto and as memorandum accounts. This interest is recognized as income, when collected.

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

ii. Commissions, fees, and similar items

Fee and commission income and expenses are recognized in the Consolidated Interim Statement of Income using criteria established in IFRS 15 "Revenue from contracts with customers".

Under IFRS 15, the Bank recognize revenue when (or as) satisfied a performance obligations by transferring a service (ie an asset) to a customer; under this definition an asset is transferred when (or as) the customer obtains control of that asset. The Bank considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Bank transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, and/or the Bank satisfies the performance obligation at a point in time.

The main income arising from commissions, fees and similar items correspond to:

- Fees and commissions for lines of credits and overdrafts: includes accrued fees related to granting lines of credit and overdrafts in checking accounts.
- Fees and commissions for guarantees and letters of credit: includes accrued fees in the period relating to granting of guarantee payment for current and contingent third party obligations.
- Fees and commissions for card services: includes accrued and earned commissions in the period related to use of credit cards, debit cards and other cards.
- Fees and commissions for management of accounts: includes accrued commissions for the maintenance of checking, savings and other accounts.
- Fees and commissions for collections and payments: includes income arising from collections and payments services provided by the Bank.
- Fees and commissions for intermediation and management of securities: includes income from brokerage, placements, administration and securities' custody services.
- Fees and commissions for insurance brokerage fees: includes income arising from insurances distribution.
- Other fees and commissions: includes income arising from currency changes, financial advisory, cashier check issuance, placement of financial products and online banking services.

The main expense arising from commissions, fees and similar items correspond to:

- Compensation for card operation: includes commission expenses for credit and debit card operations related to income commissions card services.
- Fees and commissions for securities transactions: includes commissions expense for deposits, securities custody service and securities' brokerage.
- Other fees and commissions: includes mainly expenses generated from online services.

The Bank has incorporated disaggregated revenue disclosure and reportable segment relationship in Note 25.

Additionally, the Bank maintains certain loyalty programme associated to its credit cards services, for which has deferred a percentage of the consideration received in the statement of financial position to comply with its related performance obligation according IFRS 15, or has liquidated on a monthly basis as far they arise.

iii. Non-financial income and expenses

They are recognized in accordance with the criteria established in IFRS 15, identifying the performance obligation and when they are satisfied (accrued).

iv. Commissions in the formalization of loans

The financial commissions that arise in the formalization of loans, mainly the opening or study and information commissions, are periodized and recorded in the Interim Statement of the Consolidated Income throughout the life of the loan.

j) Impairment

i. Financial assets:

A financial asset, other than that at fair value through profit and loss, is evaluated on each 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.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. Losses for goodwill impairment recognized through capital gains are not reversed.

k) Property, plant, and equipment

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

i. Property, plant and equipment for own use

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

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

ii. **Assets leased out under operating leases**

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

l) Leases

At inception of a contract the Bank assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- the Bank has the right to direct the use of the asset – this is decision-making purpose for which asset is use.

a. As a Lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date in accordance within IFRS 16 "Leases". The main contracts that the Bank has are offices and branches related, which are necessary to carry out its activities.

At the beginning, the right-of-use asset is equal to the lease liability and is calculated as the present value of the lease payments discounted using the incremental interest rate at the commencement date, considering the lease term of each contract. The average incremental interest rate as of December 31, 2019 is 1.7%. After initial recognition, the right-of-use is subsequently depreciated using the straight-line method in accordance with the lease term of the contract, and the lease liability is amortised in accordance with the effective interest method. Financial interest is accounted as interest expense, and depreciation as depreciation expense in each period.

The term of the lease comprises non-cancelable periods established within each contract, while for lease contracts with an indefinite useful life, the Bank has determined to assign a useful life equal to the longer non-cancelable period of its lease agreements. The Bank has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term. Any modification in the terms or lease should be treated as a new measurement.

At initial measurement, the Bank measures the right-of-use asset at cost. The rent of these leases are according in UF, and payable in Chilean pesos. According to the provisions of Circular No. 3,649 of the CMF (ex SBIF), the monthly variation in UF that affects the contracts established in said monetary unit should be treated as a new measurement, and therefore, readjustments should be recognized as a modification to the obligation and in parallel the amount of the asset must be adjusted for the right to use leased assets.

The Bank has not entered into lease agreements with guarantee clauses for residual value or variable lease payments.

b. As a lessor

When the Bank acts as a lessor, it determines at the beginning if it corresponds to a financial or operating lease. To do this, it evaluates whether it has substantially transferred all the risks and benefits of the asset. In the affirmative case, it corresponds to a financial lease, otherwise it is a financial lease. The Bank recognizes the lease income on a straight-line basis over the lease term.

c. Third party financing

The Bank recognises the loans with third parties within "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position, the sum of the present value of the lease payments receivable from the lessee, including the exercise price of the lessee's purchase option at the end of the lease term, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The finance income and expenses arising from these contracts are recorded under "Interest income" and "Interest expense" respectively, in Consolidated Statements of Income to achieve constant return rate over the lease term.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

m) Factoring transactions

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

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

n) Intangible assets

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

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

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

Intangible assets are amortized linearly based on the estimated useful life, which has been defined by default in 36 months, and can be modified to the extent that it is demonstrated that the Bank will benefit from the use of the intangible for a different period mentioned above.

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

o) Cash and cash equivalents

The indirect method is used to prepare the cash flow statement, starting with the Bank's consolidated pre-tax income and incorporating non-cash transactions, as well as income and expenses associated with cash flows, which are classified as investing or financing activities.

The cash flow statement was prepared considering the following definitions:

- i. Cash flows: Inflows and outflows of cash and cash equivalents, such as deposits with the Central Bank of Chile, deposits in domestic banks, and deposits in foreign banks.
- ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.
- iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

p) Allowances for loan losses

The Bank continuously evaluates the entire loan portfolio and contingent loans, as it is established by the CMF, to timely provide the necessary and sufficient provisions to cover expected losses associated with the characteristics of the debtors and their loans, which determine payment behavior and recovery.

The Bank has established allowances to cover probable losses on loans and account receivables in accordance with instructions issued by Superintendency of Banks and Financial Institutions CMF (ex SBIF) and models of credit risk rating and assessment approved by the Board's Committee, including the amendments introduced by Circular N°3,573 and N°3,584 which establishes a standard method for residential mortgage, commercial loans and complements and specifies instructions on provisions and loans classified in the impaired portfolio, and subsequent amendments.

The Bank uses the following models established by the CMF, to evaluate its loan portfolio and credit risk:

- Individual assessment - where the Bank assesses a debtor as individually significant when their loans are significant, or when the debtor cannot be classified within a group of financial assets with similar credit risk characteristics, due to its size, complexity or level of exposure.
- Group assessment - a group assessment is relevant for analyzing a large number of transactions with small individual balances due from individuals or small companies. The Bank groups debtors with similar credit risk characteristics giving to each group a default probability and recovery rate based on a historical analysis. The Bank has implemented standard models for mortgage loans (Circular N°3,573 and N°3,584), and commercial loan (Circular N° 3,638 and N°3,647) and internal models for consumer loans.

For the company Santander Consumer Finance Limitada the determination of the provision for credit risk is made using internal models under IFRS 9 to determine the expected losses for this default. These internal models are reviewed monthly and the modifications to said models are approved by the Board of Directors on a quarterly basis, after review and approval by the Company's General Management. These models collectively evaluate the receivables, for which said loans are grouped based on similar credit risk characteristics, which indicate the debtor's ability to pay on the entire debt, principal and interest, in accordance with the terms of the contract. In addition, this allows evaluating a large number of transactions with low individual amounts, regardless of whether they belong to individuals or small companies. Therefore, debtors and loans with similar characteristics are grouped together and each group has a risk level assigned to it.

I. Allowances for individual assessment

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

The analysis of the debtor is primarily focused on their credit quality and their risk category classification of the debtor and of their respective contingent loans and loans. These are assigned to one of the following portfolio categories: Normal, Substandard and Impaired. The risk factors considered are: industry or economic sector, owners or managers, financial situation and payment ability, and payment behavior.

The portfolio categories and their definitions are as follows:

- i. Normal Portfolio includes debtors with a payment ability that allows them to meet their obligations and commitments. Evaluations of the current economic and financial environment do not indicate that this will change. The classifications assigned to this portfolio are categories from A1 to A6.
- ii. Substandard Portfolio includes debtors with financial difficulties or a significant deterioration of their payment ability. There is reasonable doubt concerning the future reimbursement of the capital and interest within the contractual terms, with limited ability to meet short-term financial obligations. The classifications assigned to this portfolio are categories from B1 to B4.
- iii. Impaired Portfolio includes debtors and their loans where repayment is considered remote, with a reduced or no likelihood of repayment. This portfolio includes debtors who have stopped paying their loans or that indicate that they will stop paying, as well as those who require forced debt restructuring, reducing the obligation or delaying the term of the capital or interest, and any other debtor who is over 90 days overdue in his payment of interest or capital. The classifications assigned to this portfolio are categories from C1 to C6.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Normal and Substandard Compliance Portfolio

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

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

The Bank first determines all credit exposures, which includes the accounting balances of loans and accounts receivable from customers plus contingent loans, less any amount recovered through executing the financial guarantees or collateral covering the operations. The percentages of expected loss are applied to this exposure. In the case of collateral, the Bank must demonstrate that the value assigned reasonably reflects the value obtainable on disposal of the assets or equity instruments. When the credit risk of the debtor is substituted for the credit quality of the collateral or guarantor, this methodology is applicable only when the guarantor or surety is an entity qualified in a assimilable investment grade by a local or international company rating agency recognized by the CMF. Guaranteed securities cannot be deducted from the exposure amount, only financial guarantees and collateral can be considered.

Notwithstanding the foregoing, the Bank must maintain a minimum provision of 0.5% over loans and contingent loans in the normal portfolio.

Impaired Portfolio

The impaired portfolio includes all loans and the entire value of contingent loans of the debtors that are over 90 days overdue on the payment of interest or principal of any loan at the end of the month. It also includes debtors who have been granted a loan to refinance loans over 60 days overdue, as well as debtors who have undergone forced restructuring or partial debt condonation.

The impaired portfolio excludes: a) residential mortgage loans, with payments less than 90 days overdue; and, b) loans to finance higher education according to Law 20,027, provided the breach conditions outlined in Circular N°3,454 of December 10, 2008 are not fulfilled.

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

Once the expected loss range is determined, the related provision percentage is applied over the exposure amount, which includes loans and contingent loans related to the debtor.

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Loans are maintained in the impaired portfolio until their payment ability is normal, notwithstanding the write off of each particular credit that meets conditions of Title II of Chapter B-2. Once the circumstances that led to classification in the Impaired Portfolio have been overcome, the debtor can be removed from this portfolio once all the following conditions are met:

- i. The debtor has no obligations of the debtor with the Bank more than 30 days overdue;
- ii. the debtor has not been granted loans to pay its obligations;
- iii. at least one of the payments include the amortization of capital;
- iv. if the debtor has made partial loan payments in the last six months, two payments have already been made;
- v. if the debtor must pay monthly installments for one or more loans, four consecutive installments have been made;
- vi. the debtor does not appear to have bad debts in the information provided by the CMF (ex SBIF), except for insignificant amounts.

II. Allowances for group assessments

Group assessments are used to estimate allowances required for loans with low balances related to individuals or small companies.

Group assessments require the formation of groups of loans with similar characteristics by type of debtor and loan conditions, in order to establish both the group payment behavior and the recoveries of their defaulted loans, using technically substantiated estimates and prudential criteria. The model used is based on the characteristics of the debtor, payment history, outstanding loans and default among other relevant factors.

The Bank uses methodologies to establish credit risk, based on internal models to estimate the allowances for the group-evaluated portfolio. This portfolio includes commercial loans with debtors that are not assessed individually, mortgage and consumer loans (including installment loans, credit cards and overdraft lines). These methods allow the Bank to independently identify the portfolio behavior and establish the provision required to cover losses arising during the year.

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

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

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

Notwithstanding the above, on establishing provisions associated with mortgage and commercial loans, the Bank must recognize minimum provisions according to standard methods established by the CMF (ex SBIF) for those types of loans. While this is considered to be a prudent minimum base, it does not relieve the Bank of its responsibility to have its own methodologies of determining adequate provisions to protect the credit risk of the portfolio.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Standard method of residential mortgage loan provisions

As of January 1, 2016 and in accordance with Circular N° 3,573 issued by the CMF, the Bank began applying the standard method of provisions for residential mortgage loans. According to this method, the expected loss factor applicable to residential mortgage loans will depend on the default of each loan and the relationship between the outstanding principal of each loan and the value of the associated mortgage guarantee (Loans to Value, LTV) at the end of each month.

The allowance rates applied according to default and LTV are the following:

LTV Range	Default days at month closing	0	1-29	30-59	60-89	Impaired portfolio
LTV≤40%	PNP(%)	1.0916	21.3407	46.0536	75.1614	100
	Severity (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	Expected Loss (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40%< LTV ≤80%	PNP(%)	1.9150	27.4332	52.0624	78.9511	100
	Severity (%)	2.1955	2.8233	2.9192	2.9192	3.0413
	Expected Loss (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80%< LTV ≤90%	PNP(%)	2.5150	27.9300	52.5800	79.6952	100
	Severity (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	Expected Loss (%)	0.5421	6.0496	11.5255	17.6390	22.2310
LTV >90%	PNP(%)	2.7400	28.4300	53.0800	80.3677	100
	Severity (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	Expected Loss (%)	0.7453	8.2532	15.7064	24.2398	30.2436

LTV = Loan capital/Value of guarantee

If the same debtor has more than one residential mortgage loan with the Bank and one of them over 90 days overdue, all their loans shall be allocated to the impaired portfolio, calculating provisions for each of them in accordance with their respective LTV.

For residential mortgage loans related to housing programs and grants from the Chilean government, the allowance rate may be weighted by a factor of loss mitigation (LM), which depends on the LTV percentage and the price of the property in the deed of sale (S), as long as the debtor has contracted auction insurance provided by the Chilean government.

Standard method of commercial loan provisions

In accordance with the Circular N°. 3,638 and N°. 3,647 issued by the CMF, as of July 1, 2019, the Bank began applying the standard model of provisions for student loans or other types of commercial loans. The impact of implementing these regulations implied an increase of approximately 4% of the stock of provisions for credit risk.

Prior to the implementation of the standard method, the Bank used its internal models for the determination of group business provisions.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a. Commercial leasing operations

For these operations, the provision factor must be applied to the current value of commercial leasing operations (including the purchase option) and will depend on the delinquency of each operation, the type of leased asset and the relationship, at closing of each month, between the current value of each operation and the value of the leased asset (PVB), as indicated in the following tables:

Probability Non-Performance (PNP) by default and type of asset (%)			
Default days at month closing	Type of asset		
	Real Estate		Non real Estate
0	0.79		1.61
1-29	7.94		12.02
30-59	28.76		40.98
60-99	58.76		69.38
Impaired portfolio	100.00		100.00

Severity (SEV) by stage and type of asset (%)		
PVB Stage	Real Estate	Non real Estate
PVB ≤ 40%	0.05	18.2
40% < PVB ≤ 50%	0.05	57.00
50% < PVB ≤ 80%	5.10	68.40
80% < PVB ≤ 90%	23.20	75.10
PVB > 90%	36.20	78.90

PVB= Current value of operation/leased asset value

The determination of the PVB relationship will be made considering the appraisal value, expressed in UF for real estate and pesos for non-real estate, recorded at the time of granting the respective credit, taking into account any situations that may be causing pricing rises of the asset at that time.

b. Student loans

For these operations, the provision factor should be applied to the student loan and the exposure of the contingent credit, when applicable. The determination of this factor depends on the type of student loan and the enforceability of the payment of capital or interest, at the end of each month. When payment is due, the factor will also depend on its default.

For the purposes of the classification of the loan, a distinction is made between those granted for the financing of higher studies granted in accordance with Law No. 20.027 (CAE) and, on the other hand, the CORFO guarantee credits or other student loans.

Probability Non-Performance (PNP) according enforceability, default and type of loan (%)			
Is the principal and interest enforceable	Default days at month closing	Student loans	
		CAE	CORFO and other
Yes	0	5.2	2.9
	1-29	37.2	15.0
	30-59	59.0	43.4
	60-89	72.8	71.9
	Impaired portfolio	100.0	100.0
No	N/A	41.6	16.5

Severity (SEV) by stage PVB and type of asset (%)		
Is the principal and interest enforceable	Student loans	
	CAE	CORFO and other
Yes		70.9
No	50.3	45.8

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c. Generic comercial loans and factoring

For factoring operations and other commercial loans, the provision factor, applicable to the amount of the loans and the exposure of the contingent credit will depend on the default of each operation and the relationship that exists, at the end of each month, between the obligations that the debtor has with the bank and the value of the real guarantees that protect them (PTVG), as indicated in the following tables:

Default days at month closing	Probability Non-Performance (PNP) by default and PTVG stage (%)		
	Guarantee		No guarantee
	PTVG ≤ 100%	PTVG > 100%	
0	1.86	2.68	4.91
1-29	11.60	13.45	22.93
30-59	25.33	28.92	45.30
60-89	41.31	41.31	61.63
Impaired portfolio	100.00	100.00	100.00

Guarantee	Severity (SEV) by PTVG stage (%)		
	PTVG stage	Factoring and other comercial loans without responsibility	Factoring with responsibility
Guarantee	PTVG ≤ 60%	5.0	3.2
	60% < PTVG ≤ 75%	20.3	12.8
	75% < PTVG ≤ 90%	32.2	20.3
	90% < PTVG	43.0	27.1
No guarantee		56.9	35.9

The guarantees used for the purposes of calculating the PTVG relationship of this method may be specific or general, including those that are simultaneously specific and general. A guarantee can only be considered if, according to the respective coverage clauses, it was constituted in the first degree of preference in favor of the bank and only guarantees the debtor's credits with respect to which it is imputed (not shared with other debtors). The invoices assigned in the factoring operations, nor the guarantees associated with the mortgage loans, regardless of their coverage clause, will not be considered in the calculation.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

For the calculation of the PTVG ratio, the following considerations must be taken:

- i. Transactions with specific guarantees: when the debtor granted specific guarantees, for generic commercial loans and factoring, the PTVG ratio is calculated independently for each secured transaction, such as the division between the amount of the loans and the contingent credit exposure and the value of the real guarantee that protects it.
- ii. Transactions with general guarantees: when the debtor granted general or general and specific guarantees, the Bank calculates the respective PTVG, jointly for all generic commercial loan and factoring and not contemplated in the preceding paragraph i), as the division between the sum of the amounts of the loans and exposures of contingent credits and the general, or general and specific guarantees that, according to the scope of the remaining coverage clauses, safeguard the credits considered in the numerator of the mentioned ratio.

The amounts of the guarantees used in the PTVG ratio of numbers i) and ii) must be determined according to:

- The last valuation of the guarantee, be its appraisal or fair value, according to the type of real guarantee in question. For the determination of fair value, the criteria indicated in Chapter 7-12 of the Updated Collection of Standards should be considered.
- Possible situations that could be causing temporary increases in the values of the guarantees.
- Limitations on the amount of coverage established in their respective clauses.

III. Additional provisions

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

According to N°10 B-1 Chapter from the CMF Compendium of Accounting Standards, these provisions will be recorded in liabilities, similar to provisions for contingent loans.

The Board of Directors of the Bank approved the constitution of additional provisions at the end of the third quarter of 2019 for MCh\$ 20,000, associated to the Bank's consumer portfolio, which were released in April 2019 (Note No. 28).

IV. Charge-offs

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Loan and accounts receivable charge-offs are recorded for overdue, past due, and current installments when they exceed the time periods described below since reaching overdue status:

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

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

Any recovery on "Loans and accounts receivable from customers" previously charged-off will be recognized as a reduction in the credit risk provisions in the Consolidated Interim Statement of Income.

Any renegotiation of a loan previously charged-off will not give rise to income, as long as the operation continues being considered as impaired. The cash payments received must be treated as recoveries of charged-off loans.

The renegotiated loan can only be included again in assets if it is no longer considered as impaired, also recognizing the capitalization income as recovery of charged-off loans.

q) Provisions, contingent assets, and contingent liabilities

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

- Has a present obligation (legal or constructive) as a result of past events, and
- 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 of one or more uncertain future events that are not wholly within control of the Bank.

The Consolidated Interim Financial Statements reflect all significant provisions for which it is estimated that the probability of having to meet the obligation is more than likely than not. Provisions are quantified using the best available information regarding the consequences of the event giving rise to them and are reviewed and adjusted at the end of accounting period. Provisions are used when the liabilities for which they were originally recognized are settled. Partial or total reversals are recognized when such liabilities cease to exist or are reduced.

Provisions are classified according to the obligation covered as follows:

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) Income taxes and deferred taxes

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

Current taxes for the asset correspond to the provisional payments that exceed the provision for income tax or other loans at income tax, such as training expenses or donations to universities. Additionally, the monthly tax payment (P.P.M.) for recovering by profits absorbed by tax losses. In the case of liabilities they correspond to the provision for income tax calculated according to the results tax for the period, deducted the mandatory or voluntary provisional payments and other credits that apply to this obligation.

s) Use of estimates

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

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

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

Loans are charged-off when the contractual rights for the cash flows expire, however, for loans and accounts receivable from customers the bank will charge-off in accordance with Title II of Chapter B-2 of the Compendium of Accounting Standards issued by the CMF (ex SBIIF). Charge-offs are recorded as a reduction of the allowance for loan losses.

The relevant estimates and assumptions made to calculate provisions are regularly reviewed by the Bank's Management to quantify certain assets, liabilities, revenues, expenses, and commitments. Revised accounting estimates are recorded in the period in which the estimate is revised and in any affected future period.

These estimates are based on the best available information and mainly refer to:

- Allowances for loan losses (Notes 8, 9, and 28)
- Impairment losses of certain assets (Notes 7, 8, 9, 10, and 31)
- The useful lives of tangible and intangible assets (Notes 11, 12 and 31)
- The fair value of assets and liabilities (Notes 6, 7, 10 and 34)
- Commitments and contingencies (Note 20)
- Current and deferred taxes (Note 13)

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

t) Non-current assets held for sale

The Bank will classify the respective investments in associates so far held in Redbank, Transbank and Nexus as held for sale, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", because it expects to recover the amount in books primarily through the sale of such investments. In order to perform this reclassification, the Bank has made sure to comply with the requirements established for this:

- It must be available in its current conditions for immediate sale and its sale must be highly probable.
- For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or group of assets for its disposal), and a program to find a buyer and complete said purchase must have been actively initiated.
- I must also expect the sale to meet the conditions for recognition as a sale ended within the year following the date of classification.

For this, the Bank will measure investments at book value, given that it represents the lowest value in relation to fair value less costs to sell. Additionally, the Bank will recognize any impairment loss on non-current assets held for sale, such as a reduction in the value of those assets to fair value less costs to sell.

As of March 31, 2020, the Bank has classified non-current assets as held for sale. For more information see Note 36.

Assets received or awarded in lieu of payment.

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

Any excess of the outstanding loan balance over the fair value is recognized in the Consolidated Interim Statement of Income under "Provision for loan losses".

These assets are subsequently valued at the lower of the amount initially recorded and the net realizable value, which corresponds to its fair value (liquidity value determined through an independent appraisal) less their respective costs of sale. The difference between both are recognized in the Consolidated Statement under "Other operating expenses".

At the end of each year the Bank performs an analysis to review the "selling costs" of assets received or awarded in lieu of payments which will be applied at this date and during the following year. On December 31, 2019 the average selling cost has been estimated at 3.1% of the appraisal value (2.2% for December 31, 2018). Additionally, every 18 months a review of the appraisals (independent) is carried out to adjust the fair value of the assets.

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

u) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the reported period. Diluted earnings per share are calculated in a similar manner to basic earnings, but the weighted average number of outstanding shares is adjusted to take into consideration the potential diluting effect of stock options, warrants, and convertible debt. As of March 31, 2020 and December 31, 2019, the Bank did not have any instruments that generated dilution.

v) Temporary acquisition (assignment) of assets and liabilities

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

x) Provision for mandatory dividends

As of March 31, 2020 and December 31, 2019, the Bank recorded a provision for minimum mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, which requires at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded as a deduction from "Retained earnings" – "Provision for mandatory dividends" in the Consolidated Interim Statement of Changes in Equity with offset to Provisions.

y) Employee benefits

i. Post-employment benefits – Defined Benefit Plan:

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

Features of the Plan:

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

- I. Aimed at the Bank's management.
- II. The general requirement is that the beneficiary must still be employed by the Bank when reaching 60 years old.
- III. The Bank will mixed collective life and savings insurance policy for each beneficiary in the plan. Regular voluntary installments will be paid into this fund by the beneficiary and matched by the Bank.
- IV. The Bank will be responsible for granting the benefits directly.

The projected unit credit method is used to calculate the present value of the defined benefit obligation and the current service cost.

Components of defined benefit cost include:

- Current service cost and any past service cost, which are recognized in profit or loss for the period;
- net interest on the liability (asset) for net defined benefit, which is recognized in profit or loss for the period;
- new liability (asset) remeasurements for net defined benefit include: (a) actuarial gains and losses; (b) the performance of plan assets, and; (c) changes in the effect of the asset ceiling which are recognized in other comprehensive income.

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The Bank recognizes the present service cost and the net interest of the Personnel wages and expenses on the Consolidated Interim Statement of Income. Given the plan's structure, it does not generate actuarial gains or losses. The plan's performance is established and fixed during the period; consequently, there are no changes in the asset's cap. Accordingly, there are no amounts recognized in other comprehensive income.

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

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

ii. Severance provision:

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

iii. Cash-settled share based compensation

The Bank allocates cash-settled share based compensation to executives of the Bank and its Subsidiaries in accordance with IFRS 2. The Bank measures the services received and the obligation incurred at fair value.

Until the obligation is settled, the Bank calculates the fair value at the end of each reporting period, as well as at the date of settlement, recognizing any change in fair value in the income statement for the period.

z) New accounting pronouncements

i. Adoption of new accounting standards and instructions issued by both the current Commission for the Financial Market (CMF) and by The International Accounting Standards Board:

At the date of issuance of these Consolidated Interim Financial Statements, the new accounting pronouncements issued by both the current CMF (ex SBIF) and the International Accounting Standards Board, which have been fully adopted by the Bank, are detailed below.

1. Accounting Standards issued by the current Financial Market Commission (CMF), exSuperintendency of Banks and Financial Institutions.

Accounting Standards issued by the Financial Market Commission

Circular N ° 2247 - Updated Compilation of Standards. Chapter 10-1. Assets received in lieu of payment. Long sale period. On March 25, 2020, the CMF issued this circular that grants an additional term of 6 more months (18 total) for the disposal of all assets that financial institutions have received in payment or are awarded between March 1, 2019 until September 30, 2020, also allowing the punishment of such assets to be carried out in installments, proportional to the number of months between the date of their receipt and that set by the bank for their disposal. These measures have been adopted by the Bank immediately.

Circular N ° 2248 - Updated Compilation of Standards. Chapter 12-1. Equity for legal and regulatory purposes. Treatment of guarantees in favor of third parties in bilateral compensation agreements. On March 30, 2020, the CMF issued this circular modifies the treatment of the derivative variation margin. This topic is not currently addressed in the provisions of Chapter 12-1 of the Updated Compilation of Standards, but is consistent with the provisions of the Basel III Framework, regarding the determination of net exposures of assets and liabilities covered in legally recognized compensation contracts in the jurisdictions to which the parties agree. Specifically, in the case of derivative transactions entered into under a bilateral clearing framework contract, in which the net fair value of the cleared positions is negative, said amount may be deducted from the guarantees established under the contract, at in order to determine the asset subject to risk weighting, provided that the guarantees meet the established conditions. This modification generated an improvement of 15 basis points in the Basel Bis Ratio as of March 31, 2020.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Accounting Standards issued by the International Accounting Standards Board

Conceptual framework for financial reporting 2018 - This framework was issued on March 29, 2018, and its purpose is to: (a) assist the IASB in the development of IFRS regulations on a consistent basis of concepts, (b) assist preparers in the development of consistent accounting policies when there is no standard that applies to a particular transaction or other event, or when a standard allows a series of accounting policies; and (c) assist the parties in the understanding and interpretation of the regulations.

The revised framework includes a new chapter on measurement, guidelines for reporting financial performance, improvements to definition and guidance, and clarifications of important issues (for example: management functions, prudence and measurement of uncertainties in financial reporting).

The IASB also included an amendment that updates references to the framework in certain standards. These amendments are effective for annual periods beginning on January 1, 2020. Bank Management is evaluating the potential impact of this modification.

Amendments to IFRS 3 - Definition of a business - On October 22, 2018, the IASB published this amendment, which clarifies the business definition, with the objective of helping entities determine whether a transaction should be accounted for as a business combination, or as the acquisition of an asset. The modifications:

- (a) Clarify that, to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the ability to produce products;
- (b) eliminate the evaluation of whether market participants can replace the missing processes or supplies and continue with the production of products;
- (c) add guides and illustrative examples to help entities assess whether a substantial process has been acquired;
- (d) restrict the definitions of a business or products focusing on goods and services provided to customers and eliminate the reference to the ability to reduce costs; y
- (e) they add an optional concentration test that allows a simplified evaluation of whether a set of activities and businesses acquired is not a business.

Entities are required to apply the amendments to transactions whose acquisition date is from the beginning of the first annual reporting period beginning on or after January 1, 2020. Early application is permitted. The Administration does not initially see an effect until a business combination is made.

Modifications to IAS 1 and IAS 8 - Definition of material or materiality - On October 31, 2019, the IASB published these amendments, whose objective is to improve the understanding of the definition of material or with relative importance, coordinating the wording of the definition in the IFRS Standards and the Conceptual Framework to avoid the possibility of confusion arising from different definitions; incorporating support requirements in IAS 1 in the definition to give them more prominence and clarify their applicability; and supplying the existing guides on the definition of material or with relative importance in one place, together with the definition.

This amendment primarily affects paragraph 7 of IAS 1, paragraph 5 of IAS 8, and eliminates paragraph 6 of IAS 8, and is applicable prospectively to annual periods beginning on or after January 1, 2020. Permit your anticipate app. The Bank's Administration is evaluating the potential impact of this modification.

Modifications to IFRS 9, IAS 39 and IFRS 7 - Reference interest rate reform - On September 26, 2019, IASB published this modification that requires additional disclosures regarding the uncertainty generated by the reform at a reference interest rate, this publication constitutes the first reaction to the potential effects that the reform would generate to the IBOR in the states financial and modifies the specific accounting requirements of cash flow hedge coverage assuming that the reference interest rate is not modified as a result of its reform. These modifications are effective as of January 1, 2020 with retroactive effect, and early application allowed. The Bank Administration is evaluating the potential impact of this modification.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

II. New accounting standards and instructions issued by both the Commission for the Financial Market (CMF) and by the International Accounting Standards Board that have not come into effect as of March 31, 2020

1. Accounting Standards issued by the current Financial Market Commission (CMF), exSuperintendency of Banks and Financial Institutions.

Circular N° 2,243 - Compendium of Accounting Standards for Banks. On December 20, 2019, the CMF issued the updated version of the compendium of accounting standards for banks (CNCB), which mainly incorporates the new modifications introduced by the International Accounting Standards to the international financial reporting standards (IFRS) in recent years, particularly IFRS 9, 15 and 16, also establishes new limitations or precisions due to the need to follow more prudential criteria (ie. Chapter 5 of impairment of IFRS 9) that are detailed in chapter A-2. The amendments seek greater convergence with IFRS, improve financial information disclosures and contribute to the transparency of the banking system. The new CNCB is applicable as of January 1, 2021, with 2020 as the year of transition, for the purposes of comparative financial statements as of March 2021. The Bank has currently evaluated the effects of said regulations and is in the process of implementing the necessary changes derived from the new CNCB. See note No. 37 "Subsequent events".

2. Accounting Standards issued by the International Accounting Standards Board

IFRS 9, Financial Instruments - On July 24, 2014, the IASB published the final version of IFRS 9 - Financial Instruments, including the regulations already issued together with a new expected loss model and minor modifications to the classification and measurement requirements for financial assets, adding a new category of financial instruments: assets at fair value with changes in other comprehensive result for certain debt instruments. It also includes an additional guide on how to apply the business model and testing of contractual cash flow characteristics.

On October 12, 2017, "Amendment to IFRS 9: Characteristics of Anticipated Cancellation with Negative Compensation" was published, which clarifies that according to the current requirements of IFRS 9, the conditions established in Test SPPI are not met if the Bank should make a settlement payment when the client decides to terminate the credit. With the introduction of this modification, in relation to termination rights, it is allowed to measure at amortized cost (or FVOC) in the case of negative compensation.

At the local level, the CMF of Banks has established that this standard is part of the new CNCB applicable as of January 1, 2021, except in relation to the impairment of financial instruments (chapter 5.5) and paragraphs 5.4.1 (a) and (b), 5.4.3. and 5.4.4. regarding placements ("Debt from Banks" and "Credits and accounts receivable from customers", or contingent credits), since the criteria for these topics are defined in chapters B-1 and B-3 of the aforementioned Compendium .

Amendments to IFRS 10 and IAS 28 - Sale and Contribution of Assets between an Investor and its Associate or Joint Venture - On September 11, 2014, the IASB published this amendment, which clarifies the scope of the gains and losses recognized in a transaction that involves to an associate or joint venture, and that this depends on whether the asset sold or contribution constitutes a business. Therefore, the IASB concluded that all of the gains or losses should be recognized against the loss of control of a business. Likewise, profits or losses resulting from the sale or contribution of a non-business subsidiary (IFRS 3 definition) to an associate or joint venture must be recognized only to the extent of unrelated interests in the associate or business set.

This standard was initially effective as of January 1, 2016, however, on December 17, 2015 the IASB issued "Effective Date of Amendment to IFRS 10 and IAS 28" indefinitely postponing the entry into force of this standard. As such, management will evaluate its potential effects when a new effective date is established.

IFRS 17 Insurance Contracts - This regulation issued on May 18, 2017, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to apply to reinsurance contracts held and investment contracts issued with discretionary participation components. IFRS 17 supersedes IFRS 4 Insurance Contracts.

IFRS 17 will apply to annual periods beginning on or after January 1, 2021. Its early application is permitted. This rule does not apply directly to the Bank, however, the Bank has an interest in the insurance business and will ensure that this rule is applied correctly and in a timely manner.

Modification to IAS 1 - Classification of liabilities as current and non-current - On January 23, 2020 the IASB issued this modification that affects only the presentation of liabilities in the statement of financial position. The classification as current or non-current should be based on the rights existing at the end of the reporting period and align the wording in all the affected paragraphs by referring to the right to defer settlement for at least 12 months and specify that only the rights in force at the end The reporting period affects the classification of a liability. Along the same lines, it clarifies that the classification is not affected by the expectations of whether an entity will exercise its right to defer the settlement of a liability and makes it clear that the settlement refers to the transfer to the counterparty of cash, equity instruments , other assets or services. This modification is effective as of January 1, 2022 with retroactive effect, and early application allowed. The Bank's administration will evaluate the impact that this rule will have on the presentation of the statement of situation

NOTE 02
ACCOUNTING CHANGES

As of the date of these Consolidated Interim Financial Statements, there are no accounting changes to disclose.

NOTE 03
SIGNIFICANT EVENTS

As of March 31, 2020, the following significant events have occurred and affected the Bank's operations and Consolidated Interim Financial Statements.

a) The Board

On March 23, 2020, in an extraordinary session of the Board of Directors, it was agreed to modify the summons to the Ordinary Shareholders Meeting, initially scheduled for April 21, 2020 and to establish a new date for April 30, 2020, with the in order to propose a new distribution of profits and payment of dividends, taking it from the 60% originally proposed to 30% of the retained earnings as of December 31, 2019 equivalent to \$ 0.87891310 per share and to propose that 30% of the profits for the fiscal year 2019 is destined to retained earnings and the remaining 40% is destined to increase the Bank's reserves.

b) COVID-19

Coronavirus COVID-19 or SARS CoV-2 is a highly contagious infectious disease, which was first detected in Wuhan, China during December 2019. Subsequently, on March 11, 2020, the Organizacion Mundial de la Salud (OMS) declared as a pandemic. In Chile, on March 18, 2020, the President of the Republic decreed a state of national catastrophe to implement sanitary and economic measures in this regard.

As a consequence of this pandemic, there have been falls in the financial markets and an increasing threat of recession. To mitigate this impact, local and international organizations have published certain aid measures.

On March 23, 2020, the CPM published a package of measures aimed at granting greater flexibility to the financial system:

- Regulatory treatment that facilitates the possibility of deferring up to three installments in the payment of mortgage loans.
- Facilities for banks to make loan terms for SME debtors more flexible up to 6 months.
- Possibility of using surplus mortgage guarantees to guarantee loans to SMEs (Standard in consultation "Treatment of excess mortgage guarantees as a risk mitigator for commercial loans" of April 14, 2020, with delivery of comments on April 24, 2020.
- Extension of terms for the disposal of Assets received in lieu of payment (Circular No. 2247, see Note 1 letter z).
- Treatment of the variation margin of derivatives (Circular N ° 2248, see Note 1 letter z and Note N ° 22 Basel capital requirements).

On April 2, 2020, the CMF published a clarification on these issues, see Note No. 37 Subsequent events.

In addition, the CMF requests to take measures that facilitate the attention of clients and users, and maintain adequate risk management policies and establish prudent dividend distribution policies, given the current situation.

Banco Santander Chile is operating with 86% of its branches open for customer service and with 95% of central office workers working remotely with full connectivity for the normal development of the Bank's daily work, which guarantees the full operability of customer services and internal operations.

NOTE 03
SIGNIFICANT EVENTS, continued

c) Issuance and repurchase of bank bonds

c.1) Senior bonds

As of March 31, 2020, the Bank has issued current bonds for CHF 2,000,000 and USD 22,000,000. The detail of the placements made during the current year is included in Note 16.

Series	Currency	Term (years)	Issuance rate (Annual) %	Issue date	Amount	Maturity date
W1	CHF	5.3	1.55	03-01-2020	2,000,000	06-01-2025
Total	CHF				2,000,000	
USD	USD	5	2.70	01-07-2020	22,000,000	01-07-2025
Total	USD				22,000,000	

c.2) Subordinated bonds

As of March 31, 2020, the Bank has issued current bonds for USD 200,000,000. The detail of the placements made during the current year is included in Note 16.

Series	Currency	Term (years)	Issuance rate (Annual) %	Issue date	Amount	Maturity date
USD	USD	10	3.79	01-21-2020	200,000,000	01-21-2030
Total	USD				200,000,000	

d) Standards

On March 30, 2020, the CPM informs on the flexibility to implement Basel III. In coordination with the Central Bank of Chile, they resolved to postpone the implementation of the capital requirements required by the standard by one year and to maintain the current general regulatory framework for banking capital requirements until December 2021.

At the end of March 2020, the Central Bank established the Conditional Credit Facility to Increase Placements (FCIC) and the Liquidity Line of Credit (LCL). These are lines for banks, with resources and incentives for them to continue financing and refinancing loans to households and companies, especially those that do not have access to the capital market. The initial amount is equivalent to US \$ 4,800 million and may increase, as placements increase. In turn, the additional line has a growth margin of four times the initial line, equivalent to US \$ 19.2 billion, which would bring the total closer to US \$ 24 billion. This measure also considers the expansion of collaterals to access this facility, including the portfolio of commercial loans of individual evaluation, categories A1 to A3.

e) Companies

On March 20, 2020, Klare Corredora de Seguros S.A. She received notification from the CMF of her inscription in the Registry of Insurance Commerce Auxiliary as General and Life Insurance Broker.

NOTE 04
REPORTING SEGMENTS

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

Inter-segment transactions 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.

In order to achieve compliance with the strategic objectives established by senior management and adapt to changing market conditions, from time to time, the Bank makes adjustments in its organization, modifications that in turn impact to a greater or lesser extent, in the way in which it is managed. As such, current disclosure provides information for all periods presented on how the Bank is managed as of March 31, 2020.

The Bank has the reportable segments noted below:

Retail Banking

Consists of individuals and small to middle-sized entities (SMEs) with annual income less than Ch\$2,000 million. This segment gives customers a variety of services, including consumer loans, credit cards, auto loans, commercial loans, foreign exchange, mortgage loans, debit cards, checking accounts, savings products, mutual funds, stockbrokerage, and insurance brokerage. Additionally the SME clients are offered government-guaranteed loans, leasing and factoring.

Middle-market

This segment is made up of companies and large corporations with annual sales exceeding Ch\$2,000 million. It serves institutions such as universities, government entities, local and regional governments and companies engaged in the real estate industry who carry out projects to sell properties to third parties and annual sales exceeding Ch\$800 million with no upper limit. The companies within this segment have access to many products including commercial loans, leasing, factoring, foreign trade, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, savings products, mutual funds, and insurance brokerage. Also companies in the real estate industry are offered specialized services to finance residential projects, with the aim of expanding sales of mortgage loans.

Global Corporate Banking

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

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

NOTE 04
REPORTING SEGMENTS, continued

Corporate Activities ("Other")

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

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

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

Below are the tables showing the Bank's results by business segment, for the periods ending as of March 31, 2020 and 2019:

	March 31, 2020						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Retail Banking	23,390,396	250,051	58,332	7,530	(72,346)	(148,841)	94,726
Middle-market	8,789,095	77,039	10,710	3,399	(17,617)	(22,732)	50,799
Global Corporate Banking	2,172,932	23,375	6,423	8,693	(3,214)	(17,350)	19,927
Other	2,736	37,834	(1,060)	3,225	(11,693)	(2,249)	26,057
Total	34,355,159	388,299	74,405	22,847	(102,870)	(191,172)	191,509
Other operating income							6,411
Other operating expenses							(21,695)
Income from investments in associates and other companies							138
Income tax expense							(31,548)
Net income for the period							144,815

- (1) Loans receivable from customers plus the balance indebted by banks, without deducting their allowances for loan losses.
(2) The sum of net income (expense) from financial operations and foreign exchange gains or losses.
(3) The sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

NOTE 04
REPORTING SEGMENTS, continued

	March 31, 2019						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MChs	MChs	MChs	MChs	MChs	MChs	MChs
Retail Banking	20,983,054	230,796	57,166	5,879	(68,263)	(137,707)	87,871
Middle-market	7,885,255	68,939	9,914	4,279	(10,095)	(22,756)	50,281
Global Corporate Banking	1,590,697	22,398	7,584	19,250	(318)	(17,196)	31,718
Other	141,254	568	(3,989)	9,437	2,402	(2,397)	6,021
Total	30,600,260	322,701	70,675	38,845	(76,274)	(180,056)	175,891
Other operating income							5,156
Other operating expenses							(14,165)
Income from investments in associates and other companies							825
Income tax expense							(42,146)
Net income for the period							125,659

(1) Loans receivable from customers plus the balance indebted by banks, without deducting their allowances for loan losses.

(2) The sum of net income (expense) from financial operations and foreign exchange gains or losses.

(3) The sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

NOTE 05
CASH AND CASH EQUIVALENTS

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

	As of March 31, 2020	As of December 31, 2019
	MCh\$	MCh\$
Cash and deposit in banks		
Cash	894,746	861,178
Deposit in the Central Bank of Chile	1,586,818	1,731,079
Deposit in domestic banks	3,908	948
Deposit in foreign banks	1,270,314	961,315
Subtotal	3,755,786	3,554,520
Cash items in process of collection, net	(11,613)	156,814
Cash and cash equivalents	3,744,173	3,711,334

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

b) Operations in process of settlement:

Operations in process of settlement are transactions with only settlement pending, which will increase or decrease the funds of the Central Bank of Chile or of banks abroad, usually within the next 24 or 48 working hours to each end of operation. These operations are as follows:

	As of March 31, 2020	As of December 31, 2019
	MCh\$	MCh\$
Assets		
Documents held by other banks (document to be cleared)	84,910	217,394
Funds receivable	531,012	137,668
Subtotal	615,922	355,062
Liabilities		
Funds payable	627,535	198,248
Subtotal	627,535	198,248
Cash items in process of collection, net	(11,613)	156,814

NOTE 06
TRADING INVESTMENTS

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

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	5,501	1,952
Chilean Central Bank Notes	-	-
Other Chilean Central Bank and Government securities	540,951	268,252
Subtotal	546,452	270,204
Other Chilean securities		
Time deposits in Chilean financial institutions	-	-
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institutions bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	-	-
Subtotal	-	-
Foreign financial securities		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	6,432	-
Subtotal	6,432	-
Investments in mutual funds		
Funds managed by related entities	5	-
Funds managed by third parties	-	-
Subtotal	5	-
Total	552,889	270,204

As of March 31, 2020 and December 31, 2019, there were no trading investments sold under contracts to resell to clients and financial institutions.

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of March 31, 2020 and December 31, 2019, the Bank holds the following portfolio of derivative instruments:

	As of March 31, 2020					
	Notional amount				Fair value	
	Up to 3 Months MCh\$	More than 3 months to 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	Assets MCh\$	Liabilities MCh\$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	30,273	362,337	1,901,280	2,293,890	42,508	103,226
Cross currency swaps	-	1,803,603	10,016,875	11,820,478	405,498	237,121
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	30,273	2,165,940	11,918,155	14,114,368	448,006	340,347
Cash flow hedge derivatives						
Currency forwards	481,867	2,337,979	57,195	2,877,041	6,876	4,600
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	669,455	3,263,755	11,474,952	15,408,162	245,675	25,972
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	1,151,322	5,601,734	11,532,147	18,285,203	252,551	30,572
Trading derivatives						
Currency forwards	27,042,232	23,056,192	8,832,284	58,930,708	2,049,413	2,091,878
Interest rate swaps	20,999,075	40,155,977	107,284,582	168,439,634	4,504,107	4,570,538
Cross currency swaps	7,270,692	27,087,195	131,457,731	165,815,618	7,657,147	6,330,835
Call currency options	62,187	96,161	80,525	238,873	13,621	2,404
Call interest rate options	-	-	-	-	-	-
Put currency options	58,265	91,699	79,247	229,211	351	438
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	55,432,451	90,487,224	247,734,369	393,654,044	14,224,639	12,996,093
Total	56,614,046	98,254,898	271,184,671	426,053,615	14,925,196	13,367,012

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2019					
	Notional amount				Fair value	
	Up to 3 months MChS	More than 3 months to 1 year MChS	More than 1 year MChS	Total MChS	Assets MChS	Liabilities MChS
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	381,638	317,610	1,847,138	2,546,386	39,460	34,264
Cross currency swaps	407,008	863,984	13,357,058	14,628,050	226,870	295,281
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	788,646	1,181,594	15,204,196	17,174,436	266,330	329,545
Cash flow hedge derivatives						
Currency forwards	99,105	1,018,656	768,256	1,886,017	4,131	3,505
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	2,266,907	1,938,222	10,848,233	15,053,362	106,413	43,183
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	2,366,012	2,956,878	11,616,489	16,939,379	110,544	46,688
Trading derivatives						
Currency forwards	28,472,586	18,508,702	7,679,464	54,660,752	1,023,683	1,137,496
Interest rate swaps	16,678,487	40,892,909	89,109,046	146,680,442	2,465,235	2,270,686
Cross currency swaps	7,726,724	20,457,463	113,206,678	141,390,865	4,277,450	3,605,516
Call currency options	17,971	47,012	81,804	146,787	5,176	240
Call interest rate options	-	-	-	-	-	-
Put currency options	16,409	41,872	80,655	138,936	190	483
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	52,912,177	79,947,958	210,157,647	343,017,782	7,771,734	7,014,421
Total	56,066,835	84,086,430	236,978,332	377,131,597	8,148,608	7,390,654

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b) Hedge accounting

Fair value hedge

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

The hedged items and hedge instruments under fair value hedges as of March 31, 2020 and December 31, 2019, classified by term to maturity are as follows:

As of March 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Available for sale investments					
Chilean Sovereign bonds	-	-	98.612	380.021	478.633
Mortgage financing bonds	-	2.455	-	-	2.455
American treasury bonds	-	-	170.756	42.689	213.445
Chilean General treasury bonds	290.870	-	-	-	290.870
Central bank bonds (BCP)	-	-	-	-	-
Time deposits and other demand liabilities					
Time deposits	405.965	170.006	226.667	-	802.638
Issued debt instruments					
Senior bonds	619.802	971.719	2.609.773	2.250.912	6.452.206
Subordinated bonds	-	-	213.445	170.756	384.201
Obligations with Banks:					
Interbank loans	-	-	-	-	-
Total	1.316.637	1.144.180	3.319.253	2.844.378	8.624.448
Hedging instrument					
Cross currency swaps	924.027	969.180	2.736.440	2.250.911	6.880.559
Interest rate swaps	392.610	175.000	582.813	593.467	1.743.891
Total	1.316.637	1.144.180	3.319.253	2.844.378	8.624.448
As of December 31, 2019					
	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Available for sale investments					
Chilean Sovereign bonds	-	-	5.605	394.691	400.296
Mortgage financing bonds	-	2.728	-	-	2.728
American treasury bonds	-	-	149.474	37.369	186.843
Chilean General treasury bonds	-	289.369	-	-	289.369
Central bank bonds	-	254.685	-	-	254.685
Time deposits and other demand liabilities					
Time deposits	685.259	281.921	225.515	-	1.192.695
Issued debt instruments					
Senior bonds	651.681	1.133.698	2.253.892	3.324.099	7,363,370
Subordinated bonds	-	-	-	-	-
Obligations with Banks:					
Interbank loans	-	-	-	-	-
Total	1.336.940	1.962.401	2.634.486	3.756.158	9,689,985
Hedging instrument					
Cross currency swaps	637.692	1,602,401	2,229,407	3,324,099	7,793,599
Interest rate swaps	699,248	360,000	405,079	432,059	1,996,386
Total	1,336,940	1,962,401	2,634,486	3,756,158	9,689,985

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 mortgages, bonds and interbank loans at a variable rate. To cover the inflation risk in some items, both forwards as well as currency swaps are used.

The notional values of the hedged items as of March 31, 2020 and December 31, 2019, and the periods when the cash flows will be generated are as follows:

As of March 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	3,539,504	2,028,223	2,822,722	2,063,276	10,453,725
Commercial loans	-	-	-	-	-
Available for sale investments					
Time deposits (ASI)	-	-	-	-	-
Chilean Sovereign bonds	-	83,160	-	-	83,160
Chilean Central Bank bonds	-	226,212	28,563	227,131	481,906
Time deposits and other time liabilities					
Time deposits	-	-	-	-	-
Issued debt instruments					
Senior bonds (variable rate)	386,460	367,841	-	-	754,301
Senior bonds (fixed rate)	1,566,050	1,123,543	1,341,017	1,057,745	5,088,355
Interbank borrowings					
Interbank loans	1,261,043	162,713	-	-	1,423,756
Total	6,753,057	3,991,692	4,192,302	3,348,152	18,285,203
Hedging instrument					
Cross currency swaps	3,933,209	3,934,499	4,192,302	3,348,152	15,408,162
Currency forwards	2,819,848	57,193	-	-	2,877,041
Total	6,753,057	3,991,692	4,192,302	3,348,151	18,285,203
<hr/>					
As of December 31, 2019	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	3,334,734	1,505,595	1,995,156	3,136,962	9,972,447
Commercial loans	-	-	-	-	-
Available for sale investments					
Time deposits	-	-	-	-	-
Chilean Sovereign bonds	-	-	82,727	-	82,727
Chilean Central Bank bonds	-	-	267,266	225,981	483,257
Time deposits and other time liabilities					
Time deposits	-	-	-	-	-
Issued debt instruments					
Senior bonds (variable rate)	358,118	341,283	-	-	699,401
Senior bonds (fixed rate)	803,596	1,696,595	1,152,461	1,069,511	4,722,163
Interbank borrowings					
Interbank loans	826,442	142,932	-	-	969,374
Total	5,322,890	3,686,405	3,497,630	4,432,454	16,939,379
Hedging instrument					
Cross currency swaps	4,205,139	2,918,149	3,497,630	4,432,454	15,053,362
Currency forwards	1,117,761	768,256	-	-	1,886,017
Total	5,322,890	3,686,405	3,497,630	4,432,454	16,939,379

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

An estimate of the periods in which flows are expected to be produced is as follows:

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

As of March 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	35,662	14,240	248	-	50,150
Outflows	(329,875)	(226,759)	(166,215)	(171,003)	(892,851)
Net flows	(293,213)	(212,519)	(165,967)	(171,003)	(842,701)
Hedging instrument					
Inflows	328,875	226,759	166,215	171,003	892,851
Outflows (*)	(35,662)	(14,240)	(248)	-	(50,150)
Net flows	293,213	212,519	165,967	171,003	842,701

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

As of December 31, 2019	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	25,328	10,220	217	-	35,765
Outflows	(356,683)	(245,480)	(154,689)	(163,151)	(920,003)
Net flows	(331,355)	(235,260)	(154,472)	(163,151)	(884,238)
Hedging instrument					
Inflows	356,683	245,480	154,689	163,151	920,003
Outflows (*)	(25,328)	(10,220)	(217)	-	(35,765)
Net flows	331,355	235,260	154,472	163,151	884,238

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

b.2) Forecasted cash flows for inflation risk:

As of March 31, 2020	Within 1 year MCh\$	Between 1 and 3 years MCh\$	Between 3 and 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
Hedged item					
Inflows	105,387	132,145	320,159	253,701	811,392
Outflows	(35,635)	(33,019)	(31,352)	(48,876)	(148,882)
Net flows	69,752	99,126	288,807	204,825	662,510
Hedging instrument					
Inflows	35,635	33,019	31,352	48,876	148,882
Outflows	(105,387)	(132,145)	(320,159)	(253,701)	(811,392)
Net flows	(69,752)	(99,126)	(288,807)	(204,825)	(662,510)

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

As of December 31, 2019	Within 1 year MChS	Between 1 and 3 years MChS	Between 3 and 6 years MChS	Over 6 years MChS	Total MChS
Hedged item					
Inflows	74,574	109,486	216,972	422,362	823,394
Outflows	(19,466)	(50,151)	(33,140)	(52,880)	(155,637)
Net flows	55,108	59,335	183,832	369,482	667,757
Hedging instrument					
Inflows	19,466	50,151	33,140	52,880	155,637
Outflows	(74,574)	(109,486)	(216,972)	(422,362)	(823,394)
Net flows	(55,108)	(59,335)	(183,832)	(369,482)	(667,757)

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

As of March 31, 2020 and December 31, 2019, the Bank did not have cash flow hedges for exchange rate risk.

c) The accumulated effect of the mark to market adjustment of cash flow hedges produced by hedge instruments used in hedged cash flow was recorded in the Consolidated Statement of Changes in Equity, specifically within Other comprehensive income as of March 31, 2020 and December 31, 2019, and is as follows:

Hedged item	As of March 31,	
	2020 MChS	2019 MChS
Interbank loans	(8,602)	(4,167)
Time deposits and other time liabilities		
Issued debt instruments	(28,061)	(12,487)
Available for sale investments	1,887	(1,817)
Loans and accounts receivable from customers	41,515	10,996
Net flows	6,739	(7,475)

Since the inflows and outflows for both the hedged element and the hedging instrument mirror each other, the hedges are nearly 100% effective, which means that the fluctuations of fair value attributable to risk components are almost completely offset.

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

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

	As of March 31,	
	2020 MChS	2019 MChS
Bond hedging derivatives	(783)	-
Interbank loans hedging derivatives	1	(222)
Cash flow hedge net income	(782)	222

(*) See Note 21 "Equity", letter e).

e) Net investment hedges in foreign operations:

As of March 31, 2020 and December 31, 2019, the Bank does not have any net foreign investment hedges in its hedge accounting portfolio.

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

f) Fair value macrohedges

The Bank has macrocoverages for loans and accounts receivable from clients, specifically for the mortgage loan portfolio and for the commercial loan portfolio, the following is the detail,

As of March 31, 2020	Notional amount				Total MChS
	Within 1 year MChS	Between 1 and 3 years MChS	Between 3 and 6 years MChS	Over 6 years MChS	
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	879,576	730,063	996,993	2,333,288	4,939,920
Commercial loans	-	550,000	-	-	550,000
Total	879,576	1,280,063	996,993	2,333,288	5,489,920
Hedging instrument					
Cross currency swaps	879,576	730,063	996,993	2,333,288	4,939,920
Currency forwards	-	550,000	-	-	550,000
Total	879,576	1,280,063	996,993	2,333,288	5,489,920
As of December 31, 2019					
	Within 1 year MChS	Between 1 and 3 years MChS	Between 3 and 6 years MChS	Over 6 years MChS	Total MChS
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	633,300	1,189,036	1,545,240	3,466,874	6,834,450
Commercial loans	-	600,000	50,000	-	650,000
Total	633,300	1,789,036	1,595,240	3,466,874	7,484,451
Hedging instrument					
Cross currency swaps	633,300	1,189,037	1,545,239	3,466,875	6,834,451
Currency forwards	-	600,000	50,000	-	650,000
Total	633,300	1,789,037	1,595,239	3,466,875	7,484,451

As of March 31, 2020 and December 31, 2019, MCh \$ 214,161 and MCh \$ 210,867 are presented in "other assets" for the valuation of the net assets or liabilities hedged at fair value in a macro hedge (Note No. 14).

NOTE 08
INTERBANK LOANS

a) As of March 31, 2020 and December 31, 2019, the balances for "Interbank loans" are as follows:

	As of March 31, 2020	As of December 31, 2019
	MCh\$	MCh\$
Domestic banks		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile - not available	-	-
Non-transferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans	-	-
Overdrafts in checking accounts	-	-
Non-transferable domestic bank loans	-	-
Other domestic bank loans	3	-
Allowances and impairment for domestic bank loans	-	-
Foreign interbank loans		
Interbank loans – Foreign	12,945	14,852
Overdrafts in checking accounts	-	-
Non-transferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Provisions and impairment for foreign bank loans	(13)	(19)
Total	12,935	14,833

b) The amount of provisions and impairment of interbank loans is detailed below:

	As of March 31, 2020			As of December 31, 2019		
	Domestic banks MCh\$	Foreign banks MCh\$	Total MCh\$	Domestic banks MCh\$	Foreign banks MCh\$	Total MCh\$
Balance as of January 1	-	19	19	-	29	29
Charge-offs	-	-	-	-	-	-
Provisions established	-	3	3	-	55	55
Provisions released	-	(9)	(9)	-	(65)	(65)
Total	-	13	13	-	19	19

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) **Loans and accounts receivable from customers**

As of March 31, 2020 and December 31, 2019, the composition of the loan portfolio is as follows:

As of March 31, 2020	Assets before allowances			Total MChs	Established Allowances			Assets Net Balances MChs
	Normal portfolio MChs	Substandard portfolio MChs	Non-compliance portfolio MChs		Individual allowances MChs	Group allowances MChs	Total MChs	
Commercial loans								
Commercial loans	11,191,033	559,382	755,103	12,505,518	(170,915)	(234,014)	(404,929)	12,100,589
Foreign trade loans	1,825,715	157,971	45,546	2,029,232	(54,759)	(5,479)	(60,238)	1,968,994
Checking accounts debtors	253,324	11,277	13,934	278,535	(3,469)	(8,929)	(12,398)	266,137
Factoring transactions	600,222	7,971	2,839	611,032	(6,110)	(1,210)	(7,320)	603,712
Student Loans	60,093	-	9,214	69,307	-	(4,849)	(4,849)	64,458
Leasing transactions	1,273,205	128,293	89,359	1,490,857	(19,710)	(9,734)	(29,444)	1,461,413
Other loans and account receivable	213,540	1,620	27,159	242,319	(6,534)	(16,004)	(22,538)	219,781
Subtotal	15,417,132	866,514	943,154	17,226,800	(261,497)	(280,219)	(541,716)	16,685,084
Mortgage loans								
Loans with mortgage finance bonds	10,393	-	813	11,206	-	(71)	(71)	11,135
Mortgage mutual loans	94,239	-	3,946	98,185	-	(457)	(457)	97,728
Other mortgage mutual loans	11,016,644	-	538,100	11,554,744	-	(66,771)	(66,771)	11,487,973
Subtotal	11,121,276	-	542,859	11,664,135	-	(67,299)	(67,299)	11,596,836
Consumer loans								
Installment consumer loans	3,672,083	-	261,790	3,933,873	-	(253,336)	(253,336)	3,680,537
Credit card balances	1,306,826	-	18,634	1,325,460	-	(34,484)	(34,484)	1,290,976
Leasing transactions	3,595	-	163	3,758	-	(130)	(130)	3,628
Other consumer loans	183,774	-	4,411	188,185	-	(10,015)	(10,015)	178,170
Subtotal	5,166,278	-	284,998	5,451,276	-	(297,965)	(297,965)	5,153,311
Total	31,704,686	866,514	1,771,011	34,342,211	261,497	645,483	906,980	33,435,231

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

As of December 31, 2019	Assets before allowances				Established Allowances			Assets Net Balances MChS
	Normal portfolio MChS	Substandard portfolio MChS	Non-compliance portfolio MChS	Total MChS	Individual allowances MChS	Group allowances MChS	Total MChS	
Commercial loans								
Commercial loans	10,469,840	608,266	698,110	11,776,216	(154,666)	(229,722)	(384,388)	11,391,828
Foreign trade loans	1,520,321	152,811	40,501	1,713,633	(48,055)	(5,081)	(53,136)	1,660,497
Checking accounts debtors	169,328	12,956	14,609	196,893	(3,686)	(9,464)	(13,150)	183,743
Factoring transactions	479,240	6,927	3,233	489,400	(5,134)	(1,104)	(6,238)	483,162
Student Loans	62,308	-	8,965	71,273	-	(4,858)	(4,858)	66,415
Leasing transactions	1,210,854	123,645	90,363	1,424,862	(18,247)	(9,345)	(27,592)	1,397,270
Other loans and account receivable	211,470	1,490	29,594	242,554	(6,761)	(16,319)	(23,080)	219,474
Subtotal	14,123,361	906,095	885,375	15,914,831	(236,549)	(275,893)	(512,442)	15,402,389
Mortgage loans								
Loans with mortgage finance bonds	11,391	-	907	12,298	-	(92)	(92)	12,206
Mortgage mutual loans	96,014	-	4,138	100,152	-	(516)	(516)	99,636
Other mortgage mutual loans	10,626,466	-	524,079	11,150,545	-	(67,853)	(67,853)	11,082,692
Subtotal	10,733,871	-	529,124	11,262,995	-	(68,461)	(68,461)	11,194,534
Consumer loans								
Installment consumer loans	3,653,345	-	257,053	3,910,398	-	(260,129)	(260,129)	3,650,269
Credit card balances	1,357,770	-	19,940	1,377,710	-	(41,315)	(41,315)	1,336,395
Leasing transactions	3,866	-	86	3,952	-	(114)	(114)	3,838
Other consumer loans	243,156	-	3,841	246,997	-	(10,687)	(10,687)	236,310
Subtotal	5,258,137	-	280,920	5,539,057	-	(312,245)	(312,245)	5,226,812
Total	30,115,369	906,095	1,695,419	32,716,883	(236,549)	(656,599)	(893,148)	31,823,735

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

b) Portfolio characteristics

As of March 31, 2020 and December 31, 2019, the portfolio before allowances is as follows, by customer's economic activity:

	Domestic loans (*)		Foreign interbank loans (**)		Total loans		Distribution percentage	
	As of March 31 2020	As of December 31 2019	As of March 31 2020	As of December 31 2019	As of March 31 2020	As of December 31 2019	As of March 31 2020	As of December 31 2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	%	%
Commercial loans								
Manufacturing	1,501,385	1,285,814	-	-	1,501,385	1,285,814	4.37	3.93
Mining	390,666	407,042	-	-	390,666	407,042	1.14	1.24
Electricity, gas, and water	447,039	356,410	-	-	447,039	356,410	1.30	1.09
Agriculture and livestock	1,386,256	1,287,282	-	-	1,386,256	1,287,282	4.04	3.93
Forest	176,883	165,208	-	-	176,883	165,208	0.51	0.50
Fishing	307,587	256,553	-	-	307,587	256,553	0.90	0.78
Transport	833,619	763,877	-	-	833,619	763,877	2.43	2.33
Communications	275,788	240,950	-	-	275,788	240,950	0.80	0.74
Construction	970,111	995,435	-	-	970,111	995,435	2.82	3.04
Commerce	3,695,900	3,351,279	12,945	14,852	3,708,845	3,366,131	10.80	10.28
Services	3,025,258	2,796,415	-	-	3,025,258	2,796,415	8.81	8.54
Other	4,216,311	4,008,566	-	-	4,216,311	4,008,566	12.27	12.25
Subtotal	17,226,803	15,914,831	12,945	14,852	17,239,748	15,929,683	50.19	48.65
Mortgage loans	11,664,135	11,262,995	-	-	11,664,135	11,262,995	33.95	34.43
Consumer loans	5,451,276	5,539,057	-	-	5,451,276	5,539,057	15.86	16.92
Total	34,342,214	32,716,883	12,945	14,852	34,355,159	32,731,735	100.00	100.00

(*) Includes domestic interbank loans for Ch\$3 million as of March 31, 2020 (Ch\$0 million as of December 31, 2019), see Note 8.

(**) Includes foreign interbank loans for Ch\$12,095 million as of March 31, 2020 (Ch\$14,852 million as of December 31, 2019), see Note 8.

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

c) Impaired portfolio (*)

i) As of March 31, 2020 and December 31, 2019, the impaired portfolio is the following:

	As of March 31, 2020				As of December 31, 2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Individually impaired portfolio	497,944	-	-	497,944	487,760	-	-	487,760
Non-performing loans (collectively evaluated)	402,436	186,886	89,910	679,232	400,209	179,863	91,264	671,336
Other impaired portfolio	229,590	355,973	195,088	780,651	218,596	349,261	189,656	757,513
Total	1,129,970	542,859	284,998	1,957,827	1,106,565	529,124	280,920	1,916,609

(*) The impaired portfolio corresponds to the sum of loans classified as substandard B3 and B4 category as well as the non-compliance portfolio (C1-C6).

ii) The impaired portfolio with or without warranty as of March 31, 2020 and December 31, 2019 is the following:

	As of March 31, 2020				As of December 31, 2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Secured debt	715,063	501,280	42,903	1,259,246	700,331	487,729	30,189	1,218,249
Unsecured debt	414,907	41,579	242,095	698,581	406,234	41,395	250,731	698,360
Total	1,129,970	542,859	284,998	1,957,827	1,106,565	526,124	289,920	1,916,609

iii) The portfolio of non-performing loans as of March 31, 2020 and December 31, 2019 is the following:

	As of March 31, 2020				As of December 31, 2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
Secured debt	208,488	171,230	16,208	395,926	204,195	164,200	6,657	375,052
Unsecured debt	193,948	15,656	73,702	283,306	196,014	15,663	84,607	296,284
Total	402,436	186,886	89,910	679,232	400,209	179,863	91,264	671,336

iv) Reconciliation of loans, with past due loans as of March 31, 2020 and December 31, 2019, is the following:

	As of March 31, 2020				As of December 31, 2019			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total MCh\$
With defaults equal to or greater than 90 days	399,778	184,273	89,509	673,560	399,683	177,730	91,023	668,436
With defaults up to 89 days, classified in past due portfolio	2,658	2,614	401	5,673	526	2,133	241	2,900
Total	402,436	186,886	89,910	679,233	400,209	179,863	91,264	671,336

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

d) Allowances

The changes in allowances balances during 2020 and 2019 is the following:

Activity during 2020	Commercial Loans		Mortgage Loans	Mortgage Loans	Interbank Loans	Total MCh\$
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	MCh\$	
Balance as of January 01, 2020	236,549	275,893	68,461	312,245	19	893,167
Allowances established	32,507	23,034	3,438	64,233	3	123,215
Allowances released	(2,632)	(6,072)	(2,842)	(16,194)	(9)	(27,739)
Allowances released due to charge-off	(4,927)	(12,536)	(1,758)	(52,329)	-	(81,650)
Balance as of March 31, 2020	261,487	280,219	67,289	297,965	13	906,983

Activity during 2019	Commercial Loans		Mortgage Loans	Mortgage Loans	Interbank Loans	Total MCh\$
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	MCh\$	
Balance as of January 01, 2019	242,597	230,866	64,241	272,681	29	810,414
Allowances established	93,555	118,187	17,462	246,530	55	475,790
Allowances released	(58,084)	(12,100)	(8,263)	(49,576)	(65)	(128,088)
Allowances released due to charge-off	(41,520)	(61,060)	(4,979)	(157,390)	-	(264,949)
Balance as of December 31, 2019	236,549	275,893	68,461	312,245	19	893,167

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

- Country risk to cover the risk taken when holding or committing resources with any foreign country, these allowances are established according to country risk classifications as set forth in Chapter 7-13 of the Updated Compilation of Rules, issued by the CMF (ex SBIF), the balances of allowances as of March 31, 2020 and December 31, 2019 are Ch\$589 million and Ch\$552 million respectively. These are presented as "Allowances" in the liabilities section of the "Consolidated Interim Statement of Financial Position".
- According to CMF (ex SBIF) regulations (compendium of Accounting Standards), the Bank has established allowances related to the undrawn available credit lines and contingent loans. The balances of allowances as of March 31, 2020 and December 31, 2019 are Ch\$22,429 million and Ch\$21,411 million, respectively, and are presented as "Allowances" in the liabilities section of the "Consolidated Interim Statement of Financial Position".

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

e) Portfolio by its impaired and non-impaired condition

	As of March 31, 2020											
	Non-impaired				Impaired				Total portfolio			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total non- impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total portfolio MCh\$
Current portfolio	15,880,336	10,862,081	4,973,450	31,715,867	517,664	208,040	111,025	836,729	16,398,000	11,070,121	5,084,475	32,552,596
Overdue for 1-29 days	116,218	40,340	107,664	264,222	99,656	11,660	31,116	142,432	215,874	52,000	138,780	406,654
Overdue for 30-89 days	100,276	218,855	85,164	404,295	112,872	138,886	53,348	305,106	213,148	357,741	138,512	709,401
Overdue for 90 days or more	-	-	-	-	399,778	184,273	89,509	673,560	399,778	184,273	89,509	673,560
Total portfolio before allowances	16,096,830	11,121,276	5,166,278	32,384,384	1,129,970	542,859	284,998	1,957,827	17,226,800	11,664,135	5,451,276	34,342,211
Overdue loans (less than 90 days) presented as portfolio percentage	1.34%	2.33%	3.73%	2.06%	18.81%	27.73%	29.64%	22.86%	2.49%	3.51%	5.09%	3.25%
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	35.38%	33.94%	31.41%	34.40%	2.32%	1.58%	1.64%	1.96%

	As of December 31, 2019											
	Non-impaired				Impaired				Total portfolio			
	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total non- impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total impaired MCh\$	Commercial MCh\$	Mortgage MCh\$	Consumer MCh\$	Total portfolio MCh\$
Current portfolio	14,608,386	10,421,161	5,068,619	30,098,166	554,860	187,144	110,475	852,479	15,163,246	10,608,305	5,179,094	30,950,645
Overdue for 1-29 days	92,748	47,417	110,679	250,844	38,417	11,213	29,265	78,895	131,165	58,630	139,944	329,739
Overdue for 30-89 days	107,132	265,293	78,839	451,264	113,605	153,037	50,157	316,799	220,737	418,330	128,996	768,063
Overdue for 90 days or more	-	-	-	-	399,683	177,730	91,023	668,436	399,683	177,730	91,023	668,436
Total portfolio before allowances	14,808,266	10,733,871	5,258,137	30,800,274	1,106,565	529,124	280,920	1,916,609	15,914,831	11,262,995	5,539,057	32,716,883
Overdue loans (less than 90 days) presented as portfolio percentage	1.35%	2.91%	3.60%	2.28%	13.74%	31.04%	28.27%	20.65%	2.21%	4.23%	4.86%	3.36%
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	36.12%	33.59%	32.40%	34.88%	2.51%	1.58%	1.64%	2.04%

**NOTE 10
 AVAILABLE FOR SALE INVESTMENTS**

As of March 31, 2020 and December 31, 2019, details of instruments defined as available for sale investments are as follows:

	As of	As of
	March 31	December 31
	2020	2019
	MCh\$	MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	49,166	272,802
Chilean Central Bank Notes	29,547	1,186,724
Other Chilean Central Bank and Government securities	2,197,255	1,908,031
Subtotal	2,275,968	3,367,557
Other Chilean securities		
Time deposits in Chilean financial institutions	399	398
Mortgage finance bonds of Chilean financial institutions	15,944	16,748
Chilean financial institution bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	2,410	2,410
Subtotal	18,753	19,556
Foreign financial securities		
Foreign Central Banks and Government securities	240,624	197,685
Other foreign financial securities	512,726	425,474
Subtotal	753,350	623,159
Total	3,048,071	4,010,272

As of March 31, 2020 and December 31, 2019, the item *Chilean Central Bank and Government securities* item includes securities sold under repurchase agreements to clients and financial institutions for Ch\$ 252,549 million and Ch\$ 379,924 million, respectively. Under the same item, there are instruments that guarantee margins for operations of derivatives through Comder Contraparte Central S.A. for an amount of \$ 54,041 million and \$ 65,140 million as of March 31, 2020 and December 31, 2019.

As of March 31, 2020 and December 31, 2019, the item *Other Chilean Securities* includes securities sold to customers and financial institutions under repurchase agreements totaling Ch\$ 72 million and Ch\$ 131 million, respectively.

The instruments of Foreign Institutions include instruments sold under repurchase agreements with customers and financial institutions for a total of \$0 and \$0 million as of March 31, 2020 and December 31, 2019. Under the same item, there are instruments that guarantee margins for derivative transactions through the London Clearing House (LCH) for an amount of \$ 83,413 million and \$ 73,109 million as of March 31, 2020 and December 31, 2019. In order to comply with the initial margin specified in the European EMIR standard, instruments in guarantee with Euroclear are maintained for an amount of \$ 386,426 million and \$ 390,954 million as of March 31, 2020 and December 31, 2019.

As of March 31, 2020, the instruments available for sale include the balances of net unrealized losses of \$ 12,741 million recognized as "Valuation Accounts" in equity, distributed between a loss of \$ 13,989 million attributable to equity holders of the Bank and a gain of \$ 1,248 million attributable to non-controlling interest.

As of December 31, 2019, the instruments available for sale include the balances of unrealized net profits of \$ 30,398 million recognized as "Valuation accounts" in equity, distributed between a gain of \$ 29,349 million attributable to equity holders of the Bank and a gain of \$ 1,049 million attributable to non-controlling interest.

NOTE 11
INTANGIBLE ASSETS

a) As of March 31, 2020 and December 31, 2019 the composition of intangible assets is as follows:

	Average remaining useful life	Net opening balance as of January 1, 2020 MCh\$	As of March 31, 2020		
			Gross balance MCh\$	Accumulated amortization MCh\$	Net balance MCh\$
Licenses	-	-	35,997	(35,997)	-
Software development	2	73,389	217,466	(147,168)	70,298
Total		73,389	253,463	(183,165)	70,298

	Average remaining useful life	Net opening balance as of January 1, 2019 MCh\$	As of December 31, 2019		
			Gross balance MCh\$	Accumulated amortization MCh\$	Net balance MCh\$
Licenses	-	82	35,997	(35,997)	-
Software development	2	66,841	214,005	(140,616)	73,389
Total		66,923	250,002	(176,613)	73,389

b) The changes in the value of intangible assets during the periods of March 31, 2020 and December 31, 2019 is as follows:

b.1) Gross balance

Gross balances	Licenses MCh\$	Software development MCh\$	Total MCh\$
Balances as of January 1, 2020	35,997	214,005	250,002
Additions	-	4,099	4,099
Disposals and impairment (*)	-	(638)	(638)
Other	-	-	-
Balances as of March 31, 2020	35,997	217,466	253,463
Balances as of January 1, 2019	37,224	181,191	218,415
Additions	-	32,860	32,860
Disposals and impairment (*)	(1,227)	-	(1,227)
Other	-	(46)	(46)
Balances as of December 31, 2019	35,997	214,005	250,002

(*) See Note 31 a).

NOTE 11
INTANGIBLE ASSETS, continued

b.2) Accumulated amortization

Accumulated amortization	Licenses MCh\$	Software development MCh\$	Total MCh\$
Balances as of January 1, 2020	(35,997)	(140,616)	(176,613)
Amortization for the period	-	(6,552)	(6,552)
Other changes	-	-	-
Balances as of September 30, 2020	(35,997)	(147,168)	(183,165)
Balances as of January 1, 2019	(37,142)	(114,350)	(151,492)
Amortization for the period	(82)	(26,266)	(26,348)
Other changes	1,227	-	1,227
Balances as of December 31, 2019	(35,997)	(140,616)	(176,613)

c) The Bank has no restriction on intangible assets as of March 31, 2020 and December 31, 2019. Additionally, the intangible assets have not been pledged as guarantee to secure compliance with financial liabilities. Also, the Bank has no debt related to intangible assets as of those dates.

NOTE 12
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT

a) As of March 31, 2020 and December 31, 2019 the property, plant and equipment balances is as follows:

	Net opening balance as of January 1, 2020 MChS	As of March 31, 2020		
		Gross balance MChS	Accumulated depreciation MChS	Net balance MChS
Land and building (*)	120,133	173,611	(54,943)	118,668
Equipment	55,494	219,935	(170,148)	49,787
Other	22,206	71,628	(49,191)	22,437
Total	197,833	465,174	(274,282)	190,892

	Net opening balance as of January 1, 2019 MChS	As of December 31, 2019		
		Gross balance MChS	Accumulated depreciation MChS	Net balance MChS
Land and building	120,245	175,370	(55,237)	120,133
Equipment	56,865	219,600	(164,106)	55,494
Other	21,963	69,758	(47,552)	22,206
Total	199,073	464,728	(266,895)	197,833

b) The changes in the value of property, plant and equipment as of March 31, 2020 and December 31, 2019 is the following:

b.1) Gross balance

2020	Land and buildings MChS	Equipment MChS	Other MChS	Total MChS
Balances as of January 1, 2020	175,370	219,600	69,758	464,728
Additions	1,188	1,537	1,870	4,596
Disposals	(2,947)	(1,202)	-	(4,149)
Impairment due to damage	-	-	-	-
Other	-	-	-	-
Balances as of March 31, 2020	173,611	219,935	71,628	465,174

NOTE 12
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

2019	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2019	166,910	192,328	62,156	421,394
Additions	9,473	33,302	7,602	50,377
Disposals	-	(6,030)	-	(6,030)
Impairment due to damage (*)	(1,013)	-	-	(1,013)
Other	-	-	-	-
Balances as of December 31, 2019	175,370	219,600	69,758	464,728

(*) Banco Santander-Chile have recognized in its consolidated financial statements as of December 31, 2019 an impairment of \$ 1,013 million, due to social unrest in the country.

b.2) Accumulated depreciation

2020	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2020	(55,237)	(164,106)	(47,552)	(266,895)
Depreciation for the period	(2,634)	(7,190)	(1,694)	(11,518)
Sales and disposals during the period	2,928	1,148	55	4,131
Others	-	-	-	-
Balances as of March 31, 2020	(54,943)	(170,148)	(49,191)	(274,282)

2019	Land and buildings MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2019	(54,671)	(135,463)	(40,193)	(230,327)
Depreciation for the period	(8,120)	(29,368)	(6,869)	(44,957)
Sales and disposals during the period	7,554	1,325	-	8,879
Others	-	-	(490)	(490)
Balances as of December 31, 2019	(55,237)	(164,106)	(47,552)	(266,895)

c) The composition of the right of use assets as of March 31, 2020 and as of December 31, 2019 is as follows:

	Net opening balance as of January 1, 2020 MCh\$	As of March 31, 2020		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
Land and building	157,572	187,645	(32,128)	155,517
Lease improvements	52,928	124,210	(71,686)	52,524
Equipment	-	-	-	-
Other	-	-	-	-
Total	210,500	311,855	(103,814)	208,041
	Net opening balance as of January 1, 2019 MCh\$	As of December 31, 2019		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
Land and building	154,284	182,910	(25,338)	157,572
Lease improvements	54,513	127,035	(74,107)	52,928
Equipment	-	-	-	-
Other	-	-	-	-
Total	208,797	309,945	(99,445)	210,500

NOTE 12
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

d) The movement of the right of use assets under lease during the 2020 period, is as follows:

d.1) Gross balance

2020	Land and building MCh\$	Lease improvements MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2020	182,910	127,035	-	-	309,945
Additions	6,570	3,807	-	-	10,377
Disposals	(1,835)	(6,632)	-	-	(8,467)
Impairment	-	-	-	-	-
Other	-	-	-	-	-
Balances as of March 31, 2020	187,645	124,210	-	-	311,855
2020	Land and building MCh\$	Lease improvements MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2019	154,284	122,658	-	-	276,942
Additions	48,088	7,013	-	-	55,021
Disposals	(17,669)	(2,636)	-	-	(20,305)
Impairment (*)	(1,713)	-	-	-	(1,713)
Other	-	-	-	-	-
Balances as of December 31, 2019	182,910	127,035	-	-	309,945

(*) Banco Santander-Chile have recognized in its consolidated financial statements as of December 31, 2019 an impairment of \$ 1,713 million, due to social unrest in the country.

d.2) Accumulated amortization

2020	Land and building MCh\$	Lease improvements MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2020	(25,338)	(74,107)	-	-	(99,445)
Amortization for the period	(7,015)	(2,629)	-	-	(9,644)
Sales and disposals during the period	225	5,050	-	-	5,275
Transfers	-	-	-	-	-
Others	-	-	-	-	-
Balances as of March 31, 2020	(32,128)	(71,686)	-	-	(103,814)
2019	Land and building MCh\$	Lease improvements MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2019	-	(68,145)	-	-	(68,145)
Amortization for the period	(26,889)	(7,898)	-	-	(34,787)
Sales and disposals during the period	1,551	1,936	-	-	3,487
Transfers	-	-	-	-	-
Others	-	-	-	-	-
Balances as of December 31, 2019	(25,338)	(74,107)	-	-	(99,445)

e) Obligation for lease contract

As of March 31, 2020 and December 31, 2019, the obligations for lease agreements are as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Obligations for lease contracts	156,554	158,494
Totales	156,554	158,494

NOTE 12
FIXED ASSETS AND RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACT, continued

f) Expenses associated with assets for the right to use leased assets and Obligations for lease agreements

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Depreciation	9,644	7,879
Interests	703	755
Short term lease	1,002	1,672
Total	11,349	10,306

g) As of March 31, 2020 and December 31, 2019, the maturity level of the obligations for lease agreements, according to their contractual maturity is as follows:

	As of	As of
	March 31, 2020	December 31, 2019
	MCh\$	MCh\$
Due within 1 year	25,785	26,061
Due after 1 year but within 2 years	24,092	24,311
Due after 2 years but within 3 years	21,617	21,667
Due after 3 years but within 4 years	19,261	19,411
Due after 4 years but within 5 years	26,656	16,982
Due after 5 years	39,143	50,062
Total	156,554	158,494

h) Operational leases - Lessor

As of March 31, 2020 and December 31, 2019, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of	As of
	March 31, 2020	December 31, 2019
	MCh\$	MCh\$
Due within 1 year	917	603
Due after 1 year but within 2 years	1,457	598
Due after 2 years but within 3 years	724	500
Due after 3 years but within 4 years	697	498
Due after 4 years but within 5 years	528	412
Due after 5 years	1,474	1,563
Total	5,797	4,174

i) As of March 31, 2020 and December 31, 2019 the Bank has no finance leases which cannot be unilaterally cancelled.

j) The Bank has no restriction on property, plant and equipment as of March 31, 2020 and December 31, 2019. Additionally, the property, plant, and equipment have not been provided as guarantees to secure compliance with financial liabilities. The Bank has no debt in connection with property, plant and equipment.

NOTE 13
CURRENT AND DEFERRED TAXES

a) Current taxes

As of March 31, 2020 and December 31, 2019, the Bank recognizes taxes payable (recoverable), which is determined based on the currently applicable tax legislation, This amount is recorded net of recoverable taxes, and is shown as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Summary of current tax liabilities (assets)		
Current tax (assets)	(13,989)	(11,648)
Current tax liabilities	-	-
Total tax payable (recoverable)	(13,989)	(11,648)
Detail of current tax (assets) liabilities (net)		
Income tax	194,845	154,578
Less:		
Provisional monthly payments	(203,823)	(161,097)
Credit for training expenses	(2,145)	(2,145)
Grant credits	(1,210)	(1,149)
Other	(1,656)	(1,835)
Total tax payable (recoverable)	(13,989)	(11,648)

b) Income tax

The effect that the tax expense has on income for the period ended March 31, 2020 and 2019 is comprised of the following items:

	As of March 31,	
	2020 MCh\$	2019 MCh\$
Income tax expense		
Current tax	40,267	29,058
Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	(8,100)	12,933
Provision due to valuation	-	-
Subtotal	32,167	41,991
Tax for rejected expenses (Article N° 21)	194	155
Other	(813)	-
Net income tax expense	31,548	42,146

NOTE 13
CURRENT AND DEFERRED TAXES, continued

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate used in the determination of the income tax expense as of March 31, 2020 and 2019 is as follows:

	As of March 31,			
	2020		2019	
	Tax rate %	Amount MChS	Tax rate %	Amount MChS
Tax calculated over profit before tax	27.00	47,618	27.00	45,307
Permanent differences (1)	(9.53)	(16,811)	(2.07)	(3,481)
Rate change effect	0.11	194	0.09	155
Other	0.31	547	0.10	165
Effective rates and income tax expense	17.89	31,548	25.12	42,146

(1) Mainly corresponds to the permanent differences originated from the Own Tax Monetary Correction and the effect of the bonds received to article 104 of LIR.

d) Effect of deferred taxes on other comprehensive income

A summary of the separate effect of deferred tax on other comprehensive income, showing the asset and liability balances, for the periods ended March 31, 2020 and December 31, 2019 is the following:

	As of March 31,		As of December 31,	
	2020 MChS		2019 MChS	
Deferred tax assets				
Available for sale investments		23,976		7,799
Cash flow hedges		1,465		10,919
Total deferred tax assets recognized through other comprehensive income		25,441		18,718
Deferred tax liabilities				
Available for sale investments		(20,691)		(16,007)
Cash flow hedges		(3,284)		-
Total deferred tax liabilities recognized through other comprehensive income		(23,975)		(16,007)
Net deferred tax balances in equity		1,466		2,711
Deferred taxes in equity attributable to equity holders of the bank		1,957		2,993
Deferred tax in equity attributable to non-controlling interests		(491)		(282)

NOTE 13
CURRENT AND DEFERRED TAXES, continued

e) Effect of deferred taxes on income

During 2020 and 2019, the Bank has registered in its financial statements the effects from deferred taxes.

Below are effects of deferred taxes on assets, liabilities and income allocated due to temporary differences:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Deferred tax assets		
Interests and adjustments	10,067	9,531
Non-recurring charge-offs	16,114	15,325
Assets received in lieu of payment	3,580	2,933
Exchange rate adjustment	3,217	-
Property, plant and equipment	6,745	6,381
Provision for loan losses	202,156	198,990
Provision for expenses	79,640	89,098
Derivatives	5,837	-
Leased assets	110,467	116,226
Subsidiaries tax losses	6,095	5,416
Assets for the right to use leased assets	294	249
Total deferred tax assets	444,212	444,149
Deferred tax liabilities		
Valuation of investments	(11)	(17,341)
Anticipated expenses	(20,552)	(20,347)
Valuation provision	(6,570)	(6,509)
Derivatives	(48,431)	(36,512)
Exchange rate adjustments	-	(2,817)
Others	-	(75)
Total deferred tax liabilities	(75,564)	(83,601)

f) Summary of deferred tax assets and liabilities

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

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Deferred tax assets		
Recognized through other comprehensive income	25,441	18,718
Recognized through profit or loss	444,212	444,149
Total deferred tax assets	469,653	462,867
Deferred tax liabilities		
Recognized through other comprehensive income	(23,975)	(16,007)
Recognized through profit or loss	(75,564)	(83,601)
Total deferred tax liabilities	(99,539)	(99,608)

**NOTE 14
OTHER ASSETS**

The composition of other assets is the following:

	As of	As of
	March 31,	December 31,
	2020	2019
	MCh\$	MCh\$
Assets for leasing (1)	71,356	67,139
Assets received or awarded in lieu of payment (2)		
Assets received in lieu of payment	9,749	12,387
Assets awarded at judicial sale	26,713	22,177
Provision on assets received in lieu of payment or awarded	(1,424)	(2,042)
Subtotal	35,038	32,522
Other assets		
Guarantee deposits (margin accounts) (3)	626,522	314,616
Non-current assets classified as held for sale (4)	22,037	22,394
Investments in gold	688	680
VAT credit tax	21,164	22,663
Prepaid expenses	423,492	432,030
Assets recovered from leasing held for sale	3,877	3,575
Macro-hedging valuation adjustment (5)	214,161	210,867
Pension plan assets	674	670
Accounts and notes receivable (6)	384,584	147,108
Notes receivable through brokerage and simultaneous transactions	56,291	43,354
Other receivable accounts	48,028	44,262
Other assets	93,038	92,428
Subtotal	1,894,556	1,334,647
Total	2,000,950	1,434,308

1) Corresponds to the assets available to be delivered under the financial lease modality.

2) The goods received in payment correspond to the goods received as payment of debts due from customers. The set of goods that remain acquired in this way must not exceed 20% of the Bank's effective equity at any time. These assets currently represent 0.21% (0.29% as of December 31, 2019) of the Bank's effective equity.

The assets awarded in judicial auction, correspond to assets that have been acquired at judicial auction in payment of debts previously contracted with the Bank. The assets acquired at judicial auction are not subject to the above mentioned margin. These properties are assets available for sale. For most assets, the sale can be completed within one year from the date the asset is received or acquired. In case the good is not sold within a year, it must be punished.

Additionally, a provision is recorded for the difference between the initial award value plus the additions and their estimated realizable value, when the former is higher.

3) Correspond to deposits left in guarantee from determined derivative contracts. These guarantees become operative when the valuation from these derivatives surpasses the defined thresholds for the contracts, these can be in favor or against the Bank.

4) Corresponds to the interests in Redbank S.A. and Transbank S.A., which have been reclassified as non-current assets classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", for additional information see Note 1 (i), Note 35 and Note 36.

5) Corresponds to the balances of the market value of the net assets or liabilities covered by hedges in a macro hedge (Note No. 07).

6) Corresponds to accounts receivable from financial operations with Banco Santander Madrid.

NOTE 15
TIME DEPOSITS AND OTHER TIME LIABILITIES

As of March 31, 2020 and December 31, 2019, the composition of the item time deposits and other liabilities time is as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Deposits and other demand liabilities		
Checking accounts	8,746,200	8,093,108
Other deposits and demand accounts	731,554	741,103
Other demand liabilities	1,569,871	1,463,221
Subtotal	11,047,625	10,297,432
Time deposits and other time liabilities		
Time deposits	14,075,184	13,064,932
Time savings account	130,944	123,787
Other time liabilities	4,192	4,098
Subtotal	14,210,320	13,192,817
Total	25,257,945	23,490,249

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of March 31, 2020 and December 31, 2019, the composition for this item is as follows:

	As of	As of
	March 31,	December 31,
	2020	2019
	MCh\$	MCh\$
Other financial liabilities		
Obligations to public sector	8,795	9,198
Other domestic obligations	182,976	204,705
Foreign obligations	30,951	12,455
Subtotal	222,722	226,358
Issued debt instruments		
Mortgage finance bonds	16,915	18,502
Senior bonds	9,241,469	8,574,213
Mortgage Bonds	87,857	89,924
Subordinated bonds	993,883	818,084
Subtotal	10,340,124	9,500,723
Total	10,562,846	9,727,081

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

	As of March 31, 2020		
	Current	Non-current	Total
	MCh\$	MCh\$	MCh\$
Mortgage finance bonds	5,868	11,047	16,915
Senior bonds	2,428,727	6,812,742	9,241,469
Mortgage Bonds	6,896	80,961	87,857
Subordinated bonds	-	993,883	993,883
Issued debt instruments	2,441,491	7,898,633	10,340,124
Other financial liabilities	222,400	322	222,722
Total	2,663,891	7,898,955	10,562,846

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

	As of December 31, 2019		
	Current	Non-current	Total
	MCh\$	MCh\$	MCh\$
Mortgage finance bonds	6,013	12,489	18,502
Senior bonds	2,078,202	6,496,011	8,574,213
Mortgage Bonds	5,137	84,787	89,924
Subordinated bonds	-	818,084	818,084
Issued debt instruments	2,089,352	7,411,371	9,500,723
Other financial liabilities	226,033	325	226,358
Total	2,315,385	7,411,696	9,727,081

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortized on a quarterly basis. The range of maturity of these bonds is between five and twenty years. Loans are indexed to UF and create a yearly interest rate of 5.33% as of March 31, 2020 (5.49% as of December 31, 2019).

	As of	As of
	March 31,	December 31,
	2020	2019
	MCh\$	MCh\$
Due within 1 year	5,868	6,013
Due after 1 year but within 2 years	4,718	4,944
Due after 2 years but within 3 years	3,656	3,928
Due after 3 years but within 4 years	1,998	2,442
Due after 4 years but within 5 years	649	1,005
Due after 5 years	26	170
Total mortgage finance bonds	16,915	18,502

b) Senior bonds

The following table shows senior bonds by currency:

	As of	As of
	March 31,	December 31,
	2020	2019
	MCh\$	MCh\$
Santander bonds in UF	4,495,241	4,814,604
Santander bonds in USD	2,771,755	1,649,238
Santander bonds in CHF	563,623	499,485
Santander bonds in Ch\$	1,018,434	1,242,633
Santander bonds in AUD	122,015	124,748
Santander bonds in JPY	88,276	77,797
Santander bonds in EUR	182,125	165,708
Total senior bonds	9,241,469	8,574,213

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of senior bonds:

As of March 31, 2020 the Bank has placed bonds for UF 2,000,000 and USD 742,500,000 detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate (Annual)	Issue date	Amount	Maturity date
W1	UF	2,000,000	5 and 3 months	1.55 annual	12-01-2018	2,000,000	06-01-2025
Total UF		2,000,000				2,000,000	
Bond USD	USD	742,500,000	5	2.70 annual	01-07-2020	742,500,000	01-07-2025
Total USD		742,500,000				742,500,000	

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2020, the Bank repurchased the following bonds:

Date	Type	Currency	Amount
02-01-2020	Senior	UF	357,000
03-01-2020	Senior	UF	300,000
09-01-2020	Senior	UF	60,000
09-01-2020	Senior	UF	27,000
13-01-2020	Senior	CLP	50,000,000
14-01-2020	Senior	UF	109,000
14-01-2020	Senior	CLP	9,820,000,000
14-01-2020	Senior	UF	131,000
14-01-2020	Senior	UF	322,000
15-01-2020	Senior	USD	2,490,000
15-01-2020	Senior	UF	47,000
16-01-2020	Senior	CLP	400,000,000
16-01-2020	Senior	UF	1,000
17-01-2020	Senior	UF	28,000
20-01-2020	Senior	UF	74,000
21-01-2020	Senior	UF	171,000
21-01-2020	Senior	UF	181,000
21-01-2020	Senior	CLP	330,000,000
22-01-2020	Senior	CLP	11,430,000,000
24-01-2020	Senior	UF	2,000
29-01-2020	Senior	UF	1,000
29-01-2020	Senior	CLP	120,000,000
30-01-2020	Senior	CLP	10,000,000
31-01-2020	Senior	UF	40,000
06-02-2020	Senior	CLP	6,000,000,000
07-02-2020	Senior	CLP	1,180,000,000
11-02-2020	Senior	CLP	7,430,000,000
12-02-2020	Senior	CLP	2,520,000,000
13-02-2020	Senior	CLP	10,000,000,000
17-02-2020	Senior	UF	2,000
17-02-2020	Senior	UF	15,000
18-02-2020	Senior	UF	50,000
18-02-2020	Senior	UF	4,000
20-02-2020	Senior	UF	350,000
20-02-2020	Senior	UF	115,000
21-02-2020	Senior	UF	57,000
21-02-2020	Senior	UF	24,000
24-02-2020	Senior	UF	250,000
24-02-2020	Senior	UF	10,000
26-02-2020	Senior	UF	169,000
26-02-2020	Senior	UF	1,000
27-02-2020	Senior	UF	180,000
27-02-2020	Senior	UF	11,000
27-02-2020	Senior	CLP	6,750,000,000
02-03-2020	Senior	UF	1,000
05-03-2020	Senior	UF	2,000
09-03-2020	Senior	UF	261,000
09-03-2020	Senior	UF	150,000
11-03-2020	Senior	UF	2,000
17-03-2020	Senior	UF	850,000
18-03-2020	Senior	UF	150,000
19-03-2020	Senior	USD	5,000,000
23-03-2020	Senior	UF	95,000
23-03-2020	Senior	USD	5,000,000
24-03-2020	Senior	CLP	1,250,000,000
30-03-2020	Senior	UF	62,000
31-03-2020	Senior	UF	360,000
31-03-2020	Senior	UF	5,000

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2019 the Bank has placed bonds for UF 29,678,000, CLP 150,000,000,000, EUR 55,000,000, AUD 185,000,000 y en CHF 250,000,000, detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate	Issue date	Series Maximum amount	Maturity date
T7	UF	5,000,000	4	2,50%	01-02-2016	5,000,000	01-02-2023
T8	UF	5,678,000	4 and 6 months	2,55%	01-02-2016	5,678,000	01-08-2023
T3.4	UF	9,000,000	8	2,80%	01-02-2016	18,000,000	01-02-2027
T6	UF	5,000,000	10	1,70%	01-11-2018	5,000,000	01-05-2029
T10	UF	5,000,000	5 and 4 months	2,60%	01-02-2016	5,000,000	01-08-2024
Total	UF	29,678,000				38,678,000	
U9	CLP	75,000,000,000	2 and 8 months	ICP + 0,80%	01-11-2018	75,000,000,000	19-11-2021
P-5	CLP	75,000,000,000	2 and 6 months	5,3%	01-03-2015	150,000,000,000	01-03-2022
Total	CLP	150,000,000,000				225,000,000,000	
EUR	EUR	30,000,000	7	1,10%	01-02-2019	40,000,000	07-02-2026
EUR	EUR	25,000,000	15	1,25%	26-11-2019	25,000,000	26-11-2034
Total	EUR	55,000,000				65,000,000	
AUD	AUD	22,000,000	15	3,66%	20-05-2019	22,000,000	20-05-2034
AUD	AUD	20,000,000	5	1,13%	11-07-2019	20,000,000	11-07-2024
AUD	AUD	28,000,000	5	1,13%	17-07-2019	28,000,000	17-07-2024
AUD	AUD	15,000,000	5	1,13%	17-07-2019	15,000,000	17-07-2024
AUD	AUD	75,000,000	20	3,05%	30-08-2019	75,000,000	28-02-2039
AUD	AUD	12,000,000	15	3,16%	12-11-2019	12,000,000	20-11-2034
AUD	AUD	13,000,000	15	2,91%	21-11-2019	13,000,000	27-11-2034
Total AUD		185,000,000				185,000,000	
CHF	CHF	150,000,000	5 and 6 months	0,38%	12-03-2019	150,000,000	27-09-2024
CHF	CHF	100,000,000	10	0,14%	29-08-2019	100,000,000	29-08-2029
Total	CHF	250,000,000				250,000,000	

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2019, the Bank partially repurchased the following bonds:

Date	Type	Currency	Amount
12-02-2019	Senior	CLP	10,000,000,000
14-02-2019	Senior	CLP	30,000,000,000
19-02-2019	Senior	CLP	4,200,000,000
22-02-2019	Senior	CLP	14,240,000,000
22-02-2019	Senior	CLP	30,000,000
22-02-2019	Senior	CLP	10,000,000
01-03-2019	Senior	CLP	11,800,000,000
04-03-2019	Senior	CLP	40,080,000,000
05-03-2019	Senior	CLP	20,000,000,000
15-03-2019	Senior	UF	156,000
19-03-2019	Senior	UF	418,000
20-03-2019	Senior	CLP	6,710,000,000
20-03-2019	Senior	UF	154,000
21-03-2019	Senior	UF	100,000
25-03-2019	Senior	UF	100,000
26-03-2019	Senior	UF	90,000
08-04-2019	Senior	CLP	3,950,000,000
10-04-2019	Senior	UF	409,000
16-04-2019	Senior	UF	55,000
17-04-2019	Senior	CLP	130,000,000
18-04-2019	Senior	CLP	330,000,000
16-05-2019	Senior	CLP	14,880,000,000
16-05-2019	Senior	UF	9,000
13-06-2019	Senior	UF	1,000
01-10-2019	Senior	CLP	10,960,000,000
02-10-2019	Senior	CLP	100,000,000
04-10-2019	Senior	CLP	60,000,000
05-11-2019	Senior	CLP	15,220,000,000
07-11-2019	Senior	CLP	3,620,000,000
13-11-2019	Senior	CLP	5,320,000,000
14-11-2019	Senior	UF	2,977,000
28-11-2019	Senior	UF	340,000
02-12-2019	Senior	UF	105,000

ii. Maturities for senior bonds are the following:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Due within 1 year	2,428,727	2,078,202
Due after 1 year but within 2 years	996,109	1,147,825
Due after 2 years but within 3 years	1,317,847	1,221,393
Due after 3 years but within 4 years	564,195	742,338
Due after 4 years but within 5 years	1,802,264	1,278,746
Due after 5 years	2,132,327	2,105,809
Total senior bonds	9,241,469	8,574,213

c) Mortgage bonds

The detail of mortgage bonds per currency is the following:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Mortgage bonds in UF	87,857	89,924
Total mortgage bonds	87,857	89,924

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of Mortgage bonds

As of March 31, 2020, the Bank has not placed any mortgage bonds. During 2019 the Bank did not place any mortgage bonds.

ii. Maturities of mortgage bonds is as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Due within 1 year	6,896	5,137
Due after 1 year but within 2 years	8,253	8,248
Due after 2 years but within 3 years	8,519	8,514
Due after 3 years but within 4 years	8,794	8,788
Due after 4 years but within 5 years	9,077	9,072
Due after 5 years	46,318	50,165
Total mortgage bonds	87,857	89,924

d) Subordinated bonds

Detail of subordinated bonds per currency is as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Subordinated bonds denominated in Ch\$	-	-
Subordinated bonds denominated in USD	175,941	-
Subordinated bonds denominated in UF	817,942	818,084
Total subordinated bonds	993,883	818,084

i. Placement of subordinated bonds

As of March 31, 2020 the Bank has placed bonds for USD 200,000,000 detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate	Issue date	Series Maximum amount	Maturity date
Bono USD	USD	200,000,000	10	3.79% annual	01-21-2020	200,000,000	01-21-2030
Total USD		200,000,000				200,000,000	

NOTE 16
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

ii. **The maturity of the subordinated bonds is as follows:**

The maturity of the subordinated bonds is as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Due within 1 year	-	-
Due after 1 year but within 2 years	-	-
Due after 2 years but within 3 years	-	-
Due after 3 years but within 4 years	-	-
Due after 4 years but within 5 years	-	-
Due after 5 years	-	-
	993,883	818,084
Total mortgage bonds	993,883	818,084

e) **Other financial liabilities**

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

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Non-current portion:		
Due after 1 year but within 2 years	45	40
Due after 2 year but within 3 years	52	43
Due after 3 year but within 4 years	50	47
Due after 4 year but within 5 years	55	52
Due after 5 years	120	143
Non-current portion subtotal	322	325
Current portion:		
Amounts due to credit card operators	138,570	151,984
Acceptance of letters of credit	15,165	5,709
Other long-term financial obligations, short-term portion	68,665	68,340
Current portion subtotal	222,400	226,033
Total other financial liabilities	222,722	226,358

NOTE 17
MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of March 31, 2020 and December 31, 2019, the detail of the maturities of assets and liabilities is as follows:

As of March 31, 2020	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Up to 1 year Subtotal MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	More than 1 year Subtotal MCh\$	Total MCh\$
Assets										
Cash and deposits in banks	3,755,786	-	-	-	3,755,786	-	-	-	-	3,755,786
Cash items in process of collection	615,922	-	-	-	615,922	-	-	-	-	615,922
Trading investments	-	57	312	276,415	276,784	228,709	223	47,173	276,105	552,889
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-
Financial derivatives contracts	-	385,422	720,976	3,228,647	4,335,045	2,880,003	2,227,590	5,482,558	10,590,151	14,925,196
Interbank loans (1)	-	9,901	3,047	-	12,948	-	-	-	-	12,948
Loans and accounts receivables from customers (2)	301,257	3,862,098	2,932,889	5,740,435	12,234,165	6,249,183	3,703,842	12,155,021	22,108,046	34,342,211
Available for sale investments	-	-	9,969	294,360	313,602	1,065,115	4,352	1,665,002	2,734,469	3,048,071
Held to maturity investments	-	-	-	-	-	-	-	-	-	-
Guarantee deposits (margin accounts)	626,522	-	-	-	626,522	-	-	-	-	626,522
Total assets	4,696,973	4,266,751	3,667,193	9,539,857	22,170,774	10,423,010	5,936,007	19,349,754	35,708,771	57,879,545
Liabilities										
Deposits and other demand liabilities	11,047,625	-	-	-	11,047,625	-	-	-	-	11,047,625
Cash items in process of collection	627,535	-	-	-	627,535	-	-	-	-	627,535
Obligations under repurchase agreements	-	252,621	-	-	252,621	-	-	-	-	252,621
Time deposits and other time liabilities	135,136	6,257,616	4,555,674	2,798,276	13,746,702	275,993	165,262	22,363	463,618	14,210,320
Financial derivatives contracts	-	435,923	716,010	2,016,392	3,168,325	2,510,424	2,254,741	5,431,522	10,198,687	13,367,012
Interbank borrowings	21,430	104,165	728,706	2,013,143	2,867,444	135,554	-	-	135,554	3,002,998
Issued debts instruments	-	276,828	473,397	1,691,266	2,441,491	2,339,102	2,386,978	3,172,553	7,898,633	10,340,124
Other financial liabilities	159,045	59,481	3,345	9,529	222,400	97	105	120	322	222,722
Obligations for lease agreements	-	-	-	25,785	25,785	45,709	45,918	39,142	130,769	156,554
Guarantees received (margin accounts)	1,382,582	-	-	-	1,382,582	-	-	-	-	1,382,582
Total liabilities	13,373,353	7,377,634	6,477,132	8,554,391	35,775,908	5,313,481	4,855,004	8,665,700	18,834,185	54,610,093

(1) Interbank loans are presented on a gross basis. The amount of allowances is Ch\$13 million.

(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions on loans amounts according to customer type are the following: Commercial loans Ch\$ 541,716 million, Mortgage loans Ch\$ 67,299 million and Consumer loans Ch\$ 297,965 million.

NOTE 17
MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2019	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Up to 1 year Subtotal MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	More than 1 year Subtotal MCh\$	Total MCh\$
Financial Assets										
Cash and deposits in banks	3,554,520	-	-	-	3,554,520	-	-	-	-	3,554,520
Cash items in process of collection	355,062	-	-	-	355,062	-	-	-	-	355,062
Trading investments	-	38,644	-	645	39,289	181,705	37,659	-	230,915	270,204
Investments under resale agreements	-	-	-	-	-	-	-	-	-	-
Financial derivatives contracts	-	371,775	400,196	1,543,446	2,315,417	1,383,493	1,346,329	3,103,369	5,833,191	8,148,608
Interbank loans (1)	-	13,847	919	286	14,652	-	-	-	-	14,652
Loans and accounts receivables from customers (2)	315,191	2,938,221	2,408,930	5,658,557	11,340,249	6,004,493	3,610,620	11,761,521	21,376,634	32,716,883
Available for sale investments	-	1,131,500	3,752	52,130	1,187,382	508,596	725,419	1,588,875	2,822,890	4,010,272
Held to maturity investments	-	-	-	-	-	-	-	-	-	-
Guarantee deposits (margin accounts)	314,616	-	-	-	314,616	-	-	-	-	314,616
Total financial assets	4,539,389	4,513,787	2,813,147	7,255,064	19,121,387	8,078,287	5,720,027	16,465,316	30,263,630	49,385,017
Financial Liabilities										
Deposits and other demand liabilities	10,297,432	-	-	-	10,297,432	-	-	-	-	10,297,432
Cash items in process of collection	198,248	-	-	-	198,248	-	-	-	-	198,248
Obligations under repurchase agreements	-	380,055	-	-	380,055	-	-	-	-	380,055
Time deposits and other time liabilities	142,273	5,184,567	4,905,414	2,417,703	12,649,957	357,856	163,121	21,883	542,860	13,192,817
Financial derivatives contracts	-	422,749	427,825	951,604	1,802,178	1,253,280	1,180,948	3,154,168	5,580,396	7,390,654
Interbank borrowings	94	363,560	624,167	1,141,824	2,129,645	387,936	2,237	-	390,176	2,519,818
Issued debts instruments	-	285,159	759,519	1,044,674	2,089,352	2,394,850	2,042,291	2,974,229	7,411,371	9,500,723
Other financial liabilities	161,021	5,155	30,969	28,888	226,033	63	99	143	325	226,358
Obligations for lease agreements	-	-	-	26,601	26,601	45,978	36,393	50,062	132,433	158,494
Guarantees received (margin accounts)	994,714	-	-	-	994,714	-	-	-	-	994,714
Total financial liabilities	11,793,782	6,641,245	6,747,894	5,610,834	30,793,755	4,439,983	3,425,089	6,200,485	14,065,558	44,859,313

(1) Interbank loans are presented on a gross basis. The amount of allowances is Ch\$ 19 million.

(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to customer type of loan are the following: Commercial loans for Ch\$ 512,442 million, Mortgage loans for Ch\$ 68,461 million and Consumer loans for Ch\$ 312,245 million.

NOTE 18
PROVISIONS

a) As of March 31, 2020 and December 31, 2019, the detail for the provisions is as follows:

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Provision for employee salaries and expenses	69,772	101,223
Provision for mandatory dividends	208,832	165,628
Provision for contingent loan risks:		
Provision for lines of credit of immediate disponibility	22,429	21,411
Other provisions for contingent loans	18,327	17,195
Provision for contingencies	21,737	15,388
Additional provisions	16,000	16,000
Provision for foreign bank loans	589	552
Total	357,686	337,397

NOTE 19
OTHER LIABILITIES

Other liabilities consist of:

	As of March 31,	As of December 31,
	2020 MCh\$	2019 MCh\$
Accounts and notes payable	219,875	214,216
Income received in advance	535	640
Adjustment due to macro-hedging valuation	-	-
Guarantees received (margin accounts) (1)	1,382,582	994,714
Notes payable through brokerage and simultaneous transactions (2)	38,561	1,418,340
Other payable obligations (3)	319,088	61,555
Withholding VAT	8,255	8,147
Accounts payable insurance companies	10,051	9,510
Other liabilities	72,057	99,203
Total	2,051,004	2,806,325

- (1) Guarantee deposits (margin accounts) correspond to collaterals associated with derivative financial contracts. These guarantees operate when the mark to market from derivative financial instruments exceed the levels of threshold agreed in the contracts, which could result in a delivery or reception of collateral for the Bank.
- (2) On December 31, 2019, Santander Corredora de Bolsa acted as an intermediary in the public offer of shares held between Latam and Delta, which was paid to shareholders on January 3, 2020.
- (3) Corresponds to accounts receivable from financial operations with Banco Santander Madrid.

NOTE 20
CONTINGENCIES AND COMMITMENTS

a) Lawsuits and legal procedures

At the date of issuance of these consolidated interim financial statements, there are several legal actions brought against the Bank in relationship with operations of the line of business. As of March 31, 2020, the Bank maintains provisions for this concept that amount to \$ 1,413 million (\$ 1,274 million as of December 31, 2019), which are in the Consolidated Interim Statement of Financial Position, forming part of the item "Provisions for contingencies".

As of March 31, 2020, the following legal situations are pending:

Santander Corredores de Bolsa Limitada

Judgment "Echeverría con Santander Corredora" (currently Santander Corredores de Bolsa Ltda.). Followed before the 21st Civil Court of Santiago, Rol C-21.366-2014, on Compensation for damages for failures in the purchase of shares. As for your current situation as of March 31, 2020, cause is with abandonment of the procedure and filed.

Santander Corredora de Seguros Limitada

There are lawsuits amounting to UF 19,282 corresponding to processes mainly for goods delivered in leasing. Our lawyers have not estimated additional material losses for these trials.

Santander Consumer Chile S.A.

Trial "Salgado con Santander Consumer Chile S.A.", followed by the 3rd Civil Court of Santiago, Role C-35865-2018, on the Prescription of promissory notes, the amount of the claim is for \$ 11,270,414.

"Hawas con Santander Consumer Chile S.A." trial, followed by the 30th Civil Court of Santiago, Role C-890-2019, on Compensation for damages, the amount of the claim is for \$ 55,000,000.

Judgment "Morales con Santander Consumer Chile S.A.", followed before the 5th Local Police Court of Santiago, Role 21.309-M-2018, on Violation of Law No. 19.496.

b) Contingent loans

To meet customer needs, the Bank acquired several irrevocable commitments and contingent liabilities, although these obligations should not be recognized in the Consolidated Statement of Financial Position, these contain credit risks and are therefore part of the Bank's overall risk.

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

	As of March 31, 2020	As of December 31, 2019
	MCh\$	MCh\$
Contingent loans		
Letters of credit issued	150,219	140,572
Foreign letters of credit confirmed	45,531	70,192
Performance guarantees	1,287,713	1,929,894
Personal guarantees	410,627	451,950
Subtotal	1,894,090	2,592,608
On demand credit lines	8,860,472	8,732,422
Other irrevocable credit commitments	378,112	485,991
Total	11,132,674	11,811,021

NOTE 20
CONTINGENCIES AND COMMITMENTS, continued

c) Held securities

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

	As of March 31,	As of December 31,
	2020 MCh\$	2019 MCh\$
Third party operations		
Collections	80,031	90,966
Transferred financial assets managed by the Bank	20,509	21,507
Assets from third parties managed by the Bank and its affiliates (1)	1,489,649	1,592,845
Subtotal	1,591,089	1,705,318
Custody of securities		
Securities held in custody	11,561,980	9,731,894
Securities held in custody deposited in other entity	653,880	1,206,541
Issued securities held in custody	13,502,791	21,636,819
Subtotal	25,718,651	32,575,254
Total	27,309,740	34,280,572

(1) The Bank classified the portfolios managed by private banking in "Assets from third parties managed by the Bank and its affiliates", as of March 31, 2020, the balance for this was Ch\$1,489,614 million (Ch\$1,592,810 million at December 31, 2019).

d) Guarantees

Banco Santander-Chile has an integral bank policy of coverage of Official Loyalty N°5014196 in force with the company Compañía de Seguros Chilena Consolidada SA, Coverage for 50,000,000 USD per claim with an annual limit of 100,000,000 USD, which covers both the Bank and its subsidiaries, with an expiration date of June 30, 2020, which has been renewed.

Santander Asesorías Financieras Limitada

As of March 31, 2020, the Company has a guarantee, for UF 4,000 with insurance policy No. 217112981 taken with Compañía de Seguros de Crédito Continental S.A. with an expiration date of December 19, 2020.

Santander Corredores de Bolsa Limitada

i) As of March 31, 2020 the Company has comprehensive guarantees in the Santiago Stock Exchange to cover simultaneous operations carried out through its own portfolio for a total of Ch\$ 8,274 (Ch\$ 6,360 as of December 31, 2019).

ii) Additionally, as of March 31, 2020, the Company holds a guarantee in CCLV Contraparte Central S.A., in cash, for an amount of Ch\$ 9,800 (Ch\$ 9,300 as of December 31, 2019).

iii) In order to ensure the correct and full compliance of all its obligations as Brokerage Broker, in accordance with the provisions of articles 30 and following of Law N° 18,045 on Securities Market, the Company has delivered fixed-income securities to the Santiago Stock Exchange for a present value of Ch\$ 1,010 as of March 31, 2019 (Ch\$ 1,010 as of December 31, 2019).

iv) As of March 31, 2020, the company has a guarantee for equity loans in the amount of \$ 3,532 million (\$ 3,542 million as of December 31, 2019).

v) As of March 31, 2019, the Company has a guarantee slip N° B013383, from Banco Santander-Chile to comply with the provisions of general norm N° 120 of the CMF regarding the operation of placement agent, transfer and rescue of Morgan Stanley funds in the amount of USD \$ 300,000, which covers the participants who acquire shares of Morgan Stanley Sicav foreign open funds and whose maturity is February 21, 2020.

NOTE 20
CONTINGENCIES AND COMMITMENTS, continued

Santander Corredora de Seguros Limitada

- i) In accordance with those established in Circular N° 1,160 of the CMF, the company has contracted an insurance policy to respond to the correct and full compliance with all obligations arising from its operations as an intermediary in the hiring insurance.
- ii) The insurance policy for insurance brokers N° 4790718, which covers UF 500, and the professional liability policy for insurance brokers N° 4790716 for an amount equivalent to UF 60,000, were contracted with the Insurance Company Generales Chilena Consolidada SA Both are valid from April 15, 2019 to April 15, 2020.
- iii) The Company maintains a guarantee slip with Banco Santander-Chile to guarantee the faithful fulfillment of the public bidding rules of the tax and deductibility insurance plus ITP 2/3 of the mortgage portfolio for the housing of Banco Santander-Chile. This amounts to 10,000 UF for each portfolio respectively, both with an expiration date of July 31, 2021. For the same reason, the Company maintains a guarantee voucher in compliance with the public tender for fire and earthquake insurance, which amounts to 200 UF and 10,000 UF with the same financial institution, both with an expiration date as of December 31, 2020.

**NOTE 21
 EQUITY**

a) Capital

As of March 31, 2020 and December 31, 2019 the Bank has 188,446,126,794 shares outstanding amounting Ch\$ 891,303 million, all of which are subscribed for and paid in full. All shares have the same rights, and have no preferences or restrictions.

The movement in shares for the period of March 31, 2020 and December 31, 2019 is the following:

	Shares	
	As of March 31, 2020	As of December 31, 2019
Issued as of January 1	188,446,126,794	188,446,126,794
Issuance of paid shares	-	-
Issuance of outstanding shares	-	-
Stock options exercised	-	-
Issued a period end	188,446,126,794	188,446,126,794

As of March 31, 2020 and December 31, 2019 the Bank does not own any of its shares in treasury, nor do any of the consolidated companies.

As of March 31, 2020 the shareholder composition is the following:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon	-	25,059,442,871	25,059,442,871	13.30
Banks on behalf of third parties	15,603,644,575	-	15,603,644,575	8.28
Pension funds (AFP) on behalf of third parties	9,737,246,507	-	9,737,246,507	5.17
Stock brokers on behalf of third parties	5,618,579,453	-	5,618,579,453	2.98
Other minority holders	5,834,212,120	-	5,834,212,120	3.09
Total	163,386,683,923	25,059,442,871	188,446,126,794	100.00

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

NOTE 21
EQUITY, continued

As of December 31, 2019 the shareholder composition is the following:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon	-	24,822,041,271	24,822,041,271	13.17
Banks on behalf of third parties	15,957,137,883	-	15,957,137,883	8.47
Pension fund (AFP) on behalf of third parties	9,995,705,956	-	9,995,705,956	5.30
Stock brokers on behalf of third parties	5,551,024,270	-	5,551,024,270	2.95
Other minority holders	5,527,216,146	-	5,527,216,146	2.93
Total	163,624,085,523	24,822,041,271	188,446,126,794	100.00

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

b) Reserves

At a Board meeting on March 23, 2020, it was agreed to propose the distribution of dividends for 30% of the profits for the 2019 fiscal year equivalent to \$ 0.87891310 per share and to allocate 30% of the profits for the 2019 fiscal year to retained earnings and the remaining 40% to increase the Bank's reserves. See note No. 03.

c) Dividends

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

d) Diluted earnings per share and basic earnings per share

As of March 31, 2020 and December 31, 2019, the composition of diluted earnings per share and basic earnings per share are as follows:

	As of March 31,	
	2020 MCh\$	2019 MCh\$
a) Basic earnings per share		
Total attributable to equity holders of the Bank	144,014	125,430
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch\$)	0,764	0,666
Diluted earnings per share continuing operations (in Ch\$)		
b) Diluted earnings per share		
Total attributable to equity holders of the Bank	144,014	125,430
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Assumed conversion of convertible debt	-	-
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch\$)	0,764	0,666
Diluted earnings per share continuing operations (in Ch\$)		

As of March 31, 2020 and December 31, 2019, the Bank does not own instruments with dilutive effects.

NOTE 21
EQUITY, continued

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

	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$
Available for sale investments		
As of January 1,	30,398	6,424
Gain (losses) on the re-valuation of available for sale investments, before tax	(41,373)	(16,023)
Reclassification from other comprehensive income to net income for the year	-	-
Net income realized	(1,766)	39,997
Subtotal	(43,139)	23,974
Total	(12,741)	30,398
Cash flow hedges		
As of January 1,	(40,435)	9,803
Gains (losses) on the re-valuation of cash flow hedges, before tax	46,392	(49,163)
Reclassification and adjustments on cash flow hedges, before tax	782	(1,075)
Amounts removed from equity and included in carrying amount of non-financial asset (liability) whose acquisition or assignment was hedged as a highly probable transaction	-	-
Subtotal	47,174	(50,238)
Total	6,739	(40,435)
Other comprehensive income, before tax	(6,002)	(10,037)
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	(3,285)	(8,208)
Income tax relating to cash flow hedges	(1,819)	10,919
Total	1,466	2,711
Other comprehensive income, net of tax	(4,536)	(7,326)
Attributable to:		
Equity holders of the Bank	(5,293)	(8,093)
Non-controlling interest	757	767

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

NOTE 22
CAPITAL REQUIREMENTS (BASEL)

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

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

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

Type of contingent loan	Exposure
a) Pledges and other commercial commitments	100%
b) Foreign letters of credit confirmed	20%
c) Letters of credit issued	20%
d) Guarantees	50%
e) Interbank guarantee letters	100%
f) Available lines of credit	35%
g) Other loan commitments:	
- Higher education loans Law N°, 20.027	15%
- Other	100%
h) Other contingent loans	100%

On January 12, 2019, Law 21,130 that Modernizes Banking Legislation was published in the Official Gazette. This law introduces modifications, among other regulatory bodies, to the General Law of Banks (LGB), to Law 21,000 that created the Commission for the Financial Market, to the Organic Law of the State Bank of Chile and to the Tax Code.

Among the main changes introduced by this Law, the integration of the SBIF with the Commission for the Financial Market (CMF), new capital requirements in accordance with the international standards established by Basel III, as well as new limits for credit operations, stand out.

The new Law adopts the highest international standards in banking regulation and supervision, strengthening international competitiveness and contributing to the financial stability of Chile.

So far, the CMF (ex SBIF) has issued some standards in consultation with the 16 that are required for the full implementation of the new capital requirements:

- Identification of banks with systemic importance.
- New standardized methodology to determine the APRO of the bank.
- Methodology for calculating regulatory capital.
- Regulatory consultation on additional basic capital requirements for banks.
- Methodology to determine the credit risk weighted assets of banks.
- Hybrid instruments for the constitution of effective equity: preferred shares, bonds with no fixed maturity and subordinated bonds.
- Relationship between basic capital and total assets.

On March 30, 2020, the CPM informs on the flexibility to implement Basel III. In coordination with the Central Bank of Chile, they resolved to postpone the implementation of the capital requirements required by the standard by one year and to maintain the current general regulatory framework for banking capital requirements until December 2021.

NOTE 22
CAPITAL REQUIREMENTS (BASEL), continued

The levels of basic capital and effective net equity as of March 31, 2020 and December 31, 2019, are the following:

	Consolidated assets		Risk-weighted assets	
	As of March 31,	As of December 31,	As of March 31,	As of December 31,
	2020 MChs	2019 MChs	2020 MChs	2019 MChs
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	3,755,786	3,554,520	-	-
Cash in process of collection	615,922	355,062	160,174	112,948
Trading investments	552,889	270,204	60,532	26,825
Investments under resale agreements	-	-	-	-
Financial derivative contracts (*)	2,436,367	1,355,786	1,892,799	964,623
Interbank loans, net	12,935	14,833	12,932	14,833
Loans and accounts receivables from customers, net	33,435,231	31,823,735	28,767,192	27,316,050
Available for sale investment	3,048,068	4,010,272	300,736	258,958
Investments in associates and other companies	10,605	10,467	10,605	10,467
Intangible assets	70,298	73,389	70,298	73,389
Property, plant, and equipment	190,892	197,833	190,892	197,833
Right of use assets	208,041	210,500	208,041	210,500
Current taxes	13,989	11,648	1,399	1,165
Deferred taxes	469,653	462,867	46,965	46,287
Other assets(**)	1,528,906	1,434,308	1,511,648	1,421,361
Off-balance-sheet assets				
Contingent loans	4,569,519	4,938,194	2,737,866	2,823,713
Total	50,919,101	48,723,618	35,972,079	33,478,952

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

(**)On March 30, 2020, the CMF published circular No. 2248, which indicates that the CMF has authorized the presentation of net positions of derivatives and guarantees granted to third parties, under the protection of bilateral compensation agreements recognized by the Central Bank of Chile. For purposes of computing assets for capital adequacy.

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

	Ratio			
	As of March 31,	As of December 31,	As of March 31,	As of December 31,
	2020 MChs	2019 MChs	2020 %	2019 %
Basic capital	3,494,433	3,390,823	6.86	6.96
Effective net equity	4,584,313	4,304,401	12.74	12.86

NOTE 23
NON-CONTROLLING INTEREST

a) It reflects the net amount of equity of dependent entities attributable to capital instruments which do not belong, directly or indirectly, to the Bank, including the portion of the income for the period that has been attributed to them.

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

As of March 31, 2020	Non controlling interest %	Equity MCh\$	Income MCh\$	Other comprehensive income			Comprehensive income MCh\$
				Available for sale investments MCh\$	Deferred tax MCh\$	Total other comprehensive income MCh\$	
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	179	1	(5)	1	(4)	(3)
Santander Corredores de Bolsa Limitada	49.41	22,576	275	204	(210)	(6)	269
Santander Asesorías Financieras Limitada	0.97	500	2	-	-	-	2
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Klars Corredora de Seguros S.A.	49.90	3,691	(92)	-	-	-	(92)
Santander Consumer Finance Limitada	49.90	24,488	853	-	-	-	853
Subtotal		51,436	1,069	199	(209)	(10)	1,059
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	4,808	(465)	-	-	-	(465)
Bansa Santander S.A.	100.00	19,565	216	-	-	-	216
Multiplica Spa	100.00	4,476	(19)	-	-	-	(19)
Subtotal		28,849	(268)	-	-	-	(268)
Total		80,285	801	199	(209)	(10)	791
As of December 31, 2019	Non-controlling interest %	Equity MCh\$	Income MCh\$	Other comprehensive income			Comprehensive income MCh\$
				Available for sale investments MCh\$	Deferred tax MCh\$	Total other comprehensive income MCh\$	
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	178	6	1	-	1	7
Santander Corredores de Bolsa Limitada	49.41	22,301	625	(261)	71	(190)	435
Santander Asesorías Financieras Limitada	0.97	498	9	-	-	-	9
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Klars Corredora de Seguros S.A.	49.90	3,782	(503)	-	-	-	(503)
Santander Consumer Chile S.A.	49.90	24,425	1,405	-	-	-	1,405
Subtotal		51,186	1,542	(260)	71	(189)	1,353
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	3,777	1,031	-	-	-	1,031
Bansa Santander S.A. (1)	100.00	20,051	(496)	-	-	-	(496)
Multiplica Spa	100.00	4,480	(4)	-	-	-	(4)
Subtotal		28,308	541	-	-	-	541
Total		79,494	2,083	(260)	71	(189)	1,894

NOTE 23
NON-CONTROLLING INTEREST, continued

As of March 31, 2019	Non-controlling interest %	Equity MChS	Income MChS	Other comprehensive income			Comprehensive income MChS
				Available for sale investments MChS	Deferred tax MChS	Total other comprehensive income MChS	
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	173	1	-	-	-	1
Santander Corredores de Bolsa Limitada	49.41	21,736	64	-	-	-	64
Santander Agente de Valores Limitada	0.97	490	2	-	-	-	2
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Subtotal		22,401	67	-	-	-	67
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	3,904	127	-	-	-	127
Bansa Santander S.A.	100.00	20,086	35	-	-	-	35
Subtotal		23,990	162	-	-	-	162
Total		46,391	229	-	-	-	229

b) A summary of the financial information of subsidiaries included in the consolidation with non-controlling interests (before consolidation or conforming adjustments) is as follows:

		As of March 31,				As of December 31,			
		2020				2019			
		Assets MChS	Liabilities MChS	Capital MChS	Net Income MChS	Assets MChS	Liabilities MChS	Capital MChS	Net Income MChS
Santander Corredora de Seguros Limitada	Filial	84,837	13,702	70,580	555	82,918	12,372	68,159	2,387
Santander Corredores de Bolsa Limitada	Filial	138,878	93,190	45,131	557	1,479,974	1,434,843	43,866	1,265
Santander Asesorías Financieras Limitada (*)	Filial	51,687	43	51,454	190	51,505	51	50,481	973
Santander S.A. Sociedad Securitizadora	Filial	641	103	548	(10)	636	88	639	(91)
Klare Corredora de Seguros S.A.	Filial	7,991	595	7,579	(183)	8,303	724	8,586	(1,007)
Santander Consumer Finance Limitada	Filial	507,231	456,036	49,261	1,934	505,059	452,528	39,951	12,580
Santander Gestión de Recaudación y Cobranzas Limitada	EPE	7,442	3,099	4,808	(465)	8,200	3,392	3,777	1,031
Bansa Santander S.A.	EPE	88,561	68,780	19,565	216	87,607	68,042	20,051	(486)
Multiplica Spa	EPE	4,466	9	4,476	(19)	4,480	4	4,480	(4)
Total		891,734	635,557	253,402	2,775	2,228,682	1,972,044	239,990	16,648

NOTE 24
INTEREST INCOME

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

a) As of March 31, 2020 and 2019, the income from interest income, not including income from hedge accounting, is attributable to the following items:

Items	As of March 31,							
	2020				2019			
	Interest MCh\$	Inflation adjustments MCh\$	Prepaid fees MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Prepaid fees MCh\$	Total MCh\$
Resale agreements	47	-	-	47	192	-	-	192
Interbank loans	25	-	-	25	112	-	-	112
Commercial loans	187,920	65,980	2,625	256,525	196,856	397	2,472	199,725
Mortgage loans	82,320	115,328	265	197,913	85,465	887	109	86,461
Consumer loans	152,794	131	1,672	154,597	145,730	37	1,781	147,548
Investment instruments	15,634	9,809	-	25,443	18,902	(42)	-	18,860
Other interest income	5,894	806	-	6,700	4,328	(65)	-	4,263
Interest income without income from hedge accounting	444,634	192,054	4,562	641,250	451,585	1,214	4,362	457,161

b) As indicated in section i) of Note 1, suspended interest relates to loans with payments over 90 days overdue, which are recorded in off-balance sheet accounts until they are effectively received.

As of March 31, 2020 and December 31, 2019, the suspended interest and adjustments income consists of the following:

Items	As of March 31,			As of December 31,		
	2020			2019		
	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$
Commercial loans	13,991	9,957	23,948	13,705	8,238	21,943
Mortgage loans	3,196	8,400	11,596	3,064	5,283	8,347
Consumer loans	3,863	268	4,131	4,029	301	4,330
Total	21,050	18,625	39,675	20,798	13,822	34,620

NOTE 24
INTEREST INCOME, continued

c) As of March 31, 2020 and 2019, the expenses from interest expense, excluding expense from hedge accounting, are as follows:

Items	As of March 31,					
	2020			2019		
	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$
Demand deposits	(3,456)	(561)	(4,017)	(3,212)	4	(3,208)
Repurchase agreements	(1,161)	-	(1,161)	(1,696)	-	(1,696)
Time deposits and liabilities	(64,157)	(10,945)	(75,102)	(88,108)	153	(87,955)
Interbank borrowings	(13,641)	-	(13,641)	(12,699)	-	(12,699)
Issued debt instruments	(66,977)	(54,532)	(121,509)	(59,933)	(97)	(60,030)
Other financial liabilities	(431)	(6)	(437)	(316)	-	(316)
Obligations for lease agreements	(703)	-	(703)	(755)	-	(755)
Other interest expense	(5,095)	(7,358)	(12,453)	(2,650)	(145)	(2,795)
Interest expense without expenses from hedge accounting	(155,621)	(73,402)	(229,023)	(169,369)	(85)	(169,454)

d) As of March 31, 2020 and 2019, the income and expense from interest is as follows:

Items	As of March 31,	
	2020 MCh\$	2019 MCh\$
Interest income less income from hedge accounting	641,250	457,161
Interest expense less expense from hedge accounting	(229,023)	(169,454)
Net interest income (expense) from hedge accounting	412,227	287,707
Hedge accounting (net)	(23,928)	34,994
Total net interest income	388,299	322,701

NOTE 25
FEES AND COMMISSIONS

a) Fees and commissions includes the value of fees earned and paid during the year, except those which are an integral part of the financial instrument's effective interest rate:

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Fee and commission income		
Fees and commissions for lines of credits and overdrafts	1,735	1,560
Fees and commissions for guarantees and letters of credit	9,486	8,731
Fees and commissions for card services	56,128	56,154
Fees and commissions for management of accounts	8,841	8,829
Fees and commissions for collections and payments	9,272	8,349
Fees and commissions for intermediation and management of securities	3,181	2,467
Fees and commissions for insurance marketing	11,625	11,021
Office banking	3,651	3,277
Fees for other services rendered	12,029	11,000
Other fees earned	9,702	9,978
Total	125,690	121,366
Fee and commission expense		
Compensation for card operations	(39,743)	(41,544)
Fees and commissions for securities transactions	(266)	(270)
Office banking	(467)	(435)
Other fees	(19,769)	(8,442)
Total	(51,245)	(50,691)
Net fees and commissions income	(74,405)	70,675

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

NOTE 25
FEES AND COMMISSIONS, continued

b) Income and expenses from commissions that are generated through the different segments of the business are presented in the following chart as well as the calendar which recognizes ordinary activity income.

As of March 31, 2020	Segments					Calendar recognizing ordinary activity income		
	Retail Banking Mch\$	Middle Market Mch\$	Global Corporate Banking Mch\$	Others Mch\$	Total Mch\$	Transferred through time Mch\$	Transferred in an exact moment Mch\$	Accrual model Mch\$
Fee and commission income								
Fees and commissions for lines of credits and overdrafts	1.591	141	1	2	1.735	1.735	-	-
Fees and commissions for guarantees and letters of credit	2.928	4.615	1.896	47	9.486	9.486	-	-
Fees and commissions for card services	52.869	2.143	1.098	18	56.128	11.522	44.606	-
Fees and commissions for management of accounts	7.999	621	219	2	8.841	8.841	-	-
Fees and commissions for collections and payments	8.824	327	92	29	9.272	-	4.055	5.217
Fees and commissions for intermediation and management of securities	798	47	2.185	151	3.181	-	3.181	-
Fees and commissions for insurance marketing	11.625	-	-	-	11.625	-	-	11.625
Office banking	2.481	994	176	-	3.651	-	3.651	-
Fees for other services rendered	10.812	968	233	16	12.029	-	12.029	-
Other fees earned	3.640	3.369	2.746	53	9.702	-	9.702	-
Totals	103.567	13.225	8.646	212	125.650	31.584	77.224	16.842
Fee and commission expense								
Compensation for card operations	(38.540)	(957)	(246)	-	(39.743)	-	(39.743)	-
Fees and commissions for securities transactions	-	-	(13)	(253)	(266)	-	(266)	-
Office banking	(298)	(98)	(71)	-	(467)	-	(467)	-
Other fees	(6.397)	(1.460)	(1.893)	(1.019)	(10.769)	-	(10.769)	-
Totals	(45.235)	(2.515)	(2.223)	(1.272)	(51.245)	-	(51.245)	-
Net fees and commissions income	58.332	10.710	6.423	(1.060)	74.405	31.584	25.979	16.842

NOTE 25
FEES AND COMMISSIONS, continued

Income and expenses from commissions that are generated through the different segments of the business are presented in the following chart as well as the calendar which recognizes ordinary activity income, continued:

As of March 31, 2019	Segments					Calendar recognizing ordinary activity income		
	Retail Banking Mch\$	Middle Market Mch\$	Global Corporate Banking Mch\$	Others Mch\$	Total Mch\$	Transferred through time Mch\$	Transferred in an exact moment Mch\$	Accrual model Mch\$
Fee and commission income								
Fees and commissions for lines of credits and overdrafts	1,484	65	10	1	1,560	1,1560	-	-
Fees and commissions for guarantees and letters of credit	2,235	4,395	1,592	9	8,731	8,731	-	-
Fees and commissions for card services	54,302	1,580	246	26	56,154	9,655	46,499	-
Fees and commissions for management of accounts	8,005	621	203	-	8,829	8,829	-	-
Fees and commissions for collections and payments	9,753	353	115	(1,872)	8,349	-	3,207	5,142
Fees and commissions for intermediation and management of securities	768	39	2,465	(805)	2,467	-	2,467	-
Fees and commissions for insurance marketing	11,021	-	-	-	11,021	-	-	11,021
Office banking	2,222	921	134	-	3,277	-	3,277	-
Fees for other services rendered	9,795	902	225	78	11,000	-	11,000	-
Other fees earned	2,726	3,191	3,972	89	9,978	-	9,978	-
Totals	102,811	12,067	8,962	2,474	121,366	28,775	76,428	16,163
Fee and commission expense								
Compensation for card operations	(40,591)	(835)	(81)	(37)	(41,544)	-	(41,544)	-
Fees and commissions for securities transactions	-	-	(10)	(260)	(270)	-	(270)	-
Office banking	(277)	(91)	(66)	(1)	(435)	-	(435)	-
Other fees	(4,777)	(1,227)	(1,227)	(1,217)	(8,442)	-	(8,442)	-
Totals	(45,645)	(2,153)	(1,378)	(1,515)	(50,691)	-	(50,691)	-
Net fees and commissions income	57,166	9,914	7,584	(3,889)	70,675	28,775	25,737	16,163

NOTE 26
NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

Includes the amount of the adjustments from the financial instruments variation, except those attributable to the interest accrued by the application of the effective interest rate method of the value adjustments of the assets, as well as the results obtained in their sale.

As of March 31, 2020 and 2019, the detail of income from financial operations is as follows:

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Profit and loss from financial operations		
Trading derivatives	147,716	(182,196)
Trading investments	(4,261)	3,489
Sale of loans and accounts receivables from customers		
Current portfolio	-	-
Charged-off portfolio	11	771
Available for sale investments	8,455	10,402
Repurchase of issued bonds (1)	5,043	(861)
Other profit and loss from financial operations	(1,270)	(115)
Total	155,694	(168,510)

(1) As of March 31, 2020 the Bank hasn't made any repurchases of bonds, see Note 3.

NOTE 27
NET FOREIGN EXCHANGE INCOME

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

As of March 31, 2020 and 2019, net foreign exchange income is as follows:

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Net foreign exchange gain (loss)		
Net gain (loss) from currency exchange differences	(505,007)	246,982
Hedging derivatives	356,810	(37,476)
Income from assets indexed to foreign currency	15,350	(2,151)
Income from liabilities indexed to foreign currency	-	-
Total	(132,847)	207,355

NOTE 28
PROVISIONS FOR LOAN LOSSES

a) The movement in provisions for loan losses registered as of March 31, 2020 and 2019 is the following:

As of March 31, 2020	Interbank loans Individual MCh\$	Loans and accounts receivable from customers						Additional Provisions MCh\$	Total MCh\$	
		Commercial loans		Mortgage loans	Consumer loans		Contingent loans			
		Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	Individual MCh\$	Group MCh\$			
Charged-off of loans	-	(7.831)	(15.103)	(2.842)	(1.908)	-	-	-	(27.584)	
Provisions established	(3)	(32.507)	(23.034)	(3.438)	(64.233)	(1.792)	(707)	-	(125.714)	
Total provisions and charge-offs	(3)	(40.438)	(38.137)	(6.280)	(65.741)	(1.792)	(707)	-	(153.098)	
Provisions released (*)	9	2.632	6.072	2.842	16.184	141	262	-	26.142	
Recovery of loans previously charged-off	-	8.171	2.702	2.805	8.408	-	-	-	22.086	
Net charge to income	6	(28.635)	(29.363)	(633)	(41.149)	(1.651)	(445)	-	(102.870)	

As of March 31, 2019	Interbank loans Individual MCh\$	Loans and accounts receivable from customers						Additional Provisions MCh\$	Total MCh\$	
		Commercial loans		Mortgage loans	Consumer loans		Contingent loans			
		Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$	Individual MCh\$	Group MCh\$			
Charged-off of loans	-	(2.862)	(6.882)	(3.582)	(18.866)	-	-	-	(32.192)	
Provisions established	(28)	(21.361)	(20.337)	(5.197)	(42.757)	(1.451)	(455)	-	(91.586)	
Total provisions and charge-offs	(28)	(24.223)	(27.219)	(8.779)	(61.623)	(1.451)	(455)	-	(123.778)	
Provisions released (*)	5	11.982	4.700	1.912	6.943	506	145	-	26.139	
Recovery of loans previously charged-off	-	2.932	3.487	4.313	10.579	-	-	-	21.311	
Net charge to income	(23)	(9,309)	(19,032)	(2,554)	(44,101)	(945)	(310)	-	(76,274)	

b) The detail for Charge-off to individually significant loans, is the following:

As of March 31, 2020	Loans and accounts receivable from customers						Total MCh\$
	Commercial loans		Mortgage loans	Consumer loans			
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$			
Charge-off of loans	12.858	27.739	4.600	63.837	-	109.034	
Provision applied	(4.927)	(12.636)	(1.758)	(62.329)	-	(81.650)	
Net charge offs of individually significant loans	7.931	15.103	2.842	1.508	-	27.384	

As of March 31, 2019	Loans and accounts receivables from customers						Total MCh\$
	Commercial loans		Mortgage loans	Consumer loans			
	Individual MCh\$	Group MCh\$	Group MCh\$	Group MCh\$			
Charge-off of loans	9.821	23.240	7.562	57.736	-	98.356	
Provision applied	(6.959)	(16.358)	(3.980)	(38.870)	-	(66.167)	
Net charge offs of individually significant loans	2.862	6.882	3.582	18.866	-	32.192	

NOTE 29
PERSONNEL SALARIES AND EXPENSES

As of March 31, 2020 and 2019, the composition for personnel salaries and expenses is the following:

	As of March 31,	
	2020 MCh\$	2019 MCh\$
Personnel compensation	60,466	58,593
Bonuses or gratuities	23,482	18,822
Stock-based benefits	(2,136)	(132)
Seniority compensation	5,428	5,489
Pension plans	327	(64)
1,083Training expenses	998	1,083
Day care and kindergarden	751	813
Health and welfare funds	1,696	1,617
Other personnel expenses	8,882	8,336
Total	99,834	94,557

Share-based compensation (settled in cash)

In accordance with IFRS 2, equity instruments settled in cash are allocated to executives of the Bank and its Subsidiaries as a form of compensation for their services.

The Bank measures the services received and the cash obligation at fair value at the end of each reporting period and on the settlement date, recognizing any change in fair value in the income statement for the period.

NOTE 30
ADMINISTRATIVE EXPENSES

As of March 31, 2020 and 2019, the composition for administrative expenses is the following:

	As of March 31,	
	2020 MChS	2019 MChS
General administrative expenses	36,829	33,174
Maintenance and repair of property, plant and equipment	5,395	4,761
Expenses for short-term lease agreements	1,002	1,672
Other expenses from lease obligations	28	33
Insurance premiums	1,310	879
Office supplies	1,108	1,395
IT and communication expenses	16,483	12,325
Lighting, heating, and other utilities	1,418	1,273
Security and valuables transport services	3,541	3,736
Representation and personnel travel expenses	551	704
Judicial and notarial expenses	227	342
Fees for technical reports and auditing	1,917	2,431
Other expenses of obligations for lease agreements	3,849	3,623
Outsourced services	18,821	19,934
Data processing	7,773	6,398
Archive service	823	867
Valuation service	816	831
Outsourced staff	4,190	4,068
Other	5,219	5,770
Board expenses	354	315
Marketing expenses	4,994	3,569
Taxes, payroll taxes, and contributions	2,626	2,569
Real estate taxes	451	443
Patents	584	540
Other taxes	3	-
Contributions to CMF (ex SBIF)	1,588	1,361
Total	63,624	59,336

**NOTE 31
DEPRECIATION, AMORTIZATION AND IMPAIRMENT**

a) The values of depreciation and amortization during March 31, 2020 and 2019 are detailed below:

	As March 31,	
	2020 MCh\$	2019 MCh\$
Depreciation and amortization		
Property, plant, and equipment depreciation	11,518	11,968
Intangible assets amortization	6,552	6,316
Amortization for Right of use assets (*)	9,644	7,879
Total depreciation and amortization	27,714	26,163
Impairment of fixed assets	-	-
Impairment of intangibles	638	-
Totales	28,352	26,163

(*) By application of IFRS 16, according to circular Banks No. 3,645 of the CMF (ex SBIF) a new charge line for depreciation and amortization is added.

As of March 31, 2020, the impairment amount of fixed assets amounts \$0 million (\$39 million as of March 31, 2019), mainly due to ATM incidents (such robbery or damage to ATMs).

b) The changes in book value due to depreciation and amortization for March 31, 2020 and 2019 are the following:

	Depreciation and amortization 2020			
	Property, plant, and equipment MCh\$	Intangible assets MCh\$	Right of use assets MCh\$	Total MCh\$
Balances as of January 1, 2020	(266,895)	(176,613)	(99,445)	(546,440)
Depreciation and amortization for the period	(11,518)	(6,552)	(9,644)	(27,714)
Sales and disposals in the period	4,131	-	5,275	9,406
Other	-	-	-	-
Balance as of March 31, 2020	(274,282)	(183,165)	(103,814)	564,748

	Depreciation and amortization 2019			
	Property, plant, and equipment MCh\$	Intangible assets MCh\$	Right of use assets MCh\$	Total MCh\$
Balances as of January 1, 2019	(290,466)	(151,492)	(33,977)	(475,935)
Depreciation and amortization for the period	(11,968)	(6,316)	(7,879)	(26,163)
Sales and disposals in the period	34,122	1,228	138	35,488
Other	-	-	-	-
Balance as of March 31, 2019	(268,312)	(159,580)	(41,718)	(466,610)

NOTE 32
OTHER OPERATING INCOME AND EXPENSES

a) Other operating income is conformed by the following concepts:

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Income from assets received in lieu of payment		
Income from sale of assets received in lieu of payment	1,079	1,556
Recovery of charge-offs and income from assets received in lieu of payment	2,841	3,149
Other income from assets received in lieu of payment	1,589	191
Subtotal	5,509	4,896
Provisions released due to contingencies (1)		
Subtotal	-	44
Subtotal	5,509	4,940
Other income		
Income from sale of fixed assets	164	50
Compensation from insurance companies due to damages	89	-
Ingresos distintos a intereses y comisiones por contratos de arrendamiento	-	4
Other	649	162
Subtotal	902	216
Total	6,411	5,156

(1) The bank maintained provisions due to contingencies according to IAS 37, which during 2019 resulted in favor of the bank.

b) Other operating expenses is conformed by the following concepts:

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Allowances and expenses for assets received in lieu of payment		
Charge-offs of assets received in lieu of payment	5,949	2,622
Provisions on assets received in lieu of payment	941	212
Expenses for maintenance of assets received in lieu of payment	397	526
Subtotal	7,287	3,360
Credit card expenses	210	354
Customer services	354	512
Other expenses		
Operating charge-offs	155	72
Life insurance and general product insurance policies	5,827	5,402
Additional tax on expenses paid overseas	-	-
Gain (Loss) for sale of PP&E	-	11
Provisions for contingencies	5,285	1,489
Expense for the Retail Association	34	891
Perdida por venta de participación en sociedades	19	-
Other	1,886	2,074
Subtotal	13,206	9,939
Total	21,057	14,165

NOTE 33
TRANSACTIONS WITH RELATED PARTIES

Associated and dependent entities are the Bank's "related parties", however, this also includes its "key personnel" from the executive staff (members of the Bank's Board of Directors and Managers of Banco Santander-Chile and its affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

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

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

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

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

Companies with relation to the Santander Group

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

Associated companies

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

Key personnel

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

Other

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

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

NOTE 33
TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties

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

	As of March 31,				As of December 31,			
	2020				2019			
	Santander Group Companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Santander Group Companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$
Loans and accounts receivable	329,490	341	3,800	715				
Commercial loans	-	-	21,768	-	246,868	375	2,986	685
Mortgage loans	-	-	5,476	-	-	-	20,473	-
Consumer loans	329,490	341	31,044	715	-	-	5,781	-
Loans and account receivable					246,868	375	29,240	685
Provision for loan losses	(891)	(9)	(124)	(10)	(122)	(182)	(179)	(10)
Net loans	328,599	332	30,920	705	246,746	193	29,061	675
Guarantees					462,513		23,918	288
Contingent loans								
Personal guarantees	-	-	-	-	-	-	-	-
Letters of credit	4,059	-	-	136	4,112	-	-	63
Performance guarantees	568,203	-	-	-	464,691	-	-	-
Contingent loans	572,262			136	468,803			63
Provision for contingent loans	(6)	-	-	-	(835)	-	-	-
Net contingent loans	572,256				467,968			63

Loans regarding activity with related parties during the periods of 2020 and 2019 is the following:

	As of March 31,				As of December 31,			
	2020				2019			
	Santander Group companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$	Santander Group companies MCh\$	Associated companies MCh\$	Key personnel MCh\$	Other MCh\$
Opening balances as of January 1,	715,897	375	29,240	748	572,745	459	33,871	7,899
Loans granted	208,326	-	2,879	118	193,798	167	4,826	500
Loan payments	(22,471)	(34)	(1,075)	(15)	(50,872)	(251)	(9,457)	(7,651)
Total	901,752	341	31,044	851	715,671	375	29,240	748

NOTE 33
TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of March 31,				As of December 31,			
	2020				2019			
	Santander Group Companies	Associated companies	Key personnel	Other	Santander Group Companies	Associated companies	Key personnel	Other
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Assets								
Cash and deposits in banks	138,574	-	-	-	171,816	-	-	-
Trading investments	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-
Financial derivative contracts	3,347,728	481,560	-	139	2,058,715	218,610	-	55
Available for sale investments	-	-	-	-	-	-	-	-
Other assets	700,568	199,692	-	-	185,317	210,579	-	-
Liabilities								
Deposits and other demand liabilities	106,974	41,689	5,898	748	25,261	93,761	4,624	566
Obligations under repurchase agreements	132,078	-	339	-	138,498	5,000	270	80
Time deposits and other time liabilities	2,485,654	-	6,591	2,142	1,183,235	282,171	4,246	2,204
Financial derivative contracts	3,673,299	554,709	-	6	2,159,660	288,013	-	3
Bank obligation	-	-	-	-	-	-	-	-
Issued debts instruments	539,778	-	-	-	363,154	-	-	-
Other financial liabilities	14,241	-	-	-	6,231	-	-	-
Other liabilities	6,840	119,801	-	-	8,130	146,164	-	-

c) Recognized income (expense) with related parties

	As of March 31,								
	2020				2019				
	Companies with relation to the Santander Group	Associated companies	Key personnel	Other	Companies with relation to the Santander Group	Associated companies	Key personnel	Other	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Income (expense) recorded									
Income and expenses from interest and inflation		(13,243)	6	381	(2)	(41,181)	(5,235)	1,151	26
Fee and commission income and expenses		32,258	30,025	40,246	6,207	28,274	14,499	232	28
Net income (expense) from financial operations and foreign exchange transactions (*)		(936,823)	16,211	-	-	(586,318)	(84,236)	-	-
Other operating income and expenses		124	(4,594)	-	-	406	(2,026)	-	-
Key personnel compensation and expenses		-	-	(7,374)	-	-	-	(8,527)	-
Administrative and other expenses		(15,807)	(6,147)	-	-	(11,877)	(47,757)	-	-
Total		(933,492)	35,501	33,253	6,205	(610,696)	(124,755)	(7,44)	54

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

NOTE 33
TRANSACTIONS WITH RELATED PARTIES, continued

d) Payment to Board members and key management personnel

The compensation received by key management personnel, including Board members and all the executives holding Manager positions, is shown in the "Personnel salaries and expenses" and/or "Administrative expenses" of the Consolidated Interim Statements of Income, and detailed as follows:

	As of March 31,	
	2020	2019
	MCh\$	MCh\$
Personnel compensation	4,019	3,707
Board member's salaries and expenses	336	315
Bonuses or gratuity	4,207	4,203
Compensation in stock	(2,136)	(132)
Training expenses	36	2
Seniority compensation	344	352
Health funds	69	65
Other personnel expenses	171	79
Pension Plans (*)	327	(64)
Total	7,374	8,527

e) Composition of key personnel

As of March 31, 2020 and December 31, 2019, the composition of the Bank's key personnel is as follows:

Position	N° of executives	
	As of March 31,	As of December 31,
	2020	2019
Directors	11	11
Division managers	13	13
Managers	99	106
Total key personnel	123	130

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the main market (or the most advantageous) at the measurement date in the current market conditions (in other words, an exit price) regardless of whether that price is directly observable or estimated by using a different valuation technique. The measurement of fair value assumes the sale transaction of an asset or the transference of the liability happens within the main asset or liability market, or the most advantageous market for the asset or liability.

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

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

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of March 31, 2020 and December 31, 2019:

	As of March 31, 2020		As of December 31, 2019	
	Book value MCh\$	Fair value MCh\$	Book value MCh\$	Fair value MCh\$
Assets				
Trading investments	552,889	552,889	270,204	270,204
Financial derivative contracts	14,925,196	14,925,196	8,148,608	8,148,608
Loans and accounts receivable from customers and interbank loans, (net)	33,448,166	35,833,052	31,838,568	34,668,858
Investments available for sale	3,048,071	3,048,071	4,010,272	4,010,272
Guarantee deposits (margin accounts)	626,522	626,522	314,616	314,616
Liabilities				
Deposits and interbank borrowings	28,260,943	28,340,680	26,010,067	26,200,921
Financial derivative contracts	13,367,012	13,367,012	7,390,654	7,390,654
Issued debt instruments and other financial liabilities	10,562,846	11,307,094	9,727,081	10,718,997
Guarantees received (margin accounts)	1,382,582	1,382,582	994,714	994,714

Fair value is approximated to book value in the following accounts, due to their short-term nature in the following cases: cash and bank deposits, operations with liquidation in progress and buyback contracts as well as security loans.

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

Below is a detail of the methods used to estimate the financial instruments' fair value.

a) Operations pending settlement, trading investments, available for sale investment instruments, repurchase agreements and securities loans

The estimated fair value of these financial instruments was established using market values or estimates from an available dealer, or quoted market prices of similar financial instruments. Investments with maturities of less than 1 year are evaluated at recorded value since they are considered as having a fair value not significantly different from their recorded value, due to their short maturity term. To estimate the fair value of debt investments or representative values in these lines of businesses, we take into consideration additional variables and elements, as long as they apply, including the estimate of prepayment rates and credit risk of issuers.

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

b) Loans and accounts receivable from customers and interbank loans

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

c) Deposits

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

d) Short and long term issued debt instruments

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

e) Financial derivative contracts

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

The fair value of interest rate swaps represents the estimated amount that the Bank expects to receive to cancel the contracts or agreements, considering the term structures of the interest curve, volatility of the underlying asset and credit risk of counterparties.

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

Fair value and hierarchy measurement

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

- Level 1: the inputs are quoted prices (unadjusted) on active markets for identical assets and liabilities that the Bank can access on the measurement date.
- Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

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

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

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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

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

- Chilean Government and Department of Treasury bonds

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

The following financial instruments are classified under Level 2:

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

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

The following financial instruments are classified under Level 3:

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

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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

The following table presents the assets and liabilities that are measured at fair value on a recurring basis, as of March 31, 2020 and December 31, 2019.

As of March 31,	Fair value measurement			
	2020 MChs	Level 1 MChs	Level 2 MChs	Level 3 MChs
Assets				
Trading investments	552,889	546,467	6,432	-
Available for sale investments	3,048,071	3,031,124	16,352	595
Derivatives	14,925,196	-	14,917,588	7,608
Guarantee deposits (margin accounts)	626,522	-	626,522	-
Total	19,152,678	3,577,591	15,566,894	8,203
Liabilities				
Derivatives	13,367,012	-	13,364,947	2,065
Guarantees received (margin accounts)	1,382,582	-	1,382,582	-
Total	14,749,594	-	14,747,529	2,065

As of December 31,	Fair value measurement			
	2019 MChs	Level 1 MChs	Level 2 MChs	Level 3 MChs
Assets				
Trading investments	270,204	270,204	-	-
Available for sale investments	4,010,272	3,992,421	17,146	705
Derivatives	8,148,608	-	8,133,700	14,908
Guarantee deposits (margin accounts)	314,616	-	314,616	-
Total	12,743,700	4,262,625	8,465,462	15,613
Liabilities				
Derivatives	7,390,654	-	7,387,704	2,950
Guarantees received (margin accounts)	994,714	-	994,714	-
Total	8,385,368	-	8,382,418	2,950

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the assets and liabilities that are not measured at fair value in the consolidated statement of financial position. Its fair value is disclosed as of March 31, 2020 and December 31, 2019:

As of March 31,	Fair value measurement			
	2020 MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Credits and accounts receivable from customers and owed by banks	35,833,052	-	-	35,833,052
Total	35,833,052	-	-	35,833,052
Liabilities				
Deposits and obligations with banks	28,340,680	-	17,293,055	11,047,625
Debt instruments issued and other obligations	11,307,094	-	11,307,094	-
Total	39,647,774	-	28,600,149	11,047,625
As of December 31,				
	2019 MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Credits and accounts receivable from customers and owed by banks	34,668,858	-	-	34,668,858
Total	34,668,858	-	-	34,668,858
Liabilities				
Deposits and obligations with banks	26,200,921	-	15,903,489	10,297,432
Debt instruments issued and other obligations	10,718,997	-	10,718,997	-
Total	36,919,918	-	26,622,486	10,297,432

There was no transfer between levels 1 and 2 for the years ended March 31, 2020 and December 31, 2019.

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of March 31, 2020 and 2019:

	Assets MCh\$	Liabilities MCh\$
As of January 1, 2020	15,613	2,950
Total realized and unrealized profits (losses)		
Included in statement of income	(7,300)	(885)
Included in other comprehensive income	(110)	-
Purchases, issuances, and loans (net)	-	-
As of March 31, 2020	8,203	2,065
Total profits or losses included in comprehensive income at March 31, 2020 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2019	(7,410)	(855)
	Assets MCh\$	Liabilities MCh\$
As of January 1, 2019	12,193	795
Total realized and unrealized profits (losses)		
Included in statement of income	(1,089)	(795)
Included in other comprehensive income	-	-
Purchases, issuances, and loans (net)	-	-
As of March 31, 2019	11,104	-
Total profits or losses included in comprehensive income at March 31, 2019 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2017	(1,089)	(795)

The realized and unrealized profits (losses) included in comprehensive income for 2020 and 2019, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Interim Statement of Comprehensive Income in the associate line item.

The potential effect as of March 31, 2020 and 2019 on the valuation of assets and liabilities valued at fair value on a recurrent basis through unobservable significant entries (level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

NOTE 34
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following tables show the financial instruments subject to compensation in accordance with IAS 32, for 2020 and 2019:

As of March 31, 2020	Linked financial instruments, compensated in balance			Remains of unrelated and / or unencumbered financial instruments	Amount in Statements of Financial Position
	Gross amounts	Compensated in balance	Net amount presented in balance		
	Ch\$ Million	Ch\$ Million	Ch\$ Million		
Assets					
Financial derivative contracts	14,463,347	-	14,463,347	461,849	14,925,196
Investments under resale agreements	-	-	-	-	-
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	33,448,166	33,448,166
Total	14,463,347	-	14,463,347	33,910,015	48,373,362
Financial derivative contracts	12,801,553	-	12,801,553	565,459	13,367,012
Investments under resale agreements	252,621	-	252,621	-	252,621
Deposits and interbank borrowings	-	-	-	28,260,943	28,260,943
Total	13,054,174	-	13,054,174	28,826,402	41,880,576

As of December 31, 2019	Linked financial instruments, compensated in balance			Remains of unrelated and / or unencumbered financial instruments	Amount in Statements of Financial Position
	Gross amounts	Compensated in balance	Net amount presented in balance		
	Ch\$ Million	Ch\$ Million	Ch\$ Million		
Assets					
Financial derivative contracts	8,148,151	-	8,148,151	457	8,148,608
Investments under resale agreements	-	-	-	-	-
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	31,838,567	31,838,567
Total	8,148,151	-	8,148,151	31,839,024	39,987,175
Financial derivative contracts	7,388,145	-	7,388,145	2,509	7,390,654
Investments under resale agreements	380,055	-	380,055	-	380,055
Deposits and interbank borrowings	-	-	-	26,010,067	26,010,067
Total	7,768,200	-	7,768,200	26,012,576	33,780,776

NOTE 35
RISK MANAGEMENT

Introduction and general description

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

Market risk: rises from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:

- a. Foreign exchange risk: this arises as a consequence of fluctuations in market interest rates,
- b. Interest rate risk: this arises as a consequence of fluctuations in market interest rates,
- c. Price risk: this arises as a consequence of changes in market prices, either due to factor specific to the instrument itself or due to factors that affect all the instruments negotiated in the market,
- d. Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UF.

Credit risk: this is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reason of insolvency or inability of the individuals or legal 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 ex99-1 and reputation.

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

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

Risk management structure

The Board of Directors is responsible for the establishment and monitoring of the Bank's risk management structure and, to this end, has a corporate governance system in line with international recommendations and trends, adapted to the Chilean regulatory reality and adapted to best practices, advanced markets in which it operates. To better exercise this function, the Board of Directors has established the Comprehensive Risk Committee ("CIR"), whose main mission is to assist in the development of its functions related to the Bank's control and risk management. Complementing the CIR in risk management, the Board also has 3 key committees: Assets and Liabilities Committee (CAPA), Markets Committee ("CDM") and the Directors and Audit Committee ("CDA"). Each of the committees is composed of directors and executive members of the Bank's management.

The CIR is responsible for developing Bank risk management policies in accordance with the guidelines of the Board of Directors, the Global Risk Department of Santander Spain and the regulatory requirements issued by the CMF. These policies have been created mainly to identify and analyze the risk faced by the Bank, establish risk limits and appropriate controls, and monitor risks and compliance with limits. The Bank's risk management policies and systems are regularly reviewed to reflect changes in market conditions, and the products or services offered. The Bank, through the training and management of standards and procedures, aims to develop a disciplined and constructive control environment, in which all its employees understand their duties and obligations.

NOTE 35
RISK MANAGEMENT, continued

Market risk

Market risk arises as a consequence of the activity maintained in the markets, through financial instruments whose value may be affected by variations in market conditions, reflected in changes in the different assets and financial risk factors. The risk can be mitigated through hedges through other products (assets / liabilities or derivatives), or by undoing the operation / open position. The objective of market risk management is the management and control of exposure to market risk within acceptable parameters.

There are four major risk factors that affect market prices: interest rates, exchange rates, price, and inflation. Additionally, and for certain positions, it is also necessary to consider other risks, such as spread risk, base risk, commodity risk, volatility or correlation risk.

Market risk management

The internal management of the Bank to measure market risk is mainly based on the procedures and standards of Santander Spain, which are based on analyzing management in three main components:

- trading portfolio;
- local financial management portfolio;
- portfolio of foreign financial management,

The trading portfolio consists mainly of those investments valued at their fair value, free of any restriction for immediate sale and that are often bought and sold by the Bank with the intention of selling them in the short term in order to benefit from the short-term price variations. The financial management portfolios include all financial investments not considered in the trading portfolio.

The general responsibility for market risk lies with the ALCO. The Bank's risk / finance department is responsible for the preparation of detailed management policies and their application in the Bank's operations in accordance with the guidelines established by the ALCO and by the Global Risk Department of Banco Santander de España.

The functions of the department in relation to the trading portfolio entail the following:

- i, apply "Value at Risk" (VaR) techniques to measure interest rate risk.
- ii, adjust the trading portfolios to the market and measure the profit and daily loss of commercial activities.
- iii, compare the real VAR with the established limits.
- iv, establish procedures to control losses in excess of predetermined limits and
- v, Provide information on the negotiation activities for the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander – Spain.

The functions of the department in relation to the financial management portfolios entail the following:

- i, apply sensitivity simulations (as explained below) to measure the interest rate risk of activities in local currency and the potential loss foreseen by these simulations and
- ii, provides the respective daily reports to the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander – Spain,

Market risk - Negotiation portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position composed of fixed income investments, foreign currency trading and a minimum equity investment position. The composition of this portfolio consists essentially of bonds of the Central Bank of Chile, mortgage bonds and locally issued low-risk corporate bonds. At the end of the year, the trading portfolio did not present investments in stock portfolios.

NOTE 35
RISK MANAGEMENT, continued

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the losses and gains that would have occurred with the current portfolio if the market conditions of a certain historical period were in force, from that information, infer the maximum loss with a certain level of confidence. The methodology has the advantage of accurately reflecting the historical distribution of market variables and of not requiring any specific probability distribution assumption. All VaR measures are intended to determine the distribution function for the change in the value of a given portfolio, and once this distribution is known, to calculate the percentile related to the level of confidence needed, which will be equal to the value at risk in virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of the market value of a given portfolio within a 1-day horizon at a confidence level of 99,00%. It is the maximum loss of a day in which the Bank could expect to suffer in a certain portfolio with a 99,00% confidence level. In other words, it is the loss that the Bank would expect to exceed only 1,0% of the time. The VaR provides a single estimate of market risk that is not comparable from one market risk to another. The returns are calculated using a 2 year time window or at least 520 data obtained from the reference date of VaR calculation backwards in time.

The Bank does not calculate three separate VaRs. A single VaR is calculated for the entire trading portfolio, which, in addition, is segregated by type of risk. The VaR program performs a historical simulation and calculates a profit and loss statement (G & P) for 520 data points (days) for each risk factor (fixed income, currencies and variable income). The G & P of each risk factor is added and a consolidated VaR calculated with 520 data points or days. At the same time, the VaR is calculated for each risk factor based on the individual G & P calculated for each factor. Moreover, a weighted VaR is calculated in the manner described above but which gives a weight greater than the 30 most recent data points. The largest of the two VaRs is reported. In 2015 and 2014, the same VaR model was still used and there has been no change in methodology.

The Bank uses the VaR estimates to deliver a warning in case the statistically estimated losses in the trading portfolio exceed the prudent levels and, therefore, certain predetermined limits exist.

Limitations of the VaR model

When applying this calculation methodology no assumption is made about the probability distribution of changes in risk factors, simply use the changes observed historically to generate scenarios for the risk factors in which each of the positions will be valued, in portfolio.

It is necessary to define a valuation function $f_j(x_i)$ for each instrument j , preferably the same one that it uses to calculate the market value and results of the daily position. This valuation function will be applied in each scenario to generate simulated prices of all the instruments in each scenario.

In addition, the VaR methodology must be interpreted considering the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, nor may they have a normal distribution. In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;
- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in risk factors in the future, and any modification of the data may be inadequate. In particular, the use of historical data may fail to capture the risk of possible extreme and adverse market fluctuations regardless of the period of time used;
- a 1-day time horizon may not fully capture those market risk positions that can not be liquidated or hedged in one day. It would not be possible to liquidate or cover all positions in a day;
- VaR is calculated at the close of business, however trading positions may change substantially during the trading day;
- The use of 99% confidence level does not take into account, nor does it make any statement about, the losses that may occur beyond this level of trust, and
- The model as such VaR does not capture all the complex effects of the risk factors on the value of the positions or portfolios, and therefore, could underestimate the potential loss.

NOTE 35
RISK MANAGEMENT, continued

At no time in 2020 and 2019, the Bank exceeded the VaR limits in relation to the 3 components that make up the trading portfolio: fixed income investments, variable income investments and investments in foreign currency.

The Bank performs daily back-testing and, in general, it is discovered that trading losses exceed the estimated VaR almost one in every 100 trading days. At the same time, a limit was established for the maximum VaR that is willing to accept on the trading portfolio. In both 2020 and 2019, the Bank has remained within the maximum limit established for the VaR, even in those instances in which the real VaR exceeded the estimate.

The high, low and average levels for each component and for each year were the following:

VAR	2020	2019
	MMUSD	MMUSD
Consolidated:		
High		15.78
Low	12.82	1.33
Average	1.94	3.06
	4.61	
Fixed income investments:		
High		9.77
Low	11.96	1.18
Average	1.74	2.33
	3.49	
Variable income investments:		
High		-
Low	-	0.01
Average	-	-
	-	
Foreign currency investments		
High		6.05
Low	6.47	0.10
Average	0.71	1.60

Market risk – local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's assets and non-trading liabilities, including the loan / loan portfolio. For these portfolios, investment and financing decisions are heavily influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currency (not included in the trading portfolio). The Bank performs a scenario simulation which will be calculated as the difference between the present value of the flows in the chosen scenario (curve with parallel movement of 100 bp in all its tranches) and its value in the base scenario (current market). All positions in local currency indexed to inflation (UF) are adjusted by a sensitivity factor of 0,57, which represents a change in the rate curve at 57 basis points in real rates and 100 basis points in nominal rates. The same scenario is carried out for net foreign currency positions and interest rates in US dollars. The Bank has also established limits regarding the maximum loss that these types of movements in interest rates may have on capital and net financial income budgeted for the year.

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial loss limit and the capital and reserve loss limit, using the following formula:

Bound limit = square root of $a^2 + b^2 + 2ab$
a: limit in national currency.
b: limit in foreign currency.
Since it is assumed that the correlation is 0. $2ab = 0$.

NOTE 35
RISK MANAGEMENT, continued

Limitation of the sensitivity models

The most important assumption is the use of a change of 100 basis points in the yield curve (57 basis points for real rates). The Bank uses a change of 100 basis points given that sudden changes of this magnitude are considered realistic. The Global Risk Department of Santander Spain has also established comparable limits by country, in order to be able to compare, monitor and consolidate the market risk by country in a realistic and orderly manner.

In addition, the methodology of sensitivity simulations should be interpreted considering the following limitations:

- The simulation of scenarios assumes that the volumes remain in the Bank's Consolidated Statement of Financial Position and that they are always renewed at maturity, omitting the fact that certain considerations of credit risk and prepayments may affect the maturity of certain positions.
- This model assumes an equal change in the entire performance curve of everything and does not take into account the different movements for different maturities.
- The model does not take into account the sensitivity of volumes resulting from changes in interest rates.
- The limits to the losses of budgeted financial income are calculated on the basis of expected financial income for the year that can not be obtained, which means that the actual percentage of financial income at risk could be greater than expected.

Market risk – Financial management portfolio.

	2020		2019	
	Effect on financial income	Effect on capital	Effect on financial income	Effect on capital
Financial management portfolio – local currency (MCh\$)				
Loss limit	100,000	274,406	100,000	275,000
High	39,813	249,015	32,719	273,473
Low	26,984	234,595	12,686	145,338
Average	33,045	243,667	24,398	228,772
Financial management portfolio – foreign currency (Th\$US)				
Loss limit	45	75	30	75
High	22	58	20	35
Low	14	48	5	1
Average	17	51	12	12
Financial management portfolio (MCh\$)				
Loss limit	100,000	274,406	100,000	275,000
High	38,291	243,655	34,462	271,989
Low	25,111	230,043	15,236	143,836
Average	33,516	238,922	27,634	227,303

To fulfill its functions, the CIR works directly with the Bank's risk and control departments, whose joint objectives include:

- evaluate those risks that, due to their size, could compromise the solvency of the Bank, or that present potentially significant operational or reputation risks;
- ensure that the Bank is provided with the means, systems, structures and resources in accordance with the best practices that allow for the implementation of the strategy in risk management;
- ensure the integration, control and management of all Bank risks;
- execute the application throughout the Bank and its businesses of homogeneous risk principles, policies and metrics;
- develop and implement a risk management model in the Bank, so that the risk exposure is properly integrated in the different decision-making processes;
- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantify sensitivities and the foreseeable impact of different scenarios on the positioning of risks; Y
- manage the structural liquidity risks, interest rates and exchange rates, as well as the Bank's own resources base.

NOTE 35
RISK MANAGEMENT, continued

To comply with the aforementioned objectives, the Bank (Administration and ALCO) carries out several activities related to risk management, which include: calculating the risk exposures of the different portfolios and / or investments, considering mitigating factors (guarantees, netting, collaterals, etc.); calculate the probabilities of expected loss of each portfolio and / or investments; assign the loss factors to the new operations (rating and scoring); measure the risk values of the portfolios and / or investments according to different scenarios through historical simulations; establish limits to potential losses based on the different risks incurred; determine the possible impacts of structural risks in the Consolidated Statements of Results of the Bank; set the limits and alerts that guarantee the Bank's liquidity; and identify and quantify operational risks by business lines and thus facilitate their mitigation through corrective actions.

The CDA is primarily responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks the Bank faces.

Credit risk

Credit risk is the risk that one of the parties to the financial instrument contract fails to comply with its contractual obligations due to insolvency or disability of natural or legal persons and causes a financial loss in the other party. For purposes of credit risk management, the Bank consolidates all the elements and components of credit risk exposure (eg risk of individual default by creditor, innate risk of a line of business or sector, and / or geographical risk).

Mitigation of credit risk for loans and accounts receivable

The Board of Directors has delegated responsibility for credit risk management to the Comprehensive Risk Committee (CIR) and the Bank's risk departments whose roles are summarized as follows:

- Formulation of credit policies, in consultation with the business units, covering the requirements of guarantee, credit evaluation, risk rating and presentation of reports, documents and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.

- Establish the structure of the authorization for the approval and renewal of credit applications. The Bank structures levels of credit risk by placing limits on the concentration of that risk in terms of individual debtors, groups of debtors, segments of industries and countries. The authorization limits are assigned to the respective officers of the business unit (commercial, consumption, PYMES) to be monitored permanently by the Administration. In addition, these limits are reviewed periodically. The risk assessment teams at branch level interact regularly with clients, however for large operations, the risk teams of the parent company and even the CIR, work directly with clients in the evaluation of credit risks and preparation of credit risk, credit applications. Inclusive, Banco Santander España participates in the process of approving the most significant loans, for example to clients or economic groups with debt amounts greater than US \$ 40 million.

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

- Develop and maintain the Bank's risk classification in order to classify the risks according to the degree of exposure to financial loss faced by the respective financial instruments and with the purpose of focusing the management or risk management specifically on the associated risks.

- Review and evaluate credit risk The risk divisions of the Administration are largely independent of the commercial division of the bank and evaluate all credit risks in excess of the designated limits, prior to the approval of credits to customers or prior to the acquisition of specific investments. Credit renewals and revisions are subject to similar processes.

In the preparation of a credit request for a corporate client, the Bank verifies several parameters such as the debt service capacity (including, generally, projected cash flows), the client's financial history and / or projections for the economic sector in which it operates. The risk division is closely involved in this process. All requests contain an analysis of the client's strengths and weaknesses, a rating and a recommendation. The credit limits are not determined based on the outstanding balances of the clients, but on the direct and indirect credit risk of the financial group. For example, a limited company would be evaluated together with its subsidiaries and affiliates.

NOTE 35
RISK MANAGEMENT, continued

Consumer loans are evaluated and approved by their respective risk divisions (individuals, PYMEs) and the evaluation process is based on an evaluation system known as Garra (Banco Santander) and Syseva of Santander Banefe, both processes are decentralized, automated and they are based on a scoring system that includes the credit risk policies implemented by the Bank's Board of Directors, The credit application process is based on the collection of information to determine the client's financial situation and ability to pay, The parameters that are used to assess the credit risk of the applicant include several variables such as: income levels, duration of current employment, indebtedness, reports of credit agencies.

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

As part of the process of acquiring financial investments and financial instruments, the Bank considers the probability of uncollectibility of issuers or counterparties using internal and external evaluations such as independent risk evaluators of the Bank, In addition, the Bank is governed by a strict and conservative policy which ensures that the issuers of its investments and counterparties in transactions of derivative instruments are of the highest reputation.

In addition, the Bank operates with various instruments that, although they involve exposure to credit risk, are not reflected in the Consolidated Statement of Financial Position, such as: guarantees and bonds, documentary letters of credit, guarantee slips and commitments to grant loans.

The guarantees and bonds represent an irrevocable payment obligation, In the event that a guaranteed client does not fulfill its obligations with third parties who are liable to the Bank, the latter will make the corresponding payments, so that these transactions represent the same exposure to credit risk as a common loan.

Documentary letters of credit are commitments documented by the Bank on behalf of the client that are guaranteed by the merchandise shipped to which they are related and, therefore, have a lower risk than direct indebtedness, Guarantee slips correspond to contingent commitments that are made effective only if the client does not comply with the performance of works agreed with a third party, guaranteed by them.

When it comes to commitments to grant credit, the Bank is potentially exposed to losses in an amount equivalent to the unused total of the commitment, However, the probable amount of loss is less than the unused total of the commitment, The Bank monitors the maturity of credit lines because generally long-term commitments have a higher credit risk than short-term commitments.

Maximun credit risk exposure

For financial assets recognized in the Consolidated Statement of Financial Position, exposure to credit risk is equal to their book value, For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantee were executed.

Below is the distribution by financial asset and off-balance a sheet commitments of the Bank's maximum exposure to credit risk as of march 31, 2020 and december 31, 2019, without deduction of collateral, security interests or credit improvements received:

	Note	As of March 31, 2020	As of December 31, 2019
		Amount of exposure MCh\$	Amount of exposure MCh\$
Deposits in banks	5	2,861,040	2,693,342
Cash items in process of collection	5	615,922	355,062
Trading investments	6	552,889	270,204
Investments under resale agreements	-	-	-
Financial derivative contracts	7	14,925,196	8,148,608
Loans and accounts receivable from customers and interbank loans, net	8 y 9	33,422,296	31,838,568
Available for sale investments	10	3,048,071	4,010,272
Off-balance commitments:			
Letters of credit issued	20	150,219	140,572
Foreign letters of credit confirmed	20	45,531	70,192
Guarantees	20	1,287,713	1,929,894
Available credit lines	20	8,860,472	8,732,422
Personal guarantees	20	410,627	451,950
Other irrevocable credit commitments	20	378,112	485,991
Total		66,558,088	59,127,077

NOTE 35
RISK MANAGEMENT, continued

Regarding the quality of the credits, these are classified in accordance with what is described in the compendium of regulations of the CMF as of March 31, 2020 and December 31, 2019:

Category Commercial Portfolio	As of March 31, 2020				As of December 31, 2019			
	Individual	Percentage	Allowance	Percentage	Individual	Percentage	Allowance	Percentage
	MCh\$	%	MCh\$	%	MCh\$	%	MCh\$	%
A1	29,942	0.09	9	-	99,042	0.31	34	0.00
A2	1,274,635	3.71	904	0.10	907,696	2.78	572	0.06
A3	2,758,943	8.03	4,134	0.46	2,213,921	6.77	3,434	0.38
A4	3,819,295	11.12	24,513	2.70	3,514,637	10.74	19,937	2.23
A5	2,352,707	6.85	31,766	3.50	2,226,246	6.81	29,599	3.31
A6	1,293,721	3.77	32,171	3.55	1,134,045	3.46	23,568	2.67
B1	580,064	1.69	12,457	1.37	603,202	1.85	10,689	1.21
B2	101,271	0.29	4,428	0.49	83,341	0.25	3,428	0.38
B3	76,025	0.22	3,215	0.35	85,851	0.27	4,590	0.51
B4	109,154	0.32	27,024	2.98	133,701	0.41	23,797	2.66
C1	157,715	0.46	3,154	0.35	158,437	0.48	3,169	0.35
C2	105,963	0.31	10,596	1.17	75,830	0.24	7,583	0.85
C3	53,004	0.15	13,251	1.46	48,601	0.14	12,150	1.36
C4	44,872	0.13	17,949	1.98	41,372	0.12	16,549	1.85
C5	48,722	0.14	31,669	3.49	44,904	0.13	29,188	3.27
C6	49,173	0.14	44,256	4.88	53,646	0.16	48,262	5.40
Subtotal	12,855,206	37.42	261,497	28.83	11,424,472	34.92	236,549	26.49
	Group	Percentage	Allowance	Percentage	Group	Percentage	Allowance	Percentage
	MCh\$	%	MCh\$	%	MCh\$	%	MCh\$	%
Commercial								
Normal Portfolio	3,900,838	11.35	72,974	8.05	4,027,776	12.31	76,918	8.61
Impaired portfolio	483,704	1.41	207,245	22.85	462,583	1.41	198,975	22.27
Subtotal	4,384,542	12.76	280,219	30.90	4,490,359	13.72	275,893	30.88
Mortgage								
Normal Portfolio	11,121,276	32.37%	20,905	2.30	10,733,871	32.81	21,078	2.36
Impaired portfolio	542,859	1.58%	46,394	5.12	529,124	1.62	47,383	5.31
Subtotal	11,664,135	33.95	67,299	7.42	11,262,995	34.43	68,461	7.67
Mortgage								
Normal Portfolio	5,166,278	15.04%	111,644	12.31	5,258,137	16.07	124,054	13.89
Impaired portfolio	284,998	0.83	186,321	20.54	280,920	0.86	188,191	21.07
Subtotal	5,451,276	15.87	297,965	32.85	5,539,057	16.93	312,245	34.96
Total	34,355,159	100.00	906,993	100.00	32,716,883	100.00	893,148	100.00

NOTE 35
RISK MANAGEMENT, continued

Regarding the individual evaluation portfolio, the different categories correspond to:

- Categories A or Portfolio in Normal Compliance, is one that is made up of debtors whose ability to pay them it allows compliance with its financial obligations and commitments, and that according to the evaluation of its economic-financial situation, it is not seen that this condition changes in the short term.
- Categories B or Substandard Portfolio, is one that contemplates debtors with financial difficulties or significant worsening of their ability to pay and over which there are reasonable doubts about the total reimbursement of principal and interest in the terms agreed upon, showing a low slack to meet with your financial obligations in the short term.
- Categories C or Portfolio in Default, is made up of those debtors whose recovery is considered remote, since they show a deteriorated or no capacity to pay.

As for the group evaluation portfolios, a joint evaluation of the operations that compose it is carried out.

Refer to Note 28 for details of impaired Bank loans and their respective provisions. Also refer to the Note 17 for a breakdown of the maturities of the Bank's financial assets.

Exposure to credit risk in derivative contracts with abroad

As of March 31, 2020, the Bank's foreign exposure, including the counterparty risk in the derivative portfolio, was USD 2,683 million or 4.13% of the assets. In the table below, the exposure to derivative instruments is calculated using the equivalent credit risk, which is equal to the net value of the replacement plus the maximum potential value, considering the collateral in cash, which mitigates the exposure.

Below, additional details are included regarding our exposure to those countries that have a rating of 1 and that correspond to the largest exposures. The following is the exposure as of March 31, 2020, considering the fair value of the derivative instruments.

Country	Clasificación	Derivative instrument	Deposits	Loans	Financial investments	Total exposure
		(adjusted to market)	M USD	M USD	M USD	M USD
		MM USD				
Colombia	2	0.77	0.00	0.00	0.00	0.77
Italia	2	0.00	2.27	0.71	0.00	2.98
México	2	8.25	0.04	0.00	0.00	8.29
China	2	0.00	0.00	13.70	0.00	13.70
Panamá	2	5.65	0.00	0.00	0.00	5.65
Perú	2	1.92	0.00	0.00	0.00	1.92
Total		16.59	2.31	14.41	0.00	33.31

The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the exposure to net loans is USD \$ 0.

NOTE 35
RISK MANAGEMENT, continued

Our exposure to Spain within the group is as follows:

Counterpart	Country	Classification	Derivative instruments	Deposits	Loans	Financial	Total
			(adjusted to market)	M USD	M USD	investments	exposure
			M USD	M USD	M USD	M USD	M USD
Banco Santander España (*)	España	1	282.92	106.65	0.39	0.00	389.96

(*) The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the exposure to net loans is USD \$0. We include our exposure to the Santander branches in New York and Hong Kong as exposure to Spain.

Impairment of other financial instruments

As of March 31, 2020 and December 31, 2019, the Bank did not have significant impairments in its financial assets other than credits and / or accounts receivable.

Security interests and credit improvements

The maximum exposure to credit risk, in some cases, is reduced by guarantees, credit enhancements and other actions that mitigate the Bank's exposure. Based on this, the constitution of guarantees is a necessary but not sufficient instrument in the granting of a loan; therefore, the acceptance of risk by the Bank requires the verification of other variables or parameters such as the ability to pay or generate resources to mitigate the risk incurred.

The procedures for the management and valuation of guarantees are included in the internal risk management policy. These policies establish the basic principles for the management of credit risk, which includes the management of guarantees received in transactions with customers. In this sense, the risk management model includes assessing the existence of appropriate and sufficient guarantees that allow the recovery of the loan to be carried out when the debtor's circumstances do not allow it to meet its obligations.

The procedures used for the valuation of the guarantees are in accordance with the best practices of the market, which involve the use of valuations in real estate guarantees, market price in stock values, value of the shares in an investment fund, etc. All the collateral received must be properly instrumented and registered in the corresponding registry, as well as having the approval of the Bank's legal divisions.

The Bank also has rating tools that allow ordering the credit quality of operations or clients. In order to study how this probability varies, the Bank has historical databases that store the information generated internally. The qualification tools vary according to the segment of the analyzed client (commercial, consumption, SMEs, etc.).

The following is a breakdown of impaired and non-impaired financial assets that have collateral, collateral or credit enhancements associated with the Bank as of March 31, 2020 and December 31, 2019:

	As of March, 2020	As of December, 2019
	MCh\$	MCh\$
Non-impaired financial assets:		
Properties/mortgages	22,302,561	23,371,510
Investments and others	2,851,640	2,785,219
Impaired financial assets:		
Properties/mortgages	1,792,023	101,456
Investments and others	85,251	525
Total	27,031,475	26,258,710

NOTE 35
RISK MANAGEMENT, continued

Liquidity risk

Liquidity risk is the risk that the Bank has difficulties in complying with the obligations associated with its financial obligations.

Liquidity risk management

The Bank is exposed daily to requirements of cash funds from several banking transactions such as current account drafts, payments of term deposits, guarantee payments, disbursements of derivative operations, etc. As is inherent in banking activity, the Bank does not hold funds in cash to cover the balance of those positions, since experience shows that only a minimum level of these funds will be withdrawn, which can be foreseen with a high degree of certainty.

The Bank's approach to liquidity management is to ensure, to the extent possible, that it always has sufficient liquidity to meet its obligations at maturity, under normal circumstances and stress conditions, without incurring unacceptable losses or risking risk, of damage to the reputation of the Bank. The Board sets limits on a minimum portion of funds to be made available to meet such payments and on a minimum level of inter-bank operations and other lending facilities that should be available to cover drafts at unexpected levels of demand, which is reviewed periodically. On the other hand, the Bank must comply with regulatory limits dictated by the CMF for the mismatches of terms.

These limits affect the mismatches between future income and expenditure flows of the Bank considered individually and are the following:

- i. Mismatches of up to 30 days for all currencies, up to once the basic capital;
- ii. mismatches of up to 30 days for foreign currencies, up to once the basic capital; Y
- iii. mismatches of up to 90 days for all currencies, twice the basic capital.

The treasury department receives information from all the business units on the liquidity profile of its financial assets and liabilities and details of other projected cash flows derived from future businesses. According to this information, treasury maintains a portfolio of liquid assets in the short term, composed largely of liquid investments, loans and advances to other banks, to ensure that the Bank maintains sufficient liquidity. The liquidity needs of the business units are met through short-term transfers from treasury to cover any short-term fluctuation and long-term financing to address all structural liquidity requirements.

The Bank monitors its liquidity position on a daily basis, determining the future flows of its expenses and revenues. In addition, stress tests are carried out at the end of each month, for which a variety of scenarios are used, covering both normal market conditions and fluctuation conditions. The liquidity policy and procedures are subject to review and approval by the Bank's Board of Directors. Periodic reports are generated detailing the liquidity position of the Bank and its affiliates, including any exceptions and corrective measures adopted, which are regularly reviewed by the ALCO.

The Bank is based on client (retail) and institutional deposits, bonds with banks, debt instruments and time deposits as its main sources of financing. Although most of the obligations with banks, debt instruments and time deposits have maturities of more than one year, customer and retail deposits tend to have shorter maturities and a large proportion of them are payable within 90 days, days. The short-term nature of these deposits increases the liquidity risk of the Bank and therefore the Bank actively manages this risk by constantly monitoring market trends and price management.

Exposure to liquidity risk

One of the key measures used by the Bank to manage liquidity risk is the proportion of net liquid assets to customer deposits. For this purpose, the net liquid assets must include cash / cash, cash equivalents and debt investments for which there is an active and liquid market minus the deposits of the banks, fixed income securities issued, loans and other commitments maturing in next month. A similar measure, but not identical, is used as a calculation to measure the Bank's compliance with the liquidity limit established by the CMF, where the Bank determines the mismatch between its rights and obligations according to maturity according to the estimated performance.

NOTE 35
RISK MANAGEMENT, continued

The proportions of the mismatches at 30 days in relation to capital and 90 days in relation to 2 times the capital are shown in the following table:

	As of March 31, 2020		As of December 31, 2019	
		%		%
30 days		25		63
30 days foreign		-		-
90 days		63		79

Following is a breakdown, by contractual maturities, of the balances of the Bank's assets and liabilities as of March 31, 2020 and December 31, 2019, considering also those unrecognized commitments:

As of March 31, 2020	Demand MMS	Up to 1 month MMS	Between 1 and 3 months MMS	Between 3 and 12 months MMS	Between 1 and 3 years MMS	Between 3 and 5 years MMS	More than 5 years MMS	Total MMS
Asset expiration (Note 17)	4,696,973	4,266,751	3,667,193	9,539,857	10,423,010	5,938,007	19,349,754	57,879,545
Expiration of liabilities (Note 17)	(13,370,353)	(7,374,634)	(6,477,132)	(8,563,769)	(5,313,463)	(4,855,004)	(8,665,700)	(54,610,966)
Net expiration	(8,673,380)	(3,107,883)	(2,809,939)	996,088	5,109,547	1,083,003	10,684,054	3,268,452
Unrecognized loan / credit commitments								
Guarantees and bonds	-	80,688	111,168	873,000	279,797	56,050	9,077	1,408,781
Letters of credit from abroad confirmed	-	36,568	66,399	36,161	8,001	-	-	147,129
Letters of documentary credits issued	-	8,302	19,614	124,794	5,132	-	-	157,642
Guarantee	-	23,589	91,861	495,885	276,720	45,918	9,950	943,925
Net maturity, including commitments	(8,673,380)	(2,958,735)	(2,520,897)	2,515,908	5,670,181	1,182,971	10,703,081	5,928,128

As of December 31, 2019	A la vista MMS	Hasta 1 mes MMS	Entre 1 y 3 meses MMS	Entre 3 y 12 meses MMS	Entre 1 y 3 años MMS	Entre 3 y 5 años MMS	Más de 5 años MMS	Total MMS
Asset expiration (Note 17)	4,539,389	4,513,787	2,813,147	7,255,064	8,078,287	5,720,027	16,465,316	49,385,017
Expiration of liabilities (Note 17)	(11,793,782)	(6,641,245)	(6,747,894)	(5,610,834)	(4,439,984)	(3,425,089)	(6,200,485)	(44,859,313)
Net expiration	(7,254,393)	(2,127,458)	(3,934,747)	1,644,230	3,638,303	2,294,938	10,264,831	4,525,704
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(30,356)	(9,009)	(318,024)	(93,814)	(747)	-	(451,950)
Letters of credit from abroad confirmed	-	(25,452)	(1,906)	(31,365)	(31,587)	-	-	(70,152)
Letters of documentary credits issued	-	(33,207)	(347)	(33,438)	(73,580)	-	-	(140,572)
Guarantee	-	(144,363)	(546,369)	(902,737)	(216,472)	(97,661)	(22,292)	(1,929,894)
Net maturity, including commitments	(7,254,393)	(2,360,876)	(4,492,280)	378,726	3,222,850	2,196,530	10,242,548	1,933,096

The above tables show the undiscounted cash flows of the Bank's financial assets and liabilities on the estimated maturity basis. The expected cash flows of the Bank from these instruments can vary considerably compared to this analysis. For example, demand deposits are expected to remain stable or have an increasing trend, and unrecognized loan commitments are not expected to be executed all that have been arranged. In addition, the above breakdown excludes available lines of credit, since they lack contractual defined maturities.

NOTE 35
RISK MANAGEMENT, continued

Operating risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes related to the Bank's processes, personnel, technology and infrastructure, and external factors that are not credit, market or liquidity, such as those related to legal or regulatory requirements. Operating risks arise from all Bank operations.

The objective of the Bank is the management of operational risk in order to mitigate economic losses and damages to the Bank's reputation with a flexible structure of internal control.

The Bank's Administration has the primary responsibility for the development and application of controls to deal with operational risks. This responsibility is supported by the overall development of the Bank's standards for operational risk management in the following areas:

- Requirements for the proper segregation of functions, including the independent authorization of operations
- Requirements for reconciliation and supervision of transactions
- Compliance with applicable legal and regulatory requirements
- Documentation of controls and procedures
- Requirements for the periodic evaluation of the applicable operational risks, and the adequacy of the controls and procedures to deal with the identified risks
- Requirements for the disclosure of operating losses and the proposed corrective measures
- Development of contingency plans
- Training and professional development / training
- Establishment of business ethics standards
- Reduction or mitigation of risks, including contracting insurance policies if they are effective.

Compliance with Bank regulations is supported by a program of periodic reviews carried out by the Bank's internal audit and whose examination results are presented internally to the management of the business unit examined and to the Directors and Audit Committee.

Capital risk

The Group defines capital risk as the risk that the Group or any of its companies may have an insufficient amount and/or quality of capital to: meet the minimum regulatory requirements in order to operate as a bank; respond to market expectations regarding its creditworthiness; and support its business growth and any strategic possibilities that might arise, in accordance with its strategic plan.

The objectives in this connection include most notably:

- To meet the internal capital and capital adequacy targets.
- To meet the regulatory requirements.
- To align the Bank's strategic plan with the capital expectations of external agents (rating agencies, shareholders and investors, customers, supervisors, etc.)
- To support the growth of the businesses and any strategic opportunities that may arise.

The Group has a capital adequacy position that surpasses the levels required by regulations.

Capital management seeks to optimize value creation at the Bank and at its different business segments. The Bank continuously evaluates its risk-return ratios through its basic capital, effective net equity, economic capital and return on equity. With regard to capital adequacy, the Bank conducts its internal process based on the CMF standards which are based on Basel Capital Accord (Basel I). Economic capital is the capital required to support all the risk of the business activity with a given solvency level.

Capital is managed according to the risk environment, the economic performance of Chile and the business cycle. Board may modify our current equity policies to address changes in the mentioned risk environment.

NOTE 35
RISK MANAGEMENT, continued

Capital minimum

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch\$22,878 million or U.S.\$ 26,8 million as of March 31, 2020) of paid-in capital and reserves, calculated in accordance with Chilean GAAP.

Capital requirement

Chilean banks are required by the General Banking Law to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves ("basic capital") of at least 3% of total assets, net of required loan loss allowances. Regulatory capital and basic capital are calculated based on the consolidated financial statements prepared in accordance with the Compendium of Accounting Standards issued by the CMF. As we are the result of the merger between two predecessors with a relevant market share in the Chilean market, we are currently required to maintain a minimum regulatory capital to risk-weighted assets ratio of 11%. As of March 31, 2020, the ratio of our regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, was 12.74% and our core capital ratio was 6.96%.

Regulatory capital is defined as the aggregate of:

- a bank's paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches or basic capital;
- its subordinated bonds, valued at their placement price (but decreasing by 20,0% for each year during the period commencing six years prior to maturity), for an amount up to 50,0% of its basic capital; and
- its voluntary allowances for loan losses for an amount of up to 1,25% of risk weighted-assets.

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

	Ratio			
	As of March 31, 2020 MCh\$	As of December 31, 2019 MCh\$	As of March 31, 2020 %	As of December 31, 2019 %
Basic capital	3,494,433	3,390,823	6.86	6.96
Regulatory capital	4,584,313	4,304,401	12.74	12.86

Concentration of risk

The Bank operates mainly in Chile, so most of its financial instruments are concentrated in that country. Refer to Note 09 of the financial statements for a breakdown of the concentration by industry of the Bank's receivables and accounts receivable.

NOTE 36
NON-CURRENT ASSETS HELD FOR SALE

Banco Santander has embarked on an internal process of developing its acquisition network, thereby abandoning investments in the companies that provided such services. Therefore, senior management has engaged in a buyer search plan for such shareholdings.

As required by IFRS 5, the Bank has presented the non-current asset classified as held for sale by isolating it from the rest of the investments in associates, in the same way it has presented the income associated with said investments as non-current results in a comparative way.

The following investments in associates were classified to non-current assets held for sale:

	Participation %	As of March 31, 2020		As of December 31, 2019	
		Assets	Result	Assets	Result
		MCh\$	MCh\$	MCh\$	MCh\$
Transbank	25.00	19,093	-	19,093	1,442
Nexus	-	-	-	357	136
Redbanc	33.43	2,944	-	2,944	121
Totales		22,037	-	22,394	1,699

NOTE 37
SUBSEQUENT EVENTS

Bonds Issue

On April 7, 2020, the Bank placed the following subordinated bonds.

- USTDH30914 for UF 3,000,000, expiration date is September 1, 2039.
- USTDH20914 for UF 3,000,000, expiration date is September 1, 2034.

Standards

CMF

On April 2, 2020, the CMF published additional transitional measures for the treatment of provisions. The new measures seek to provide an accounting framework for credit reprogramming, facilitate its conditions and avoid calculating higher provisions.

The exceptional treatment will be valid until July 31, 2020 and considers the freezing of provisions in the following situations:

- Mortgage: the maximum period of grace or extension of dividends will be 6 months for those debtors who are up to date or have a default of no more than 30 days within the indicated period of validity.
- Commercial: the maximum period of grace or extension will be 4 months for those debtors who are up to date or have a default of no more than 30 days or a fee within the indicated period of validity.
- Consumption: the maximum period of grace or extension will be 3 months for those debtors who are up to date or have a default of no more than 30 days within the indicated period of validity.

Compendium of Accounting Standards for Banks (CNCB)

On April 20, 2020, the CMF announced that it would postpone the entry into force of the new CNCB from January 1, 2022 with a transition date of January 1, 2021 for purposes of comparative financial statements in March 2022. However, the change of criteria for the suspension of the recognition of interest income and readjustments (chapter B-2), must be adopted no later than January 1, 2022, with a transition date the beginning of any month prior to that date, registering an impact against equity and revealing the date on which this criterion was adopted.

Circular N° 2250 - RAN, Chapter 12-1. Equity for legal and regulatory purposes. It allows adding to the additional provisions a proportion of the State guarantees.

Central Bank of Chile

On April 9, 2020, the Central Bank of Chile (BCCh) announced new measures to support the operation of financial markets, which are indicated below:

- Extension of terms in liquidity management programs in pesos and dollars through REPO, FX - Swap operations to 4,000 million and US \$ 4,500 million in NDF.
- Transitory modification of the monetary reserve regulations, expanding the constitution of the reserve requirement in foreign currency obligations from US dollars to euros, yen and Chilean pesos.
- Temporary adjustment of liquidity requirements for banking companies, suspending compliance with the requirements for mismatches of terms (30 and 90 days) and making it easier to regulate and comply with the short-term liquidity limit (LCR), in coordination with the CMF, which will remain 70% of by 2020.

IFRS

On April 10, 2020, the IASB issued a document intended to support the consistent application of the requirements of IFRS 16. In this line, it establishes that it is required to assess whether a change in the payment scheme corresponds to a modification. IFRS 16 defines a modification as a change in the scope of the lease or the consideration for the lease, which was not part of the original terms and conditions of the lease. To evaluate the above, it is necessary to consider whether there has been a change in the right of use and / or a change in the general effect of any change in payments. Then, it is required to evaluate if the changes are part of the original terms or conditions of the contract. The modifications that are contained in the original contractual clauses or applicable laws or regulations that are part of the original conditions, are not modifications of the lease under IFRS 16.

There are no other subsequent events that occurred between April 1, 2020 and the date of issuance of these Consolidated Interim Financial Statements (April 27, 2020) to be disclosed

JONATHAN COVARRUBIAS H.
Chief Accounting Officer

MIGUEL MATA HUERTA
Chief Executive Officer

